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CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date _____



CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2007

CONTENTS

	<u>Page</u>
Audited Financial Statements:	
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6 - 11
Supplemental Schedules:	
Schedule of Revenues by Program.....	12
Schedule of Expenses by Program.....	13 - 17
Schedule of Expenditures by Program.....	18
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	21 - 22
Schedule of Expenditures of Federal Awards.....	23
Notes to Schedule of Expenditures of Federal Awards.....	24
Schedule of Findings and Questioned Costs.....	25 - 26
Summary Schedule of Prior Audit Findings.....	27

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the statement of financial position of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) as of June 30, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CCDBR's management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCDBR as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 23 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Additionally, the supplemental schedules on pages 12 through 18 are presented for the purposes of additional analysis at management's request and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 18, 2007 on our consideration of CCDBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 18, 2007

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 685,517
Cash and cash equivalents - restricted	3,564,205
Contracts receivable	909,121
Unconditional promises to give - United Way	
Services funding for the next fiscal year	105,963
Total current assets	<u>5,264,806</u>

OTHER ASSETS

Investments	1,600,070
Plant, furniture and equipment - net	603,559
Total other assets	<u>2,203,629</u>
 Total assets	 <u>7,468,435</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 615,015
Accrued expenses	164,250
Due to United States Conference of Catholic Bishops	5,500
Current portion of notes payable to Catholic Diocese of Baton Rouge	5,049
Total current liabilities	<u>789,814</u>

OTHER LIABILITIES

Non-current portion of notes payable to Catholic Diocese of Baton Rouge	45,957
Non-current portion of notes payable to Office of Community Development	36,000
Total other liabilities	<u>81,957</u>
 Total liabilities	 <u>871,771</u>

NET ASSETS

Unrestricted	2,480,800
Temporarily restricted	4,062,209
Permanently restricted	53,655
Total net assets	<u>6,596,664</u>
 Total liabilities and net assets	 <u>7,468,435</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES</u>				
United Way	\$ -	\$ 291,269	\$ -	\$ 291,269
Contributions and foundations	15,081	795,292	-	810,373
Federal and state contracts	2,377,888	-	-	2,377,888
Catholic Diocese of Baton Rouge	61,181	1,014,041	-	1,075,222
Fee income	186,216	-	-	186,216
Interest income	278,190	-	-	278,190
Fundraising	8,500	-	-	8,500
Other grant income	-	5,631,719	-	5,631,719
Net assets released from donor restrictions:				
Satisfaction of program restrictions	9,522,915	(9,522,915)	-	-
Total revenues	<u>12,449,971</u>	<u>(1,790,594)</u>	<u>-</u>	<u>10,659,377</u>
<u>EXPENSES</u>				
Program services	11,661,058	-	-	11,661,058
Management and general	597,183	-	-	597,183
Fundraising	9,330	-	-	9,330
Total expenses	<u>12,267,571</u>	<u>-</u>	<u>-</u>	<u>12,267,571</u>
<u>CHANGE IN NET ASSETS</u>	182,400	(1,790,594)	-	(1,608,194)
<u>BALANCE AT JUNE 30, 2006</u>	<u>2,298,400</u>	<u>5,852,803</u>	<u>53,655</u>	<u>8,204,858</u>
<u>BALANCE AT JUNE 30, 2007</u>	<u>\$ 2,480,800</u>	<u>\$ 4,062,209</u>	<u>\$ 53,655</u>	<u>\$ 6,596,664</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Specific assistance to individuals	\$ 4,983,828	\$ -	\$ -	\$ 4,983,828
Other salaries and wages	3,354,831	173,902	-	3,528,733
Pension plan contributions	161,369	50,667	-	212,036
Other employee benefits	437,630	125,397	-	563,027
Payroll taxes	68,285	9,122	-	77,407
Fundraising expenses	-	-	9,330	9,330
Accounting and other professional fees	-	50,714	-	50,714
Supplies	63,674	1,450	-	65,124
Telephone	98,273	3,747	-	102,020
Postage and shipping	14,807	904	-	15,711
Occupancy	353,153	20,170	-	373,323
Equipment rental and maintenance	46,144	12,846	-	58,990
Printing and publications	8,603	-	-	8,603
Travel	136,256	73	-	136,329
Conferences, conventions, and meetings	55,181	6,974	-	62,155
Depreciation	77,174	9,006	-	86,180
Subcontractors	1,734,641	-	-	1,734,641
Interest	3,555	-	-	3,555
Other	63,654	132,211	-	195,865
	<u>\$ 11,661,058</u>	<u>\$ 597,183</u>	<u>\$ 9,330</u>	<u>\$ 12,267,571</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,608,194)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	86,180
Changes in:	
Contract receivables	152,470
Other assets	8,048
Unconditional promises to give	17,037
Accounts payable	218,368
Accrued expenses	<u>61,493</u>
Net cash used in operating activities	<u>(1,064,598)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Decrease in restricted cash and cash equivalents	1,524,962
Purchase of investments	(9,546)
Purchase of equipment	<u>(160,232)</u>
Net cash provided by investing activities	<u>1,355,184</u>

