

**CATHOLIC CHARITIES LEGAL SERVICES,
ARCHDIOCESE OF MIAMI, INC.**

Financial Statements

June 30, 2020

(With Independent Auditor's Report Thereon)

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

FINANCIAL STATEMENTS

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

The Board of Directors
Catholic Charities Legal Services
Archdiocese of Miami, Inc.:

We have audited the accompanying financial statements of Catholic Charities Legal Services, Archdiocese of Miami, Inc. (the "Organization"), a non-profit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sanson Kline Jacomino Tandoc & Gamarra, LLP

Miami, Florida
August 20, 2020

BASIC FINANCIAL STATEMENTS

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

Assets

Current assets:

Cash	\$ 1,176,599
Accounts receivable, net of allowance for doubtful accounts of \$68,021	68,021
Grants receivable	544,350
Prepays	34,011
Security deposit	24,591
Total current assets	<u>1,847,572</u>

Property and equipment, net	<u>31,552</u>
Total assets	<u>\$ 1,879,124</u>

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 231,379
Notes payable, current maturities	190,593
Compensated absences	160,153
Total current liabilities	<u>582,125</u>

Non-current liabilities:

Notes payable, less current maturities	187,374
Forgiveable loan payable	558,200
Total current liabilities	<u>745,574</u>

Net assets:

Without donor restrictions	321,305
With donor restrictions	230,120
Total net assets	<u>551,425</u>
Total liabilities and net assets	<u>\$ 1,879,124</u>

The accompanying notes are an integral part of the financial statements.

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Support:			
Grants	\$ 3,047,413	403,428	\$ 3,450,841
Client fees	552,295	-	552,295
Fundraising	53,555	-	53,555
Contributions	177,927	-	177,927
Net assets released from restriction	365,052	(365,052)	-
Total support and other revenue	<u>4,196,242</u>	<u>38,376</u>	<u>4,234,618</u>
Expenses:			
Program services:			
Immigration services	<u>3,451,347</u>	<u>-</u>	<u>3,451,347</u>
Total program services	<u>3,451,347</u>	<u>-</u>	<u>3,451,347</u>
Supporting services:			
Management and general	515,083	-	515,083
Fundraising	<u>16,805</u>	<u>-</u>	<u>16,805</u>
Total supporting services	<u>531,888</u>	<u>-</u>	<u>531,888</u>
Total expenses	<u>3,983,235</u>	<u>-</u>	<u>3,983,235</u>
Change in net assets	213,007	38,376	251,383
Net assets - beginning of year	<u>108,298</u>	<u>191,744</u>	<u>300,042</u>
Net assets - end of year	<u>\$ 321,305</u>	<u>\$ 230,120</u>	<u>\$ 551,425</u>

The accompanying notes are an integral part of the financial statements.

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services		Supporting Services		Grand Total
	Immigration Services	Management and General	Fundraising	Total	
Compensation and related expenses:					
Salaries	\$ 2,236,466	\$ 334,185	\$ -	\$ 334,185	\$ 2,570,651
Employee benefits	343,282	51,295	-	51,295	394,577
Payroll taxes	161,477	24,129	-	24,129	185,606
	<u>2,741,225</u>	<u>409,609</u>	<u>-</u>	<u>409,609</u>	<u>3,150,834</u>
Accounting Fees	18,270	2,730	-	2,730	21,000
Bad Debt	4,662	697	-	697	5,359
Bank Service Charges	890	133	-	133	1,023
Client Costs	7,338	1,097	-	1,097	8,435
Depreciation Expense	7,339	1,097	-	1,097	8,436
Donations	3,895	582	-	582	4,477
Employee Meals	2,536	379	-	379	2,915
Equipment Rental	10,368	1,549	-	1,549	11,917
Fundraising Events	-	-	16,805	16,805	16,805
Interest Expense	11,956	1,787	-	1,787	13,743
Liability Insurance	44,869	6,705	-	6,705	51,574
Licenses and Taxes	1,296	194	-	194	1,490
Memberships and Subscriptions	16,792	2,509	-	2,509	19,301
Merchants Fees	6,640	992	-	992	7,632
Miscellaneous	11,402	1,704	-	1,704	13,106
Occupancy Expenses	192,545	28,771	-	28,771	221,316
Office Supplies	36,645	5,476	-	5,476	42,121
Other Professional Services	95,849	14,322	-	14,322	110,171
Postage and Shipping	36,275	5,420	-	5,420	41,695
Printing	2,530	378	-	378	2,908
Special Events	4,275	-	-	-	4,275
Tech and Professional Contractors	144,344	21,569	-	21,569	165,913
Telephone	16,989	2,539	-	2,539	19,528
Travel and Entertainment	32,417	4,844	-	4,844	37,261
	<u>\$ 3,451,347</u>	<u>\$ 515,083</u>	<u>\$ 16,805</u>	<u>\$ 531,888</u>	<u>\$ 3,983,235</u>

The accompanying notes are an integral part of the financial statements.

