

Catholic Charities of the Diocese of Allentown, Inc.

Financial Statements and
Supplementary Information

June 30, 2012 and 2011



Catholic Charities of the Diocese of Allentown, Inc.

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June 30, 2012 and 2011

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Independent Auditors' Report

Board of Directors
Catholic Charities of the Dioceses of Allentown, Inc.

We have audited the accompanying statement of financial position of the Catholic Charities of the Diocese of Allentown, Inc., (the "Corporation") as of June 30, 2012 and 2011, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. 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 audits provide 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 Catholic Charities of the Diocese of Allentown, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of Catholic Charities of the Diocese of Allentown, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of revenue on pages 23 to 24 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal, state, and county awards for the year ended June 30, 2012, on pages 25 to 26 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 also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ParenteBeard LLC

Allentown, Pennsylvania
January 18, 2013

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Assets			Liabilities and Net Assets		
Current Assets			Liabilities		
Cash and cash equivalents	\$ 2,166,381	\$ 2,912,437	Accounts payable, trade	\$ 57,323	\$ 59,518
Accounts receivable, net	343,356	377,253	Accrued liabilities	80,872	43,943
Diocese receivable	608,512	576,517	Accrued compensation	157,039	154,281
Pledges receivable, net	30,000	35,000	Accrued unemployment compensation	118,177	22,247
Prepaid expenses	45,273	48,193	Deferred revenue	27	5,861
	<u>3,193,522</u>	<u>3,949,400</u>		<u>413,438</u>	<u>285,850</u>
Total current assets			Total liabilities		
Investments	2,094,829	2,150,926	Net Assets		
			Unrestricted:		
Property and Equipment, Net	227,013	234,685	Undesignated	-	99,644
			Designated, endowment	2,890,165	3,519,681
			Designated, other	826,416	826,416
				<u>3,716,581</u>	<u>4,445,741</u>
			Total unrestricted net assets		
			Temporarily restricted	1,374,036	1,592,111
			Permanently restricted	11,309	11,309
				<u>5,101,926</u>	<u>6,049,161</u>
			Total net assets		
Total assets	<u>\$ 5,515,364</u>	<u>\$ 6,335,011</u>	Total liabilities and net assets	<u>\$ 5,515,364</u>	<u>\$ 6,335,011</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Activities

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues, and Other Gains			
Public support	\$ 1,541,166	\$ -	\$ 1,541,166
Private support	498,350	712,138	1,210,488
Revenues and other gains	655,757	-	655,757
Net assets released from restriction	<u>930,213</u>	<u>(930,213)</u>	<u>-</u>
Total support, revenues, and other gains	<u>3,625,486</u>	<u>(218,075)</u>	<u>3,407,411</u>
Expenses			
Program	4,019,157	-	4,019,157
Management and general	133,146	-	133,146
Fundraising	71,128	-	71,128
Restructuring	<u>131,215</u>	<u>-</u>	<u>131,215</u>
Total expenses	<u>4,354,646</u>	<u>-</u>	<u>4,354,646</u>
Change in net assets	<u>\$ (729,160)</u>	<u>\$ (218,075)</u>	<u>\$ (947,235)</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Activities
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues, and Other Gains			
Public support	\$ 1,882,453	\$ -	\$ 1,882,453
Private support	495,670	1,135,953	1,631,623
Revenues and other gains	1,159,822	1,928	1,161,750
Net assets released from restriction	<u>997,733</u>	<u>(997,733)</u>	<u>-</u>
 Total support, revenues, and other gains	 <u>4,535,678</u>	 <u>140,148</u>	 <u>4,675,826</u>
Expenses			
Program	4,273,154	-	4,273,154
Management and general	139,194	-	139,194
Fundraising	<u>56,998</u>	<u>-</u>	<u>56,998</u>
 Total expenses	 <u>4,469,346</u>	 <u>-</u>	 <u>4,469,346</u>
 Change in net assets	 <u>\$ 66,332</u>	 <u>\$ 140,148</u>	 <u>\$ 206,480</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Changes in Net Assets