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from note payable	36,000
Payments on notes payable	<u>(63,867)</u>
Net cash used by financing activities	<u>(27,867)</u>

Net change in cash	262,719
Cash and cash equivalents, beginning of year	<u>422,798</u>
Cash and cash equivalents, end of year (See Note 1h)	<u><u>\$ 685,517</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during year:	
Interest	<u><u>\$ 3,555</u></u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

a. **Nature of Activities**

Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR or the Organization) is a non-profit corporation organized under the laws of the State of Louisiana on April 2, 1975, to promote organized charitable welfare and social service work for the moral betterment of all persons. CCDBR was formerly known as Catholic Community Services of Baton Rouge, Inc. Effective as of June 30, 2007, the Organization changed its name to better reflect the mission of the Organization. Typically, CCDBR receives grants and support which comprise more than 10% of its revenues from the Governor's Office of Elderly Affairs (GOEA). However, in response to CCDBR becoming a leading responder to the needs created as a result of Hurricanes Katrina and Rita, significant donations, grants, and contracts from multiple sources, including Freddie Mac, United Way, Catholic Charities USA (CCUSA), Baton Rouge Area Foundation, Louisiana Family Recovery Corporation (LFRC) resulted in revenues from GOEA not exceeding 10% of revenues. For the year ended June 30, 2007, LFRC and the Diocese of Baton Rouge provided more than 10% of revenues.

b. **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

c. **Promises to Give and Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. The Organization received a permanently restricted donation during 2006; however, the income earned off of this endowment is classified as unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management feels that all promises to give are collectible, and as such, no allowance for doubtful accounts has been established.

d. **Contracts Receivable**

Contracts receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contract receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

e. Unrestricted Net Assets

It is the recommendation of the Board of Directors and management of the Organization that two to three months operating expenses should be accumulated and maintained as unrestricted net assets in order to cover unreimbursed overhead expenses associated with grant awards and other contingencies, and due to the uncertainty and irregularity in the timing of grant receipts from its federal and state programs.

f. Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Furniture and equipment	3 - 10 Years
Shelters	20 - 25 Years

g. Donated Services

A significant portion of CCDBR's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the accompanying financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. An exception to this policy is when donated services are required to be captured by the funding source. See Note 6 regarding in kind contributions.

h. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid and highly secure investments with original maturities of three months or less. Restricted cash balances are not included in cash and cash equivalents for purposes of the statement of cash flows since these balances are not available for operations but are donor restricted for specific purposes.

i. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

j. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

k. Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. Contracts Receivable

The detail of contracts receivable as of June 30, 2007, is as follows:

Match Grant	\$ 45,586
Foster Grandparents	5,662
Disaster Response	753,736
HUD - SHP	34,687
Refugee Social Services	49,213
United States Conference of Catholic Bishops	<u>20,237</u>
	<u>\$ 909,121</u>

3. Investments - Catholic Diocese of Baton Rouge

The Organization had \$39,832 on deposit with the Catholic Diocese of Baton Rouge as of June 30, 2006. During the year ended June 30, 2007, the Organization used these investments to reduce the balance of outstanding loans owed to the Catholic Diocese of Baton Rouge.

