

House District _____

Senate District _____

THE TWENTY-SIXTH LEGISLATURE
HAWAII STATE LEGISLATURE
APPLICATION FOR GRANTS & SUBSIDIES
CHAPTER 42F, HAWAII REVISED STATUTES

Log No: 9-0

For Legislature's Use Only

Reed JAN 28 2011

Type of Grant or Subsidy Request:

GRANT REQUEST - OPERATING

GRANT REQUEST - CAPITAL

SUBSIDY REQUEST

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Subsidy" means an award of state funds by the legislature, by an appropriation to a recipient specified in the appropriation, to reduce the costs incurred by the organization or individual in providing a service available to some or all members of the public.

"Recipient" means any organization or person receiving a grant or subsidy.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN):

JUDICIARY

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN): _____

1. APPLICANT INFORMATION:

Legal Name of Requesting Organization or Individual:
Catholic Charities Hawaii

Dbas:

Street Address: 1822 Keeaumoku Street, Honolulu, HI 96822

Mailing Address: 1822 Keeaumoku Street, Honolulu, HI 96822

2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:

Name BARBARA MULLEN

Title Program Director

Phone # (808) 527-4474

Fax # (808) 527-4479

e-mail bmullen@catholiccharitieshawaii.org

3. TYPE OF BUSINESS ENTITY:

- NON PROFIT CORPORATION
- FOR PROFIT CORPORATION
- LIMITED LIABILITY COMPANY
- SOLE PROPRIETORSHIP/INDIVIDUAL

6. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:

TO PROVIDE CRISIS INTERVENTIN, CASE MANAGEMENT, LONG-TERM TREATMENT AND SERVICES TO CHILD VICTIMS OF INTRAFAMILIAL SEXUAL ABUSE AND THEIR FAMILIES, IDENTIFIED AS A "GAP" GROUP, FOR WHICH SERVICES ARE OTRHWISE UNAVAILABLE.

4. FEDERAL TAX ID: _____

5. STATE TAX ID #: _____

7. AMOUNT OF STATE FUNDS REQUESTED:

FY 2011-2012: \$ 269,319.00

8. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:

- NEW SERVICE (PRESENTLY DOES NOT EXIST)
- EXISTING SERVICE (PRESENTLY IN OPERATION)

SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE AT THE TIME OF THIS REQUEST:

STATE \$269,319.00

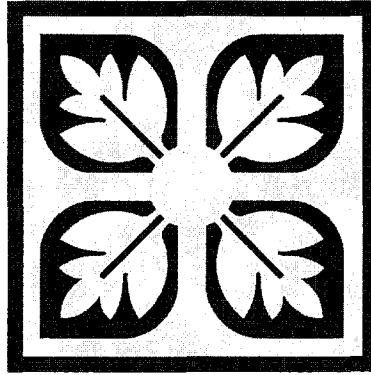
FEDERAL \$ N/A

COUNTY \$ N/A

PRIVATE/OTHER \$ N/A

JERRY RAUCKHORST, PRESIDENT & CHIEF EXECUTIVE OFFICER
NAME & TITLE

JANUARY 27, 2011
DATE SIGNED



CATHOLIC CHARITIES HAWAII

**APPLICATION
FOR GRANTS AND SUBSIDIES**

**FISCAL YEAR 2011-2012 BUDGET
(JULY 1, 2011 TO JUNE 30, 2012)**

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Application for Grants and Subsidies

I. Background and Summary

A. A brief description of the applicant's background

Catholic Social Services was incorporated in Hawai'i in 1947 to assist the Diocese of Honolulu in providing mental health and social services to those in need, regardless of religion, ethnicity, handicap, sex or age. In 1980, the Child Sexual Abuse Treatment Program (CSATP) was created to focus services specifically towards treatment of incest victims and their families using the most current clinical methodology available. In 2004, the organization reorganized as Catholic Charities Hawai'i (CCH) with three divisions; Community and Senior Services, Youth Enrichment Services, and Family & Therapeutic Services. CSATP is now a unit of Family & Therapeutic Services and includes the Safe and Sound program (SAS), which started under an RFP from the Judiciary in 2003.

The three program divisions offer a comprehensive array of services throughout the State of Hawai'i for the following:

Division	Target Population
Community & Senior Services	Elders, immigrants, unsheltered families, individuals with developmental disabilities
Family and Therapeutic Services	Families and youth, domestic violence victims and offenders
Youth Enrichment Services	Youth with emotional and behavioral problems

CCH provides these services with over 300 employees who have a wide range of job skills and professional training. In addition, its programs use hundreds of volunteers to assist in providing services to some of Hawai'i's most needy families, adults, children, immigrants and refugees.

The agency has a reputation for delivering a continuum of supportive services for Hawai'i's families from infancy to senior status that are responsive, effective and culturally sensitive in all aspects.