Year Ended June 30, 2012

	<u>Total</u>	<u>Unrestricted - Undesignated</u>	<u>Unrestricted - Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net Assets, July 1, 2011	\$ 6,049,161	\$ 99,644	\$ 4,346,097	\$ 1,592,111	\$ 11,309
Change in net assets	(947,235)	(734,437)	5,277	(218,075)	-
Release from Board Designated Funds Functioning as Endowment	-	634,793	(634,793)	-	-
Net Assets, June 30, 2012	<u>\$ 5,101,926</u>	<u>\$ -</u>	<u>\$ 3,716,581</u>	<u>\$ 1,374,036</u>	<u>\$ 11,309</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Changes in Net Assets

Year Ended June 30, 2011

	<u>Total</u>	<u>Unrestricted - Undesignated</u>	<u>Unrestricted - Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net Assets, July 1, 2010	\$ 5,842,681	\$ -	\$ 4,379,409	\$ 1,451,963	\$ 11,309
Change in net assets	206,480	99,644	(33,312)	140,148	-
Release from Board Designated Funds Functioning as Endowment	-	-	-	-	-
Net Assets, June 30, 2011	<u>\$ 6,049,161</u>	<u>\$ 99,644</u>	<u>\$ 4,346,097</u>	<u>\$ 1,592,111</u>	<u>\$ 11,309</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (947,235)	206,480
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	61,391	56,820
Realized and unrealized investment losses (gains), net	56,097	(305,558)
Loss on disposal of property and equipment	784	590
Increase in allowance for doubtful accounts	-	6,200
Changes in assets and liabilities:		
Accounts receivable	33,897	83,262
Diocese receivable	(31,995)	(17,060)
Pledges receivable, net	5,000	(5,000)
Prepaid expenses	2,920	(19,046)
Accounts payable, trade	(2,195)	4,714
Accrued liabilities	36,929	(21,438)
Accrued compensation	2,758	(70)
Accrued unemployment compensation	95,930	8,633
Deferred revenue	(5,834)	(4,887)
Net cash used in operating activities	<u>(691,553)</u>	<u>(6,360)</u>
Cash Used In Investing Activities		
Purchases of property and equipment	<u>(54,503)</u>	<u>(24,098)</u>
Decrease in cash and cash equivalents	(746,056)	(30,458)
Cash and Cash Equivalents , Beginning of Year	<u>2,912,437</u>	<u>2,942,895</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,166,381</u>	<u>\$ 2,912,437</u>

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Statement of Functional Expenses

Years Ended June 30, 2012 and 2011

	2012				2011			
	Program Expenses	Management and General	Fundraising Expenses	Total Expenses	Program Expenses	Management and General	Fundraising Expenses	Total Expenses
Salaries and wages	\$ 1,854,343	\$ 82,326	\$ 27,936	\$ 1,964,605	\$ 1,864,496	\$ 89,289	\$ 8,836	\$ 1,962,621
Employee benefits and payroll taxes	546,816	30,909	10,391	588,116	530,599	29,920	2,025	562,544
Program expenses	350,714	-	-	350,714	452,223	-	-	452,223
Direct and charitable assistance	545,009	-	-	545,009	699,862	-	-	699,862
Occupancy	351,892	8,465	156	360,513	343,850	9,277	722	353,849
Operating overhead	177,378	-	-	177,378	179,697	-	-	179,697
Depreciation	60,827	564	-	61,391	56,169	651	-	56,820
Transportation	59,250	167	80	59,497	56,821	272	178	57,271
Outside services	31,472	8,281	-	39,753	36,290	7,500	-	43,790
Development	-	-	32,250	32,250	-	-	44,843	44,843
Administrative supplies	22,104	1,292	-	23,396	24,326	1,224	-	25,550
Staff development	16,906	1,142	315	18,363	25,060	1,061	394	26,515
Bad debts	2,446	-	-	2,446	3,761	-	-	3,761
Total expenses	\$ 4,019,157	\$ 133,146	\$ 71,128	\$ 4,223,431	\$ 4,273,154	\$ 139,194	\$ 56,998	\$ 4,469,346

See notes to financial statements

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Catholic Charities of the Diocese of Allentown, Inc. (the "Corporation") provides social services to the five-county area comprising the Diocese of Allentown. The Corporation was originally incorporated on June 7, 1954 as The Catholic Social Agency of Lehigh and Northampton Counties; the Corporation changed its name in April 2005. The work of the Corporation is directed from a central administrative office and three regional offices.