4. Plant, Furniture and Equipment

Property and equipment acquired by the Organization is considered to be owned by the Organization. However, the State of Louisiana maintains the title to the property and equipment purchased in whole or in part under contracts/grants funded by the State of Louisiana. The State has the right to require the transfer of the property and equipment (including title) to the State or to an eligible non-state party named by the State. Such transfer may occur at any time.

The composition of plant, furniture and equipment at June 30, 2007 was as follows:

Land and shelters	\$ 403,276
Furniture and equipment	<u>479,908</u>
	883,184
Accumulated depreciation	<u>(279,625)</u>
	<u>\$ 603,559</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Due to United States Conference of Catholic Bishops

Prior to January 1, 1980, the Migration and Refugee Services Program established a revolving account with the United States Conference of Catholic Bishops (USCCB) for the purpose of resettling refugees. In accordance with the revolving account agreement, these funds are to be returned to the USCCB upon the termination of the program. As of June 30, 2007, the balance due USCCB amounted to \$5,500.

6. In-Kind Contributions

The Foster Grandparents and Senior Employment Programs received in-kind contributions during the year from various donors for meals, space and recognition to program participants without charge. The United Methodist Committee on Relief Program also received in-kind contributions during the year. For the year ended June 30, 2007, these contributions have been recorded as revenue with the offset being recorded as expenditures in the amount of \$146,473.

7. Pension Plan

Employees of the Organization participate in a defined benefit pension plan with the Catholic Diocese of Baton Rouge. Effective as of January 1, 2005, participants are required to contribute 4% of their salaries, with the Organization contributing 7%. The Diocese of Baton Rouge administers the plan. For the year ended June 30, 2007, contributions of \$212,036 were made to the plan.

8. Due to Catholic Diocese of Baton Rouge

As of June 30, 2006, the Senior Community Service Employment Program and the Migration and Refugee Services Program owed the Catholic Diocese of Baton Rouge \$30,000 and \$28,936, respectively. These loans were repaid in their entirety during the year ended June 30, 2007. Interest expense incurred on these loans during the year ended December 31, 2006 was \$2,653.

The Catholic Diocese of Baton Rouge also provided financing for CCDBR to acquire a house to be used for shelter for clients in need. The loan amount was \$55,000 and is being repaid in 199 monthly installments. The interest rate on the note is 5.50%. The following schedule shows the future payouts of the note:

<u>For year ending June 30,</u>	
2008	\$ 5,049
2009	5,049
2010	5,049
2011	5,049
2012	5,049
Thereafter	<u>25,761</u>
	<u>\$ 51,006</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. Note Payable – Office of Community Development

During the year ended June 30, 2007, CCDBR received \$36,000 as part of a loan agreement with the Office of Community Development. These funds are to be used for the rehabilitation of buildings as part of the Families First Housing Program. This is a principal only loan with a term of 5 years. The repayment terms of the note will be forgiven as long as CCDBR can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount.

10. Related Party

CCDBR has a relationship with the Catholic Diocese of Baton Rouge (DOBR) that includes participation in Diocesan benefit programs, and considerable savings on rent, insurance, telephone, and other equipment usage. For the year ended June 30, 2007, these in-kind contributions have been recorded as revenue with the offset being recorded as expenditures in the amount of \$161,598. Due to the nature of CCDBR's organization, this relationship is expected to continue for the duration of program operations of CCDBR. Additionally, during the year ended June 30, 2007, CCDBR began managing operations of the Social Responsibility Program. This program was previously managed by DOBR.