B. The goals and objectives related to the request

The goal of this project is to ensure that funding is appropriated to be able to continue Safe and Sound (SAS) program services at current levels. The current contract expires on June 30, 2011 and even if the new contract is awarded to CCH, our experience is that funding levels in the past have been drastically reduced. The Safe and Sound program (SAS), within Catholic Charities Hawai'i's Child Sexual Abuse Treatment Program (CSATP), is unique and provides much-needed services that are otherwise unavailable.

This program has provided crisis intervention, case management, and long-term treatment to child victims of intrafamilial sexual abuse and sexually reactive children who are not being served by the Department of Human Services (DHS). The program has been valued highly by both DHS and HPD (the primary referring parties) as a way to prevent these children and their families from “falling through the cracks,” thereby interrupting the cyclical nature of sexual abuse and its many costs to society. Additionally, SAS proposes to be the sole referring source for child on child incest cases, which DHS no longer accepts, and which research indicates cause some of the most troubling and long-lasting effects on family functioning. Concomitant services may include trauma assessments, transportation, childcare, and psycho-educational training. All services will be in accordance with best practice tenets in the field of intrafamilial child sexual abuse and sexually reactive children.

If a Grant is appropriated to the Safe and Sound Program, it would be administered by the Children’s Justice Center of the Judiciary.

C. State the public purpose and need to be served

The public purpose of this program is to provide services to a “gap” group to help prevent the untold costs to individuals, families and society that are the result of untreated child sexual abuse. These costs include:

- Child runaways and homelessness, substance abuse, teen-age pregnancy, promiscuity including prostitution, school drop-outs;
- Teen-age suicide;
- Increased domestic violence, broken families, including extended families resulting in disruption of cultural support systems that often are able, when helped, to do a better job than the “system” in establishing safety for children, helping the healing process and interrupting the cycle of abuse;
- Incarcerations and mental health residential placements;
- And, above all else, the cyclical nature of this insidious crime which becomes multi-generational, resulting in costs, both monetary and spiritual to the *entire* community for years to come.

The Program provides the following:

- Crisis intervention, case management, and long-term treatment and concomitant services, such as trauma assessments, transportation, childcare, and psycho-educational training;
- Treatment services for sexually reactive children under the age of 12;
- Treatment and case management for families in which there is adolescent (over 12 years) child to child sexual abuse;
- Other services such as housing placement and, in collaboration with The Children’s Alliance, birthday and Christmas gifts, financial aid for sports,

proms, school pictures, field trips, and self-defense classes for the children.

CSATP regularly works with several other community agencies and state departments to assure a continuum of services for our clients. SAS coordinates program services in collaboration with Children's Justice Center (CJC) personnel and members of the Interagency Council on Sexual Abuse. In addition, CSATP has the ability to directly coordinate services with DHS, Family Court, The Children's Alliance, and Adult Probation by leveraging its broad base of funding.

D. Describe the target population to be served

Children and families within the identified "gap" group in which there is CPS and/or Honolulu Police Department (HPD) confirmed intrafamilial child sexual abuse and who can not afford to seek other sources of help.

E. Describe the geographic coverage

The Safe and Sound program (SAS) has provided individual and group treatment and concomitant services to approximately 530 families (over 1,200 individuals) for the past five years on O'ahu. Services have also been provided to 36 sexually reactive children and their families on the Island of Hawai'i by contractors under the O'ahu SAS program. If this Grant is awarded, we propose that those contractors, who are highly trained and specialized in child sex abuse dynamics, could also provide services to the child on child intrafamilial cases not currently being served by DHS on the Big Island. *(The newest and perhaps most challenging "gap" group.)*

II. Service Summary and Outcomes

A. Describe the scope of work, tasks and responsibilities.

1. Crisis Outreach and Intervention Services

Crisis outreach and intervention services will be provided on multi-levels by the Safe and Sound Program (SAS). SAS therapists will be notified by DHS, CJC, or HPD, as soon as possible, preferably while the family is still at the CJC that a child/family is being interviewed for child sexual abuse and will most probably be appropriate for the SAS program. Immediately upon notification (by cell phone or beeper, at any time of the day or night), SAS therapists will attempt to meet the family at the CJC or the Outreach Worker may ensure that transportation for the clients to the SAS offices will be available.

Crisis intervention will begin immediately following the referral. Intervention services will be designed to meet the clients' special emotional and case management needs, i.e., safety, legal, law enforcement. This preliminary intervention will be provided at the CJC facility if possible. As individuals and families are processed through this first phase of intervention, they will be prepared through education and guidance to begin participation in the clinical component of their intervention and treatment. Clinical services will be provided by a Master's level therapist who will have responsibilities for individual, group, and family therapy and oversight of the coordination of intervention and treatment services for each individual and family.