Basis of Accounting and Basis of Presentation

The accounts of the Corporation have been maintained and the financial statements have been prepared on the accrual basis of accounting. The Corporation follows the provisions of The Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 958.

Sources of Income

The Corporation's principal sources of funding include government grants and contracts, contributions from the Catholic Charities appeal, support from the Diocese of Allentown, fees for services, private donations, and investment returns.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based upon the estimated useful life of each class of depreciable asset.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

Contributions

The Corporation reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Corporation reports the support as unrestricted. In the absence of specific donor restriction, contributions are considered available for unrestricted use.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Services

The Corporation recognizes contributed services for the significant level of service provided by female religious in the operation of the Corporation's programs. Contributed services are recognized, along with the corresponding salary expense, for the differential between actual costs incurred and lay-equivalent costs for the positions filled by the female religious.

Investments and Investment Risk

Investments are recorded at fair value in the accompanying statement of financial position. Investments in equity and debt securities are reported at fair value based on the quoted market price of the underlying investments.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying statement of financial position could change materially in the near term.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

Designated Net Assets

The ability of the Corporation to fulfill its mission of service to society depends upon, among other things, a healthy financial situation. Income for the Corporation's current budgeted operations comes from a number of sources including support from the Diocese of Allentown, government funding, fees, grants/foundations, fundraising, and other donations. In order to strengthen the financial base of the Corporation and to enhance the future capabilities and viability of the Corporation, it is desirable to establish funds functioning as endowment which can hopefully grow and in which the interest would be used in accordance with the needs of the Corporation as determined by the Executive Director and the Board of Directors. These needs may include new programs to serve individuals and families in need, the expansion of current programs, or special capital needs as determined by the Corporation's strategic planning process.

The Corporation therefore has designated a portion of its unrestricted net assets to provide for the long-term needs of the Corporation. The principal of the fund is invested according to the Diocese of Allentown Investment Policy. Interest and dividend earnings are reinvested and are also designated by the board of directors as funds functioning as endowment. Funds functioning as endowment are included in designated unrestricted net assets in the statement of financial position.

Temporarily Restricted Net Assets

The Corporation's temporarily restricted net assets include contributions received restricted for specific uses and purposes as specified by the donors. The Corporation has also received certain pledges for future gifts. The contributions with purpose restrictions primarily provide that they be used for specific program expenses. The Corporation reports release of restricted net assets when the donor stipulations have been met or time restrictions have expired.

Permanently Restricted Net Assets

The Corporation's permanently restricted net assets include contributions received to provide for children with special needs. The principal of the gifts, at the donor's stipulation, is to be invested in perpetuity and only the earnings are available for use in operations.

Income Taxes

As an agency operated by the Roman Catholic Church in the United States of America, the Corporation is entitled to exemption from federal income tax under the provisions as described in Section 501(c)(3) of the Internal Revenue Code.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

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 those estimates.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management's estimate of time and expenses related to providing the respective service. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

Reclassifications

Certain reclassifications were made to the 2011 financial statements to conform to the 2012 presentation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through January 18, 2013, the date the financial statements were available to be issued.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

2. Investments

Investments at fair value are comprised of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Diocesan Unitized Investment Pool	\$ 2,077,031	\$ 2,133,843
Mutual funds	<u>17,798</u>	<u>17,083</u>
Total	<u>\$ 2,094,829</u>	<u>\$ 2,150,926</u>

Investment income and gains and losses on investments are summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 61,374	\$ 68,370
Investment gains, net	<u>(56,097)</u>	<u>305,558</u>
Net investment gains	<u>\$ 5,277</u>	<u>\$ 373,928</u>

Total investments include permanently restricted investments of \$11,309 at June 30, 2012 and 2011, which are restricted for children with special needs.