Revenues include \$386,842 of funding from the DOBR to subsidize the Social Responsibility program. In addition, included in revenues is \$329,141 of funding from the DOBR to subsidize the Counseling, Maternity and Adoption program. Due to the nature of CCDBR's organization, this funding is expected to continue for the duration of program operations of CCDBR. CCDBR also received cash contributions from the DOBR resulting from the Bishop's Annual Appeal of approximately \$97,000.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for periods after June 30, 2007:

Provide social services in state and federal programs	\$ 604,670
Provide social services for disaster response programs	3,014,773
Provide social services in other programs	<u>442,766</u>
	<u>\$ 4,062,209</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors to the following programs:

Senior Employment	\$ 134,334
Foster Grandparent Program Title II, Part B	28,358
Social Responsibility	439,313
United States Conference of Catholic Bishops	13,953
Match Grant	30,080
Counseling, Maternity and Adoption	524,901
Satellite Counseling Offices	17,280
Citizens Advocacy	87,675
HUD - SHP	20,615
Human Services Consortium	15,601
Tangipahoa Cares Program (ESBG & FEMA)	119,368
Joseph Homes (ESBG)	47,309
Emergency Assistance	3,465,766
Disaster Response	4,368,045
Refugee Cash Assistance	14,099
Refugee Social Services	38,798
Other Program Services	<u>157,420</u>
	<u>\$ 9,522,915</u>

13. Disaster Response

During 2005, Hurricanes Katrina and Rita devastated Louisiana's Gulf Coast. As a result, CCDBR has become a first responder to the needs of the community. Through donations, grants, and contracts from multiple sources, including Freddie Mac, United Way, Catholic Charities USA, Baton Rouge Area Foundation, Louisiana Family Recovery Corps, the Organization has been able to meet these needs through case management and direct assistance. These donations, grants, and contracts are classified as temporarily restricted until the funds are expended for purposes as specified in the agreements.

14. Reclassifications

Certain reclassifications have been made to amounts related to the year ended June 30, 2006 to conform to June 30, 2007 presentation. These reclassifications include the reporting of funding from federal and state sources as unrestricted. These amounts were previously classified as temporarily restricted; however, since these funds are provided on a reimbursement basis, the restrictions have already been satisfied when CCDBR receives the grant funding.

**CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**SCHEDULE OF REVENUES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007**

	United Way	Contributions	Federal and State Contracts	Catholic Diocese of Baton Rouge	Fee Income	Interest	Fundraising	Other Grant Income	Total
Senior Employment	\$ -	\$ 89,016	\$ 944,781	\$ 7,094	\$ -	\$ -	\$ -	\$ -	\$ 1,040,891
Social Responsibility	-	-	-	421,508	-	-	-	-	421,508
Foster Grandparent Program Title II, Part B	-	22,028	317,358	4,355	-	-	-	-	343,741
Foster Grandparent Program Title II, Part B (GOEA)	-	-	16,271	-	-	-	-	-	16,271
United States Conference of Catholic Bishops	-	-	42,848	6,583	-	-	-	-	49,431
Match Grant	-	-	51,576	6,583	-	-	-	-	58,159
Counseling, Maternity and Adoption	108,252	4,301	-	399,934	94,207	-	-	-	606,694
Satellite Counseling Offices	-	22,049	-	-	33,488	-	-	-	55,537
Joseph Horner (ESBG)	-	3,368	14,063	-	10,022	-	-	-	27,453
Citizens Advocacy	65,717	-	-	-	-	-	-	-	65,717
Emergency Assistance	23,560	525,877	65,130	78,209	-	28,039	-	640,920	1,361,735
Tangipahoa Carra Program (ESBG & FEMA)	78,374	4,561	48,274	8,791	-	-	-	-	140,000
HUD - SHP	-	1,065	101,509	11,784	2,130	-	-	-	116,488
Human Services Consortium	15,566	1,800	-	-	-	-	-	-	17,366
Disaster Response	-	35,429	46,770	18,560	792	-	-	4,990,799	5,092,150
Refugee Cash Assistance	-	-	355,571	6,583	-	-	-	-	362,154
Refugee Social Services	-	21,800	375,737	6,583	37,056	-	-	-	439,176
Other Program Services	-	8,716	-	37,674	-	27,243	-	-	73,633
Agency	-	70,363	-	61,181	8,521	222,908	8,500	-	371,473
	\$ 291,269	\$ 810,373	\$ 2,377,888	\$ 1,075,222	\$ 186,216	\$ 278,190	\$ 8,500	\$ 5,631,719	\$ 10,659,377

These schedules are presented as supplemental information as requested by the management of Catholic Charities of the Diocese of Baton Rouge.

