

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

Financial Statements

June 30, 2021

(With Independent Auditor's Report Thereon)

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

FINANCIAL STATEMENTS

June 30, 2021

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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, 2021, 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, 2021, 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, LLP

Miami, Florida
August 12, 2021

BASIC FINANCIAL STATEMENTS

Catholic Charities Legal Services, Archdiocese of Miami, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

Assets

Current assets:

Cash	\$	569,855
Accounts receivable, net of allowance for doubtful accounts of \$101,729		101,729
Grants receivable		761,432
Prepays		15,853
Security deposit		24,567
Total current assets		<u>1,473,436</u>

Property and equipment, net		<u>16,176</u>
Total assets	\$	<u>1,489,612</u>

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$	340,207
Notes payable, current maturities		190,593
Compensated absences		203,805
Total current liabilities		<u>734,605</u>

Non-current liabilities:

Notes payable, less current maturities		169,529
Forgiveable loan payable		558,200
Total current liabilities		<u>727,729</u>

Net assets:

Without donor restrictions		(9,081)
With donor restrictions		<u>36,359</u>
Total net assets		<u>27,278</u>
Total liabilities and net assets	\$	<u>1,489,612</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Support:			
Grants	\$ 2,731,942	160,750	\$ 2,892,692
Client fees	682,814	-	682,814
Fundraising	62,540	-	62,540
Contributions	169,996	-	169,996
Interest	3	-	3
Net assets released from restriction	354,511	(354,511)	-
Total support and other revenue	<u>4,001,806</u>	<u>(193,761)</u>	<u>3,808,045</u>
Expenses:			
Program services:			
Immigration services	<u>3,897,886</u>	<u>-</u>	<u>3,897,886</u>
Total program services	<u>3,897,886</u>	<u>-</u>	<u>3,897,886</u>
Supporting services:			
Management and general	433,099	-	433,099
Fundraising	1,207	-	1,207
Total supporting services	<u>434,306</u>	<u>-</u>	<u>434,306</u>
Total expenses	<u>4,332,192</u>	<u>-</u>	<u>4,332,192</u>
Change in net assets	(330,386)	(193,761)	(524,147)
Net assets - beginning of year	<u>321,305</u>	<u>230,120</u>	<u>551,425</u>
Net assets - end of year	<u>\$ (9,081)</u>	<u>\$ 36,359</u>	<u>\$ 27,278</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, 2021

	Program Services	Supporting Services			Grand Total
	Immigration Services	Management and General	Fundraising	Total	
Compensation and related expenses:					
Salaries	\$ 2,586,514	\$ 287,391	\$ -	\$ 287,391	\$ 2,873,905
Employee benefits	392,920	43,657	-	43,657	436,577
Payroll taxes	190,087	21,121	-	21,121	211,208
	<u>3,169,521</u>	<u>352,169</u>	<u>-</u>	<u>352,169</u>	<u>3,521,690</u>
Accounting fees	18,900	2,100	-	2,100	21,000
Bad debt	3,602	401	-	401	4,003
Bank service charges	1,140	127	-	127	1,267
Client costs	3,932	437	-	437	4,369
Depreciation	13,838	1,538	-	1,538	15,376
Donations	2,832	314	-	314	3,146
Equipment rental	12,273	1,363	-	1,363	13,636
Fundraising events	-	-	1,207	1,207	1,207
Interest expense	10,677	1,186	-	1,186	11,863
Liability insurance	51,507	5,723	-	5,723	57,230
Licenses and taxes	1,700	189	-	189	1,889
Memberships and subscriptions	17,452	1,939	-	1,939	19,391
Merchants fees	12,304	1,367	-	1,367	13,671
Miscellaneous	4,677	520	-	520	5,197
Occupancy expenses	207,981	23,109	-	23,109	231,090
Office supplies	27,475	3,053	-	3,053	30,528
Other professional services	103,847	11,539	-	11,539	115,386
Postage and shipping	39,374	4,375	-	4,375	43,749
Printing	1,192	132	-	132	1,324
Special events	10,525	1,170	-	1,170	11,695
Tech and professional contractors	156,527	17,391	-	17,391	173,918
Telephone	19,265	2,141	-	2,141	21,406
Travel and entertainment	7,345	816	-	816	8,161
Total expenses	<u>\$ 3,897,886</u>	<u>\$ 433,099</u>	<u>\$ 1,207</u>	<u>\$ 434,306</u>	<u>\$ 4,332,192</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, 2021

Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ (524,147)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,376
(Increase) decrease in assets:	
Account receivables	(33,708)
Grant receivables	(217,082)
Prepays	18,158
Security deposit	24
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	108,828
Compensated absences	<u>43,652</u>
Net cash used in operating activities	<u>(588,899)</u>
Cash flows from financing activities	
Payments on notes payable	<u>(17,845)</u>
Net cash used in financing activities	<u>(17,845)</u>
Net decrease in cash	(606,744)
Cash - beginning of year	<u>1,176,599</u>
Cash - end of year	<u>\$ 569,855</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ 5,198</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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, 2021

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'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 2021, the Organization recorded in-kind contributions for professional services totaling \$53,000.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 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, 2021, 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 2017 through 2019.

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, 2021 totaled \$139,978 and \$296,600, respectively.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets at June 30, 2021, reduced by amounts that are not available to meet general expenses within one year of the statement of financial position date:

	<u>Amount</u>
Financial assets at year-end:	
Cash	\$ 569,855
Accounts receivable, net	101,729
Grants receivable	<u>761,432</u>
Total financial assets	1,433,016
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>36,359</u>
Financial assets available to meet general obligations over the next twelve months	<u>\$ 1,396,657</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

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, 2021 consist of the following:

	<u>Amount</u>
Computer equipment	\$ 62,612
Furniture and equipment	10,404
Leasehold improvements	29,025
Total	102,041
Less accumulated depreciation	<u>(85,865)</u>
Property and equipment, net	<u>\$ 16,176</u>

Depreciation expense for the year ended June 30, 2021 totaled \$15,376.

NOTE 5 – NOTES PAYABLE

Notes payable at June 30, 2021 consist of the following:

	<u>Amount</u>
\$180,000 revolving note: Iberia Bank; interest only payments at one-month Libor rate plus 1.5% (1.587% at June 30, 2021), due on demand, maturing on September 15, 2021, and originated on September 2004, secured by the Organization and The Most Reverend Thomas G. Wenski. Interest paid during fiscal year 2021 was \$2,861.	\$ 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% (1.587% at June 30, 2021), maturing on August 30, 2023, secured by the Organization and The Most Reverend Thomas G. Wenski. Interest paid during fiscal year 2021 was \$3,272.	<u>187,373</u>
Total notes payable	\$ 360,122
Less current maturities	<u>190,593</u>
Total notes payable, less current maturities	<u>\$ 169,529</u>

The maturities of principal payments of the notes payable at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 190,593
2023	17,844
2024	<u>151,686</u>
	<u>\$ 360,122</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021

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 (the “Program” or “PPP”). The Program, 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, is due within two years from the date of first disbursement of the loan at an interest rate of 1%, with a deferral of payments for the first six months, and an additional 6 months of deferral of payments at the discretion of the Small Business Administration. Management of the Organization believes that the loan proceeds have been utilized for the purposes consistent with the Program, and as such, subsequent to year ended June 30, 2021, the Organization has applied for forgiveness of the entire PPP loan and accrued interest.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, total net assets with donor restrictions in the amount of \$36,359 consist of grants contributions restricted for special purposes.

NOTE 8 – OPERATING LEASES

The Organization has operations located at two facilities 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 2024. During the fiscal year ended June 30, 2021, the Organization's facilities rent expense for all three facilities and equipment rent expense totaled \$231,090 and \$13,636, respectively.

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

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

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

The Organization evaluated subsequent events through August 12, 2021, the date the financial statements were available to be issued, and does not believe that there are any such events or transactions that require disclosure.