3. Fair Value Measurements

The FASB issued enhanced guidance for using fair value to measure assets and liabilities. The Corporation adopted the guidance, which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. The adoption of the guidance had no material impact on the Corporation's financial statements but expanded disclosure about the fair value measurement. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The framework that the guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

The three levels of the fair value hierarchy under the fair value guidance are described below:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011.

Diocese of Allentown Unitized Investment Pool: Valued based upon the fair value of the Pool's underlying assets derived principally from, or corroborated by, observable market data. The Corporation invests in both the Equity portfolio and the Fixed portfolio of the Pool. Each portfolio holds a diversified mix of investments, and is managed to achieve certain benchmarks as described in the Diocesan investment policy.

Mutual funds: Valued at the net asset value of shares held by the Corporation at year end.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value.

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Diocesan Unitized				
Investment Pool:				
Equity fund	\$ -	\$ 1,022,126	\$ -	\$ 1,022,126
Fixed fund	-	1,054,905	-	1,054,905
Mutual funds	17,798	-	-	17,798
	<u>\$ 17,798</u>	<u>\$ 2,077,031</u>	<u>\$ -</u>	<u>\$ 2,094,829</u>

	Assets at Fair Value as of June 30, 2011			
Diocesan Unitized				
Investment Pool:				
Equity fund	\$ -	\$ 1,117,983	\$ -	\$ 1,117,983
Fixed fund	-	1,015,860	-	1,015,860
Mutual funds	17,083	-	-	17,083
	<u>\$ 17,083</u>	<u>\$ 2,133,843</u>	<u>\$ -</u>	<u>\$ 2,150,926</u>

4. Pledges Receivable

The Corporation records contributions at the time an unconditional promise to give is made. Certain pledges are received which commit support for future periods for purposes of program support and capital needs.

The Corporation has included the following unconditional promises to give in its pledges receivable at June 30, 2012 and 2011:

	2012	2011
Private grants due in less than one year	<u>\$ 30,000</u>	<u>\$ 35,000</u>

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

5. Property and Equipment, Net

Property and equipment, net is as follows:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 571,919	\$ 567,783
Furniture, autos and equipment	<u>630,056</u>	<u>690,024</u>
	1,201,975	1,257,807
Less accumulated depreciation	<u>974,962</u>	<u>1,023,122</u>
Property and equipment, net	<u>\$ 227,013</u>	<u>\$ 234,685</u>

Depreciation expense was \$61,391 in 2012 and \$56,820 in 2011.

6. Contributed Services

Contributed services are recognized by the Corporation, along with corresponding salary expense, for the differential between actual costs incurred and lay-equivalent costs for the positions filled by female religious. The amount recognized for contributed services revenue and expense in the statement of activities and the statement of functional expenses totaled \$29,061 in 2012 and \$29,626 in 2011.

7. Lease Commitments

The Corporation is committed under a number of operating leases for rentals of office and office equipment. Rent expense for those leases was \$211,025 and \$208,746 for the years ended June 30, 2012 and 2011, respectively. Future minimum lease payments as of June 30, 2012 are due as follows:

Years ending June 30:	
2013	\$ 153,944
2014	146,707
2015	137,798
2016	<u>48,377</u>
	<u>\$ 486,826</u>

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

8. Pension Plan

The Corporation participates in the Diocese of Allentown Lay Employees' Pension Plan covering lay employees of the Diocese of Allentown who meet certain age and service requirements. On an annual basis, the Corporation contributes 3% of participants' compensation exclusive of bonus, overtime, and other nonrecurring payments, so that when combined with employees' contributions, the employees' pension benefits should be fully funded by retirement. The Corporation's pension expense was \$43,661 in 2012 and \$43,906 in 2011.