Within the various programs listed above, there are different fiscal year ends that do not necessarily coincide with the Organization's fiscal year. Therefore, revenues and expenses may reflect timing differences in any given Organizational fiscal year end.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Senior</u>	<u>Social</u>	<u>Foster</u>	<u>United States</u>
	<u>Employment</u>	<u>Responsibility</u>	<u>Grandparent</u>	<u>Conference of</u>
			<u>Title II,</u>	<u>Catholic Bishops</u>
			<u>Part B</u>	
Program services:				
Specific assistance to individuals	\$ 845,193	\$ 119	\$ 250,202	\$ 19,725
Other salaries and wages	131,491	226,248	68,975	15,869
Pension plan contributions	6,795	-	4,828	1,626
Other employee benefits	10,412	30,804	4,913	4,070
Payroll taxes	10,089	13,838	5,461	1,389
Occupancy	17,018	123,216	8,003	6,083
Equipment rental and maintenance	3,053	4,147	-	2,563
Depreciation	581	-	1,976	-
Other	2,077	4,675	1,229	14
Travel	7,582	10,507	2,734	841
Supplies	3,182	9,087	1,968	367
Telephone	1,199	2,866	559	390
Postage and shipping	2,650	2,678	1,800	129
Printing and publications	104	1,526	101	31
Conferences, conventions and meetings	-	-	249	-
Pass-through contracts	-	-	-	-
Interest	-	-	-	-
Management and general:				
Other salaries and wages	18,794	155	8,093	2,469
Pension plan contributions	98	-	-	86
Other employee benefits	111	-	-	110
Payroll taxes	107	469	-	94
Accounting and other professional fees	18,354	1,800	-	-
Supplies	-	826	-	-
Telephone	-	-	-	-
Postage and shipping	-	395	-	-
Occupancy	-	-	-	-
Equipment rental and maintenance	-	2,667	896	-
Printing and publications	-	-	-	-
Travel	-	-	-	-
Other	225	3,290	-	945
Depreciation	-	-	-	-
Pass-through contracts	-	-	-	-
Conferences, conventions and meetings	-	-	-	-
Fundraising:				
Miscellaneous	-	-	-	-
	<u>\$ 1,079,115</u>	<u>\$ 439,313</u>	<u>\$ 361,987</u>	<u>\$ 56,801</u>

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Match Grant</u>	<u>Counseling, Maternity and Adoption</u>	<u>Satellite Counseling Offices</u>	<u>Citizens Advocacy</u>
Program services:				
Specific assistance to individuals	\$ 20,565	\$ 35,828	\$ -	\$ 48
Other salaries and wages	33,403	309,350	45	64,951
Pension plan contributions	2,338	21,655	-	3,965
Other employee benefits	6,484	35,541	-	8,736
Payroll taxes	1,897	24,407	-	4,688
Occupancy	9,337	124,033	-	-
Equipment rental and maintenance	955	332	-	-
Depreciation	-	2,402	304	-
Other	42	20,920	290	2,262
Travel	621	-	300	-
Supplies	557	5,706	1,214	485
Telephone	521	2,534	2,994	74
Postage and shipping	196	5,338	227	-
Printing and publications	47	-	150	-
Conferences, conventions and meetings	-	12,208	4,902	2,466
Pass-through contracts	-	-	40,113	-
Interest	-	-	-	-
Management and general:				
Other salaries and wages	2,971	5,761	-	-
Pension plan contributions	86	403	-	-
Other employee benefits	110	445	-	-
Payroll taxes	94	441	-	-
Accounting and other professional fees	-	5,430	-	-
Supplies	-	-	-	-
Telephone	-	-	-	-
Postage and shipping	-	-	-	-
Occupancy	-	-	-	-
Equipment rental and maintenance	-	-	-	-
Printing and publications	-	-	-	-
Travel	-	-	-	-
Other	1,432	6,374	229	-
Depreciation	-	-	-	-
Pass-through contracts	-	-	-	-
Conferences, conventions and meetings	-	-	-	-
Fundraising:				
Miscellaneous	-	-	-	-
	<u>\$ 81,656</u>	<u>\$ 619,108</u>	<u>\$ 50,768</u>	<u>\$ 87,675</u>

