

June 23, 2020

To the Board of Directors of
Catholic Charities of Ashtabula County
Ashtabula, Ohio

In planning and performing our audit of the financial statements of Catholic Charities of Ashtabula County (the "Agency") as of and for the year ended December 31, 2019 in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

However, during our audit, we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated June 23, 2020, on the financial statements of the Agency.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with the Agency's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. These matters are summarized in the memorandum that accompanies this letter.

This communication is intended solely for the use of the Finance Committee, Board of Directors and management of Catholic Charities of Ashtabula County it is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



CURRENT YEAR OBSERVATION AND RECOMMENDATION

Capitalization Policy

During our audit, we noted that the Agency's policy for the capitalization of property and equipment purchases begins with any asset purchase over \$1,000. Currently Catholic Charities Diocese of Youngstown and one of the other sister agencies use a threshold of \$2,000, we recommend that the Agency consider increasing its capitalization policy to \$2,000.

STATUS OF PRIOR YEAR RECOMMENDATION

In 2018, the following observation was provided to the Agency to identify an accounting standard that was effective for 2019.

OBSERVATION – ACCOUNTING FOR GRANTS AND CONTRACTS

- In June 2018, the Financial Accounting Standards Board released *Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies contributions vs. revenue from contracts. If a transaction is reciprocal where both sides of the transaction benefit, it is considered an exchange transaction. If the transaction is non-reciprocal, even if there is societal benefit, it is considered a contribution. Contributions are conditional when (1) the contributor retains either a right of return of the resources provided or right of release of the obligation from the promisor and (2) there is a barrier the Association must overcome to be entitled to the resources provided. If there are conditions, any advanced funds received need to be recorded as liabilities. Only after the conditions are met can revenue be recorded. This standard is effective for the year ending December 31, 2019.

RECOMMENDATION – ACCOUNTING FOR GRANTS AND CONTRACTS

- We recommend management be familiar with the new pronouncement to be better prepared for implementation.

STATUS – ACCOUNTING FOR GRANTS AND CONTRACTS

- In the current year, the Agency adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

REQUIRED COMMUNICATIONS

A. Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 9, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during January 2020.

C. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. In 2019, the Agency adopted Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers" and ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The adoption of these standards did not have a material impact on the Agency's financial statements. The application of existing policies was not changed during 2019. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on management's review of delinquent accounts and an assessment of the Agency's historical evidence of collections.

Management's estimate of the depreciation expense is based on estimated life of assets. We evaluated the key factors and assumptions used to calculate depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of investment valuation is based on management's assessment of quoted prices for identical or similar securities and/or information obtained from fund managers or specialists.

Management's estimate of the functional expense allocation is based key factors, such as time spent per functional area. We evaluated the key factors and assumptions used to calculate the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

REQUIRED COMMUNICATIONS (CONTINUED)

D. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

E. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

F. Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

G. Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated June 23, 2020.

H. Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

I. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Catholic Charities

of Ashtabula County

Providing Help. Creating Hope.

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Ashtabula, OH 44004
440-992-2121

June 23, 2020

Maloney + Novotny LLC
1111 Superior Avenue, Suite 700
Cleveland, Ohio 44114

This representation letter is provided in connection with your audits of the financial statements of Catholic Charities of Ashtabula County (the "Agency"), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 23, 2020, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 9, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

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- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We are in agreement with the adjusting entries you have proposed, and they have been posted to the Agency's accounts.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Agency is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- The Agency recognizes tax benefits only to the extent that the Agency believes a tax position is "more likely than not" (meaning the likelihood is greater than 50%) to be upheld through an examination by taxing authorities. The Agency has no material unrecognized tax benefits.


Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Completeness and availability of all minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes were not yet prepared.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - Reasonableness of bases for allocation of functional expenses.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Agency and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- Catholic Charities of Ashtabula County is an exempt organization under Section 501(c) 3 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Agency's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We acknowledge that we are to maintain our original data and records and, in accordance with professional standards, you cannot be the sole host and/or sole storage for such information. We have requested any missing documents and do have all data and records to make our books and records complete.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
- We have implemented ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the audit period. We have implemented the new accounting standards in accordance with the transition guidance prescribed in the ASUs. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.

- In regard to the financial statement and tax preparation services performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services

Signature: 
Executive Director

Signature: 
Fiscal Coordinator