9. Related Party Transactions

In addition to the Strengthening Our Future in Faith funds, which are received from the Diocese, the Corporation was allocated the following revenue from the Diocese:

	<u>2012</u>	<u>2011</u>
Bishop's Annual Appeal	\$ 582,000	\$ 532,000
Operation Rice Bowl	15,000	15,000
Reimbursement of Holy Family Manor administration and Victim's Assistance coordinator fees	<u>70,372</u>	<u>68,934</u>
	<u>\$ 667,372</u>	<u>\$ 615,934</u>

During the years ended June 30, 2012 and 2011, the Corporation was charged by the Diocese for the following items in addition to the Lay Employee Pension Fund contributions:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 14,373	\$ 13,691
Insurance	40,200	39,149
Adult Day Care occupancy	16,917	18,024
Computer communications	22,568	26,410
Life insurance and other benefits	1,225	1,300
Other administrative charges	<u>1,249</u>	<u>458</u>
	<u>\$ 96,532</u>	<u>\$ 99,032</u>

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

At June 30, 2012 and 2011, respectively, the Diocese owed the Corporation for the following support and pledges:

	<u>2012</u>	<u>2011</u>
Bishop's Annual Appeal	\$ 582,000	\$ 532,000
Operation Rice Bowl	15,000	30,000
Miscellaneous	11,512	14,517
	<u>\$ 608,512</u>	<u>\$ 576,517</u>

10. Concentration of Credit Risk

The Corporation maintains substantially all of its cash and cash equivalents with one financial institution, which exceeds federally insured limits as of June 30, 2012. Management believes that the Corporation is not exposed to any significant credit risk on its cash and cash equivalents account.

11. Net Assets

The Corporation reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. Gifts received requiring perpetual investment or uses by the Corporation are classified as permanently restricted net assets.

Temporarily restricted net assets at June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Bishop's Annual Appeal (time-restricted)	\$ 582,000	\$ 532,000
Strengthening Our Future in Faith (primarily purpose-restricted)	725,208	961,398
Other	66,828	98,713
	<u>\$ 1,374,036</u>	<u>\$ 1,592,111</u>

Permanently restricted net assets at June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Endowment	\$ 11,309	\$ 11,309

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

12. Endowment Funds

The Corporation's endowments consist of two funds - The Guido & Margaret Bartolacci Fund of Catholic Charities for Children of Special Needs and a fund designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation's policy is to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The purpose of the funds functioning as endowment is to support the Corporation and its mission over the long-term. Accordingly, the primary investment objectives of the endowment are to: (1) preserve the real purchasing power of the principal, and (2) provide a stable source of perpetual financial support in accordance with the objectives of the Board of Directors.

In order to preserve the purchasing power of both principal and of withdrawals made available for spending, the long-term annualized total rate of return objective is inflation plus two percent. To satisfy its long-term rate of return objective, the funds functioning as endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Asset allocation guidelines and the investment manager structure should ensure adequate diversification in order to reduce the volatility of investment returns.

The purpose of the Bartolacci Fund is to support Children with Special Needs. The funds are to be invested in high grade mutual stock funds that are invested and administered by Royal Alliance Associates, Inc, Easton, PA. The principal of the fund shall always remain, and if possible (depending on market conditions) will grow yearly. Each year at the direction of the donor, fifty percent will be taken from the accrued interest, dividends, or growth of the principal for children with special needs.