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>HUD-SHP</u>	<u>Human Services Consortium</u>	<u>Tangipahoa Cares Program (ESBG & FEMA)</u>	<u>Joseph Homes (ESBG)</u>
Program services:				
Specific assistance to individuals	\$ 55,200	\$ -	\$ 106,712	\$ 34,029
Other salaries and wages	44,502	9,874	39,381	648
Pension plan contributions	2,361	693	2,757	-
Other employee benefits	6,391	1,144	5,625	-
Payroll taxes	2,697	796	3,023	-
Occupancy	-	-	-	-
Equipment rental and maintenance	2,125	514	3,530	10
Depreciation	3,060	-	175	27,506
Other	708	-	212	4,424
Travel	-	20	569	191
Supplies	23	25	901	47
Telephone	267	295	1,923	580
Postage and shipping	-	-	44	-
Printing and publications	-	-	245	-
Conferences, conventions and meetings	-	-	15	-
Pass-through contracts	-	-	-	-
Interest	-	-	-	-
Management and general:				
Other salaries and wages	6,920	1,925	2,530	3,959
Pension plan contributions	-	-	-	-
Other employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
Accounting and other professional fees	-	-	-	-
Supplies	-	-	-	-
Telephone	-	-	-	-
Postage and shipping	-	-	-	-
Occupancy	-	-	-	-
Equipment rental and maintenance	-	-	-	-
Printing and publications	-	-	-	-
Travel	-	-	-	-
Other	-	315	-	-
Depreciation	-	-	-	-
Pass-through contracts	-	-	-	-
Conferences, conventions and meetings	-	-	-	-
Fundraising:				
Miscellaneous	-	-	-	-
	<u>\$ 124,254</u>	<u>\$ 15,601</u>	<u>\$ 167,642</u>	<u>\$ 71,394</u>

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Emergency Assistance</u>	<u>Disaster Response</u>	<u>Refugee Cash Assistance</u>	<u>Refugee Social Services</u>
Program services:				
Specific assistance to individuals	\$ 159,964	3,406,780	23,702	19,457
Other salaries and wages	-	2,113,317	116,752	150,654
Pension plan contributions	-	99,159	7,527	7,665
Other employee benefits	-	238,248	22,962	28,456
Payroll taxes	-	-	-	-
Occupancy	-	46,307	15,636	3,520
Equipment rental and maintenance	-	19,694	893	1,096
Depreciation	-	35,710	-	3,613
Other	-	17,384	115	1,703
Travel	-	101,211	6,063	4,323
Supplies	230	30,506	1,526	3,995
Telephone	-	77,512	1,654	2,180
Postage and shipping	-	-	552	629
Printing and publications	-	5,364	180	284
Conferences, conventions and meetings	-	33,050	175	517
Pass-through contracts	-	1,340,390	155,946	198,192
Interest	-	-	-	-
Management and general:				
Other salaries and wages	-	10,209	1,228	1,228
Pension plan contributions	-	46,501	86	86
Other employee benefits	-	119,772	204	204
Payroll taxes	-	-	-	-
Accounting and other professional fees	-	-	-	-
Supplies	-	-	-	-
Telephone	-	-	-	-
Postage and shipping	-	-	-	-
Occupancy	-	-	-	15,788
Equipment rental and maintenance	-	-	-	-
Printing and publications	-	-	-	-
Travel	-	-	-	-
Other	5,266	39,929	14,469	6,001
Depreciation	-	-	-	-
Pass-through contracts	-	-	-	-
Conferences, conventions and meetings	-	-	-	-
Fundraising:				
Miscellaneous	-	-	-	-
	<u>\$ 165,460</u>	<u>\$ 7,781,043</u>	<u>\$ 369,670</u>	<u>\$ 449,591</u>