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 251,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,436
(Increase) decrease in assets:	
Account receivables	(17,684)
Grant receivables	(66,135)
Prepays	(28,158)
Security deposit	(24)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(14,371)
Compensated absences	39,350
Net cash provided by operating activities	<u>172,797</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(17,530)</u>
Net cash used in investing activities	<u>(17,530)</u>
Cash flows from financing activities	
Payments on notes payable	(16,360)
Proceeds from forgivable loan payable	<u>558,200</u>
Net cash provided by financing activities	<u>541,840</u>
Net increase in cash	697,107
Cash - beginning of year	<u>479,492</u>
Cash - end of year	<u>\$ 1,176,599</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ 13,582</u>

The accompanying notes are an integral par of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – NATURE OF ORGANIZATION

Catholic Charities Legal Services, Archdiocese of Miami, Inc. (the "Organization") is a non-profit organization. Its initial and current member is The Most Reverend Thomas G. Wenski, Archbishop of the Archdiocese of Miami. The organization's mission is to promote the principle of equal access to the system of justice, provide legal services to persons and groups in special need, inform immigrants of their legal rights, as well as inform and advise community groups and health and social service providers about the legal problems and rights of immigrants and about legal services provided by this entity, and provide legal services to facilitate the reunification of families and access to employment and human services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Organization's significant accounting policies is presented to assist the reader in interpreting the financial statements. The policies are considered essential and should be read in conjunction with the financial statements.

A. Basis of presentation

The financial statements have been prepared on the accrual basis of accounting. Classification of the Organization's net assets, its revenue and expenses, and gains and losses are based on the existence or absence of donor/grantor-imposed restrictions. Net assets can be classified in the following categories:

- (i) *Net assets without donor restrictions* – consists of net assets that are not subject to donor/grantor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization, at the discretion of management and the board of directors.
- (ii) *Net assets with donor restrictions* – represent net assets subject to stipulations imposed by donors and/or grantors. Some donor/grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor/grantor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor/grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

B. Accounts receivable – legal service fees

The Organization provides immigration legal services to clients at significantly reduced fixed fee amounts. Due to the nature of the clients served and lengthy legal proceedings, the Organization does not enforce payment of services preceding inception of work. Instead, fees must be paid prior to closing of the client's case and may be paid over the length of the legal proceeding, which in some cases may extend over the period of several fiscal years. As such, the Organization periodically evaluates the accounts receivables for each type of legal service provided, as well as the status of any significant past due accounts, to determine an allowance for doubtful accounts. When management determines that a receivable is uncollectible, the balance is removed from accounts receivable and charged against the allowance. Any subsequent recoveries of amounts previously written-off are charged to income.

C. Property and equipment

Property and equipment purchased by the Organization are capitalized and recorded at cost. Donated assets are capitalized and recorded at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenses for maintenance and repairs are charged to expense when incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Property and equipment (continued)

Property and equipment purchased by the Organization are capitalized and recorded at cost. Donated assets are capitalized and recorded at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenses for maintenance and repairs are charged to expense when incurred.

Donations of property and equipment are reported as support without donor restrictions, unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restrictions to net assets without donor restrictions, at that time.

D. Concentration of credit risk

The Organization maintains cash balances in one bank, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management continually reviews the bank institution for deposit risk and believes the risk associated with the current banking institutions is minimal.

E. Revenue and revenue recognition

The Organization adopted Accounting Standards Update (ASU) No. 2015-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of financial reporting, and also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. However, analysis of the provisions of both standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore there is no effect to the current year or previously issued financial statements.

The Organization's other revenue sources, aside from legal service fees, are from grants, contributions and fundraising events. Grants and contributions are recognized as revenues when the donor's commitment is received. Fund raising event revenues are recognized as revenues when received.

Grants, contributions and fundraising event revenues are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor/grantor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants, contributions and fundraising event revenues whose restrictions are met in the same reporting period are reported as support without donor restrictions.

F. Donated goods and services

Donated goods and services are reflected as in-kind contributions and expensed in the statement of activities. These donations are recorded at fair market value when received and when there is an objective basis for determining such values. During 2020, the Organization recorded in-kind contributions for professional services totaling \$51,625.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Functional allocation of expenses

The cost of providing various programs and other activities are summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

H. Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is properly listed under a group exemption with the Archdiocese of Miami. As a result, no income tax provision or liability has been provided in the accompanying financial statements.