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment net assets	\$ -	\$ -	\$ 11,309	\$ 11,309
Board-designated endowment net assets	<u>2,890,165</u>	<u>-</u>	<u>-</u>	<u>2,890,165</u>
Total endowment net assets	<u>\$ 2,890,165</u>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 2,901,474</u>

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

Donor-restricted endowment net assets	\$ -	\$ -	\$ 11,309	\$ 11,309
Board-designated endowment net assets	<u>3,519,681</u>	<u>-</u>	<u>-</u>	<u>3,519,681</u>
Total endowment net assets	<u>\$ 3,519,681</u>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 3,530,990</u>

Changes in endowment net assets for the fiscal year ended June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 3,519,681</u>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 3,530,990</u>
Investment return:				
Investment income	61,374	-	-	61,374
Net depreciation (realized and unrealized)	<u>(56,811)</u>	<u>-</u>	<u>714</u>	<u>(56,097)</u>
Total investment return	4,563	-	714	5,277
Contributions	-	-	-	-
Transfer from restricted net assets	714	-	(714)	-
Appropriation of endowment assets for expenditure	<u>(634,793)</u>	<u>-</u>	<u>-</u>	<u>(634,793)</u>
Endowment net assets, end of year	<u>\$ 2,890,165</u>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 2,901,474</u>

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

Changes in endowment net assets for the fiscal year ended June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,148,270	\$ -	\$ 11,309	\$ 3,159,579
Investment return:				
Investment income	68,370	-	-	68,370
Net depreciation (realized and unrealized)	301,113	-	1,928	303,041
Total investment return	369,483	-	1,928	371,411
Contributions	-	-	-	-
Transfer from restricted net assets	1,928	-	(1,928)	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 3,519,681</u>	<u>\$ -</u>	<u>\$ 11,309</u>	<u>\$ 3,530,990</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or law requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2012 or 2011.

Catholic Charities of the Diocese of Allentown, Inc.

Schedule of Revenue

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues, and Other Gains			
Public support:			
Government grants and awards	\$ 1,541,166	\$ -	\$ 1,541,166
Private support:			
Bequests	15,120	-	15,120
Donations	286,557	2,550	289,107
Bishop's Annual Appeal	-	582,000	582,000
Strengthening Our Future in Faith	-	50,000	50,000
Grants	32,210	77,588	109,798
Fundraising	135,402	-	135,402
Contributed services	29,061	-	29,061
Total private support	<u>498,350</u>	<u>712,138</u>	<u>1,210,488</u>
Revenue and other gains:			
Program fees	348,616	-	348,616
Third-party fees	302,648	-	302,648
Interest and dividends	61,374	-	61,374
Investment gains (losses), net	(56,097)	-	(56,097)
Loss on disposal of property and equipment	(784)	-	(784)
Total revenue and other gains	<u>655,757</u>	<u>-</u>	<u>655,757</u>
Net Assets Released from Restriction			
Satisfaction of donor restrictions	112,023	(112,023)	-
Expiration of time restrictions,			
Receipt from Diocese of Allentown:			
Bishop's Annual Appeal	532,000	(532,000)	-
Strengthening Our Future in Faith	286,190	(286,190)	-
Total net assets released from restrictions	<u>930,213</u>	<u>(930,213)</u>	<u>-</u>
Total support, revenues, and other gains	<u>\$ 3,625,486</u>	<u>\$ (218,075)</u>	<u>\$ 3,407,411</u>

Catholic Charities of the Diocese of Allentown, Inc.

Schedule of Revenue

Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues, and Other Gains			
Public support:			
Government grants and awards	\$ 1,882,453	\$ -	\$ 1,882,453
Private support:			
Bequests	17,113	-	17,113
Donations	252,590	17,227	269,817
Bishop's Annual Appeal	-	532,000	532,000
Strengthening Our Future in Faith	-	500,000	500,000
Grants	25,561	86,726	112,287
Fundraising	170,780	-	170,780
Contributed services	29,626	-	29,626
Total private support	<u>495,670</u>	<u>1,135,953</u>	<u>1,631,623</u>
Revenue and other gains:			
Program fees	364,351	-	364,351
Third-party fees	420,791	-	420,791
Interest and dividends	68,370	-	68,370
Investment gains, net	303,630	1,928	305,558
Loss on disposal of property and equipment	(590)	-	(590)
Miscellaneous	3,270	-	3,270
Total revenue and other gains	<u>1,159,822</u>	<u>1,928</u>	<u>1,161,750</u>
Net Assets Released from Restriction			
Satisfaction of donor restrictions	153,694	(153,694)	-
Expiration of time restrictions:			
Receipt from Diocese of Allentown:			
Bishop's Annual Appeal	532,000	(532,000)	-
Strengthening Our Future in Faith	312,039	(312,039)	-
Total net assets released from restrictions	<u>997,733</u>	<u>(997,733)</u>	<u>-</u>
Total support, revenues, and other gains	<u>\$ 4,535,678</u>	<u>\$ 140,148</u>	<u>\$ 4,675,826</u>