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	Other Program Services	Agency	Total
Program services:			
Specific assistance to individuals	\$ 2,204	\$ 4,100	\$ 4,983,828
Other salaries and wages	29,371	-	3,354,831
Pension plan contributions	-	-	161,369
Other employee benefits	33,844	-	437,630
Payroll taxes	-	-	68,285
Occupancy	-	-	353,153
Equipment rental and maintenance	7,232	-	46,144
Depreciation	1,847	-	77,174
Other	6,260	1,339	63,654
Travel	844	450	136,256
Supplies	3,294	561	63,674
Telephone	2,725	-	98,273
Postage and shipping	18	546	14,807
Printing and publications	571	-	8,603
Conferences, conventions and meeting	1,599	-	55,181
Pass-through contracts	-	-	1,734,641
Interest	-	3,555	3,555
Management and general:			
Other salaries and wages	28,187	79,473	173,902
Pension plan contributions	-	3,321	50,667
Other employee benefits	-	4,441	125,397
Payroll taxes	4,287	3,630	9,122
Accounting and other professional fees	2,130	23,000	50,714
Supplies	-	624	1,450
Telephone	2,531	1,216	3,747
Postage and shipping	19	490	904
Occupancy	-	4,382	20,170
Equipment rental and maintenance	9,283	-	12,846
Printing and publications	-	-	-
Travel	-	73	73
Other	17,632	36,104	132,211
Depreciation	3,542	5,464	9,006
Pass-through contracts	-	-	-
Conferences, conventions and meeting	-	6,974	6,974
Fundraising:			
Miscellaneous	-	9,330	9,330
	<u>\$ 157,420</u>	<u>\$ 189,073</u>	<u>\$ 12,267,571</u>

These schedules are presented as supplemental information as requested by the management of Catholic Community Services.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Plant, Furniture & Equipment Purchases</u>	<u>Expenditures</u>
Senior Employment	\$ 1,079,115	\$ (581)	\$ 871	\$ 1,079,405
Social Responsibility	439,313	-	-	439,313
Foster Grandparent Program Title II, Part B	361,987	(1,976)	-	360,011
United States Conference of Catholic Bishops	56,801	-	-	56,801
Match Grant	81,656	-	-	81,656
Counseling, Maternity & Adoption	619,108	(2,402)	3,079	619,785
Satellite Counseling Offices	50,768	(304)	-	50,464
Citizens Advocacy	87,675	-	-	87,675
HUD - SHP	124,254	(3,060)	-	121,194
Human Services Consortium	15,601	-	-	15,601
Tangipahoa Cares Program (ESBG & FEMA)	167,642	(175)	-	167,467
Joseph Hornes (ESBG)	71,394	(27,506)	25,491	69,379
Emergency Assistance	165,460	-	-	165,460
Disaster Response	7,781,043	(35,710)	51,596	7,796,929
Refugee Cash Assistance	369,670	-	-	369,670
Refugee Social Services	449,591	(3,613)	871	446,849
Other Program Services	157,420	(5,389)	76,022	228,053
Agency	189,073	(5,464)	-	183,609
	<u>\$ 12,267,571</u>	<u>\$ (86,180)</u>	<u>\$ 157,930</u>	<u>\$ 12,339,321</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Pestlethwaite ; Netterville

Baton Rouge, Louisiana
December 18, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. CCDBR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CCDBR's management. Our responsibility is to express an opinion on CCDBR's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCDBR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CCDBR's compliance with those requirements.