In accordance with FASB issued FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, in the unlikely event an uncertain tax position exists in which the Organization could incur income taxes, the Organization would evaluate whether there is a probability that the uncertain tax position taken would be sustained upon examination by a taxing authority. Reserves for uncertain tax positions would then be recorded if the Organization determined that it is probable that either a position would not be sustained upon examination or if a payment would have to be made to a taxing authority and the amount was reasonably estimable. As of June 30, 2020, the Organization does not believe it has any uncertain tax positions that would result in the Organization having a liability to a taxing authority. The Organization is subject to federal and state tax examinations for tax years 2016 through 2018.

I. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

J. Retirement and health plan

The Organization sponsors retirement and health plans administered through the Archdiocese of Miami. The retirement plan was a non-contributory defined benefit plan through December 31, 2012. Effective January 1, 2014, the Archdiocese of Miami changed the retirement plan to a contributory defined benefit plan, whereby the Organization will match 50% of employee contributions up to 6% of eligible pay. The health plan requires a portion of the monthly obligation to be contributed by each employee. Total pension costs and health and welfare costs incurred by the Organization during the fiscal year ended June 30, 2020 totaled \$135,904 and \$258,673, respectively.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets at June 30, 2020, reduced by amounts that are not available to meet general expenses within one year of the statement of financial position date:

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

	<u>Amount</u>
Financial assets at year-end:	
Cash	\$ 1,176,599
Accounts receivable, net	68,021
Grants receivable	<u>544,350</u>
Total financial assets	1,788,970
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>230,120</u>
Financial assets available to meet general obligations over the next twelve months	<u>\$ 1,558,850</u>

The Organization regularly monitors the availability of resources required to meet its operating needs, and manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. In addition, the Organization anticipates, on an annual basis, collecting sufficient revenue to cover general expenses not covered by donor/grantor-restricted resources.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 consist of the following:

	<u>Amount</u>
Computer equipment	\$ 62,612
Furniture and equipment	10,404
Leasehold improvements	<u>29,025</u>
Total	102,041
Less accumulated depreciation	<u>(70,489)</u>
Property and equipment, net	<u>\$ 31,552</u>

Depreciation expense for the year ended June 30, 2020 totaled \$8,436.

NOTE 5 – NOTES PAYABLE

Notes payable at June 30, 2020 consist of the following:

	<u>Amount</u>
\$180,000 revolving note: Iberia Bank; interest only payments at one-month Libor rate plus 1.5% (1.67% at June 30, 2020), due on demand, maturing on June 15, 2021, originated on September 2004, secured by the Organization and The Most Reverend Thomas G. Wenski. Interest paid during fiscal year 2020 was \$5,574.	\$ 172,749
\$356,900 non-revolving note: SunTrust Bank; fixed monthly principal payments of \$1,487, bearing interest at one-month Libor rate plus 1.5% (1.67% at June 30, 2020), maturing on August 30, 2023, secured by the Organization and The Most Reverend Thomas G. Wenski. Interest paid during fiscal year 2020 was \$6,744.	<u>205,218</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE 5 – NOTES PAYABLE (Continued)

Total notes payable	\$ 377,967
Less current maturities	<u>190,593</u>
Total notes payable, less current maturities	<u>\$ 187,374</u>

The maturities of principal payments of the notes payable at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 190,593
2022	17,844
2023	17,844
2024	<u>151,686</u>
	<u>\$ 377,967</u>

NOTE 6 – FORGIVEABLE LOAN PAYABLE

On April 17, 2020, the Organization was granted a loan, as evidenced by a note, from a bank in the amount of \$558,200 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan, if any, will be payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP, and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the entire loan and accrued interest, though the timing of the forgiveness is uncertain.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, total net assets with donor restrictions in the amount of \$230,120 consist of grants contributions restricted for special purposes.

NOTE 8 – OPERATING LEASES

The Organization has operations located at three facilities (Miami, Broward and Doral) under separate operating lease agreements, expiring on various dates through fiscal year 2022. The Organization also has office equipment under three operating lease agreements expiring on various dates through fiscal year 2022. During the fiscal year ended June 30, 2020, the Organization's facilities rent expense for all three facilities and equipment rent expense totaled \$221,056 and \$11,917, respectively.

Future minimum lease payments under these operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 139,809
2022	127,059
2023	21,344
2024	4,296

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE 9 – RELATED PARTY TRANSACTIONS

The Organization operates under the direction and guidance of the incumbent Archbishop of Miami, The Most Reverend Thomas G. Wenski. Acting as corporate sole for the organization, he appoints the Organization's Board of Directors and its Officers. The Archdiocese of Miami provides the Organization health and welfare participation, acts as guarantee on debt, and is listed with the Organization under a group exemption with the IRS.

NOTE 10 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, and as such, the Organization is unable to determine if it will have a material impact to its operations for the next fiscal year. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 on next fiscal year's operations is unknown and cannot be reasonably estimated, as these events are still developing.

The Organization evaluated subsequent events through August 20, 2020, the date the financial statements were available to be issued. The Organization has determined there are no additional events that require disclosure in or adjustment to the financial statements.