Catholic Charities of the Diocese of Allentown, Inc.Schedule of Expenditures of Federal, State, and County Awards
Year Ended June 30, 2012

Federal, State, County Grantor/pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Contract Number	Grant Period	Expenditures
Federal Awards				
<u>Department of Health and Human Services</u>				
Medical Assistance program	93.778	N/A	07/01/11-06/30/12	\$ 20,636
Passed through Pennsylvania Department of Public Welfare: Refugee and Entrant Assistance - PA Refugee Resettlement Program	93.566	N/A	07/01/11-06/30/12	100,997
Passed through Berks County, Foster Care - Title IV-E	93.658	N/A	07/01/11-06/30/12	23,633
Passed through Clearfield County, Foster Care - Title IV-E	93.658	N/A	07/01/11-06/30/12	8,126
Passed through Lehigh County, Foster Care - Title IV-E	93.658	N/A	07/01/11-06/30/12	60,702
Passed through Luzerne County, Foster Care - Title IV-E	93.658	N/A	07/01/11-06/30/12	8,460
Passed through Schuylkill County: Foster Care - Title IV-E	93.658	N/A	07/01/11-06/30/12	69,714
Passed through Real Alternatives, Project Women In Need (WIN)	93.558	N/A	07/01/11-06/30/12	17,102
Passed through United States Catholic Conference, U.S. Refugee Assistance Program, Match Grant	93.567	N/A	07/01/11-06/30/12	97,311
Passed through PA Bureau of Child Support, Therapeutic Supervised Visitation	93.597	N/A	07/01/11-06/30/12	37,590
Total Department of Health and Human Services				<u>444,271</u>
<u>Department of State</u>				
Passed through United States Catholic Conference, U.S. Refugee Assistance Program, Reception and Placement	19.510	N/A	07/01/11-06/30/12	133,036
Total Department of State				<u>133,036</u>
<u>Department of Housing and Urban Development</u>				
Supportive Housing Program	14.235	N/A	07/01/11-06/30/12	35,007
Passed through City of Reading, Emergency Solutions	14.231	N/A	07/01/11-06/30/12	8,000
Passed through Catholic Charities USA, Housing & Reverse Mortgage Grant	14.169	N/A	07/01/11-06/30/12	14,223
Passed through Lehigh County: Homeless Prevention and Rapid Re-Housing Program	14.257 - ARRA	N/A	07/01/11-06/30/12	17,732
Community Development Block Grant	14.218	N/A	07/01/11-06/30/12	19,832
Passed through Northampton County: Homeless Prevention and Rapid Re-Housing Program	14.257 - ARRA	N/A	07/01/11-06/30/12	120,065
Community Development Block Grant	14.218	N/A	07/01/11-06/30/12	21,582
Passed through City of Bethlehem: Homeless Prevention and Rapid Re-Housing Program	14.257 - ARRA	N/A	07/01/11-06/30/12	63,071
Total Department of Housing and Urban Development				<u>299,512</u>
<u>Department Of Homeland Security</u>				
Passed through Berks County: Emergency Food and Shelter Program	97.024	719000-004	07/01/11-06/30/12	17,074
Passed through Schuylkill County: Emergency Food and Shelter Program	97.024	731600-001	07/01/11-06/30/12	3,335
Passed through Lehigh and Northampton Counties: Emergency Food and Shelter Program	97.024	717400-004	07/01/11-06/30/12	31,374
Total Department of Homeland Security				<u>51,783</u>
Total expenditures of federal awards				<u>\$ 928,602</u>