In our opinion, CCDBR complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of CCDBR is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CCDBR's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCDBR's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, federal awarding agencies, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Nettewille

Baton Rouge, Louisiana
December 18, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL GRANT AGENCY/RECIPIENT STATE</u> <u>AGENCY/GRANT PROGRAM/NUMBER</u>	<u>FEDERAL</u> <u>CATALOGUE</u> <u>NUMBER</u>	<u>DISBURSEMENTS/</u> <u>EXPENDITURES</u>
U. S. Department of Labor:		
Pass through from State of Louisiana - Governor's Office of Elderly Affairs:		
S.C.S.E.P. - Title V	17.235	\$ <u>983,004</u>
Department of Health and Human Services:		
Refugee Social Services Program	93.566	357,970
Refugee Cash Assistance	93.566	355,571
Pass through from Administration for Children and Families - Office of Refugee Resettlement:		
United States Conference of Catholic Bishops - Match Grant	-	<u>51,576</u>
Total Department of Health and Human Services		<u>765,117</u>
Department of Housing and Urban Development:		
ESBG Grant	14.231	30,625
Supportive Housing Program	14.235	<u>101,509</u>
		<u>132,134</u>
Department of State:		
United States Conference of Catholic Bishops	-	<u>42,848</u>
Corporation for National and Community Service (formerly ACTION):		
Foster Grandparent Program, Title II, Part B	94.001	<u>333,629</u>
Federal Emergency Management Agency:		
Emergency Assistance Program	85.516	<u>79,693</u>
 Total All Grants		 \$ <u>2,336,425</u>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of federal financial awards includes the federal grant activity of Catholic Charities of the Diocese of Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

	<u>Expenses</u>	<u>Non- Federal Award Expenditures</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Equipment Purchases</u>	<u>Expenditures</u>
Senior Employment	1,079,115	(96,401)	(581)	871	983,004
Social Responsibility	439,313	(439,313)	-	-	-
Foster Grandparent Program Title II, Part B	361,987	(26,382)	(1,976)	-	333,629
United State Catholic Conference	56,801	(13,953)	-	-	42,848
Match Grant	81,656	(30,080)	-	-	51,576
Counseling, Maternity & Adoption	619,108	(619,785)	(2,402)	3,079	-
Satellite Counseling Offices	50,768	(50,464)	(304)	-	-
Citizens Advocacy	87,675	(87,675)	-	-	-
HUD – SHP	124,254	(19,685)	(3,060)	-	101,509
Human Services Consortium	15,601	(15,601)	-	-	-
Tangipahoa Cares Program (ESBG & FEMA)	167,642	(167,467)	(175)	-	-
Joseph Homes, Inc. (ESBG)	71,394	(38,754)	(27,506)	25,491	30,625
Emergency Assistance Program	165,460	(85,767)	-	-	79,693
Disaster Response	7,781,043	(7,796,929)	(35,710)	51,596	-
Refugee Cash Assistance	369,670	(14,099)	-	-	355,571
Refugee Social Services	449,591	(88,879)	(3,613)	871	357,970
Other Program Services	157,420	(228,053)	(5,389)	76,022	-
Agency	189,073	(183,609)	(5,464)	-	-
	<u>\$12,267,571</u>	<u>\$ (10,002,896)</u>	<u>\$ (86,180)</u>	<u>\$157,930</u>	<u>\$2,336,425</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? yes no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

17.235

Senior Community Service Employment Program
(State Administered Program)

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- Catholic Charities of the Diocese of Baton Rouge, Inc. was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

To the Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, LA

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc., for the year ended June 30, 2007 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements under the Office of Management and Budget Circular A-133. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements, to issue a report on internal control and compliance with laws and regulations material to the financial statements and to issue a report on internal control and compliance with laws and regulations that could have a material effect on major federal programs.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

During the course of our audit, we made the following observations which we feel should be brought to your attention. Concerning these matters, we offer the following comments and recommendations:

1) Eligibility calculation for the Senior Employment Program

Our audit procedures over income eligibility calculations for the Senior Employment Program disclosed errors in three of the forty items selected for testing. None of the errors resulted in a different conclusion regarding whether or not eligibility had been met, than was originally made by program personnel. We suggest that to improve controls eligibility calculations should be reviewed and recalculated by an independent person prior to communication of the approval or denial to the potential program participant.

Management's response:

Management agrees with the recommendation and will implement a policy that income eligibility calculations be reviewed prior to communication with the potential program participant.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 18, 2007