Catholic Charities of the Diocese of Allentown, Inc.Schedule of Expenditures of Federal, State, and County Awards
Year Ended June 30, 2012

Federal, State, County Grantor/pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Contract Number	Grant Period	Expenditures
State Awards				
Pennsylvania Department of Public Welfare				
Passed through Berks County, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	\$ 72,976
Passed through Clearfield County, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	5,304
Passed through Lehigh County, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	129,575
Passed through Schuylkill County, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	104,868
Passed through Real Alternatives, Project Women In Need (WIN)	N/A	N/A	07/01/11-06/30/12	<u>91,813</u>
Total Pennsylvania Department of Public Welfare				<u>404,536</u>
Pennsylvania Department of Community Affairs				
Passed through Lehigh County, Housing Case Management	N/A	N/A	07/01/11-06/30/12	<u>44,670</u>
Total Pennsylvania Department of Community Affairs				<u>44,670</u>
Pennsylvania Department of Human Services				
Medical Assistance Program	N/A	N/A	07/01/11-06/30/12	<u>16,735</u>
Total expenditures of state awards				<u>465,941</u>
County Awards				
Clearfield County Department of Children and Youth Services, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	1,326
Lehigh County Department of Human Services, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	32,394
Lehigh County Department of Community and Economic Development, Housing Trust Grant	N/A	N/A	07/01/11-06/30/12	21,041
Northampton County Department of Community and Economic Development, Housing Trust Grant	N/A	N/A	07/01/11-06/30/12	65,645
Schuylkill County Department of Human Services, Foster Care - Title IV-E	N/A	N/A	07/01/11-06/30/12	<u>26,217</u>
Total expenditures of county awards				<u>146,623</u>
Total expenditures of federal, state, and county awards				<u>\$ 1,541,166</u>

Catholic Charities of the Diocese of Allentown, Inc.

Notes to Schedule of Expenditures of Federal, State and County Awards
June 30, 2012

1. Basis of Accounting

The accompanying schedule of expenditures of federal, state, and county awards include the grant activity of the Catholic Charities of the Diocese of Allentown, Inc. for the year ended June 30, 2012. These schedules are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state and county agencies. Therefore, some amounts presented in this schedule may differ from certain financial reports submitted to governmental or other funding agencies.

**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***

Board of Directors
Catholic Charities of the Diocese of Allentown, Inc.

We have audited the financial statements of Catholic Charities of the Diocese of Allentown, Inc. (the "Corporation") as of and for the year ended June 30, 2012, and have issued our report thereon dated January 18, 2013. 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

Management of the Corporation is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Catholic Charities of the Diocese of Allentown, Inc., others within Catholic Charities of the Diocese of Allentown, Inc., and federal, state, and county awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Parente Beard LLC". The signature is written in black ink and is positioned in the lower-left area of the page.

Allentown, Pennsylvania
January 18, 2013

**Independent Auditors' Report
on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Directors
Catholic Charities of the Diocese of Allentown, Inc.

Compliance

We have audited Catholic Charities of the Diocese of Allentown, Inc. (the "Corporation's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2012. The Corporation'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 the Corporation's management. Our responsibility is to express an opinion on the Corporation'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 the Corporation'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 of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 solely for the information and use of the management of the Catholic Charities of the Diocese of Allentown, Inc., others within Catholic Charities of the Diocese of Allentown, and federal, state, and county awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ParenteBeard LLC

Allentown, Pennsylvania
January 18, 2013

Catholic Charities of the Diocese of Allentown, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X 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 OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Programs or Cluster

14.257 - ARRA

U.S. Department of Housing and Urban Development,
Homeless Prevention and Rapid Re-Housing

93.658

U.S. Department of Health and Human Services,
Foster Care, Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Catholic Charities of the Diocese of Allentown, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - Summary Schedule of Prior Audit Findings

None noted.