After the initial crisis period has passed, efforts will be continued to assure engagement of the family in therapeutic services. SAS realizes that creative attempts to engage the family in services must be employed on a continuing basis in cases where the family's participation is wholly voluntary. Outreach services could include home visits to "talk story" and bring items the family may need, transportation to other services in which the family may be engaged, and other effective ways of building trust with the family. SAS realizes that the therapeutic process involved in sexual abuse treatment may be painful at times and that families often need special encouragement to persevere. Outreach efforts will assure that no barriers prevent family members from receiving such services.

2. Intensive Services to Non-Offending Parent/Caretaker (NOP)

For many parents, finding out that their child has been sexually molested by a family member or spouse is extremely traumatic. It is not unusual for the immediate response to be one of denial and minimization. This natural process allows the parent's psyche time to fully understand and accept the depth and breadth of what has happened in her or his family. Assisting parents in moving out of denial and minimization is a critical step in developing protectiveness and support for the child victim, allowing the child to remain in a safe and supportive home. It also begins the process of assisting the non-offending parent (NOP) in making important decisions about the entire family. Accomplishing this requires immediate and intensive services provided in a discreet and sensitive manner to ensure that neither the victim, NOP, nor siblings experience re-victimization through guilt, blame, or insensitivities from the professional team.

To best maximize support, NOPs need the opportunity to work with other parents that have endured similar experiences and are in a position to provide tremendously important and relevant support to the new NOP. They need help to negotiate the many problems that follow a disclosure of intrafamilial sexual abuse, not the least of which is to feel that the abuse was not necessarily about them or their abilities as parents. To facilitate

this, a peer-mentor program will be available to the client. Since the Child Sexual Abuse Treatment Program (CSATP) has ongoing NOP groups, mentors can be immediately available to SAS parents. CSATP has identified those parents who are in advanced stages of their own treatment and who have volunteered to be peer mentors to new non-offending parents in the SAS program. These mentors are specially trained to maximize the support to new clients.

It is not uncommon for parents of sexually abused children to have been victimized as children themselves. Because so many past victims of child sexual abuse go without treatment, many must deal with their victimization on their own, without the benefit of support groups, therapy or just someone to talk to about their feelings. In many cases, adults molested as children (AMAC) either suppress or remain in denial about their own abuse and the issues it generates. When forced to deal with the molestation of their own children, these suppressed feelings and traumas tend to re-surface and can re-traumatize the NOP. All NOP referred to the SAS program will be assessed for previous abuse and AMAC status. The referral to an AMAC group can be made at any time during the NOP's treatment. CSATP has ongoing AMAC groups at all times that are co-facilitated by a SAS therapist.

3. Trauma Assessments

Sexual abuse is a traumatizing event regardless of the age or circumstances of the victim and family members. Families experience multiple and complex issues prior to, during, and following a report of child sexual abuse that must be immediately identified so that appropriate intervention plans and methodologies can be developed and implemented.

Upon referral, all victims will be seen for three to five individual sessions in order to do a trauma assessment based on Jan Hindman's model. Issues such as the mother's response to the abuse report, duration of the abuse, amount of coercion and threats used by offender, sensory triggers, victim's ability to identify the offender as being totally responsible for the abuse, and whether a "trauma bond" has been formed will be among those examined in the assessment.

4. Individual, Group and Family Treatment

Individual sessions will be provided for all family members in order to assist children and family members in identifying critical trauma issues associated the experiences, to help them explore and express their feelings about the events in their families, and to help them learn about the dynamics of sexual abuse, and that it is never the fault of the victims.

Individual treatment for victims will be based upon the trauma assessment and will follow the evidence-based Trauma-Focused Cognitive Behavioral model developed by Cohen & Mannarino now accepted by the National Child Traumatic Stress Network (nctsn) as one of the best models. The model incorporates parent involvement.

Also, some of the core therapeutic work with victims and non-offending parents is accomplished in a group setting where they discover that they are not alone, that the abuse was not about them, and where they can experience bonding and find support from others with similar experiences. Dyad and family therapy occurs for clarifications, safety, and prevention planning.

As stated earlier, all primary phase outreach and intervention services will be provided at the CJC, SAS offices, including part-time office in Kapolei at Grace Bible Church, or, as needed and safe, in the home of the victim and family members. In most cases, therapy sessions (group and individual) will be held at the SAS clinical offices. When needed, family members will be provided transportation to SAS in order to provide easy and convenient access to these services. Catholic Charities Hawai'i has offices throughout the island of O'ahu (Leeward Coast, North Shore, Windward, Honolulu), that could be utilized if necessary. Should the need arise, all efforts will be made to provide individual services at these locations, or in the home should the family decide that they will not or cannot receive services at the SAS offices. For group sessions, which are an effective modality of treatment for victims and families, it would not be practical to have a few members in one location and a few in another location. In order for group sessions to be efficacious, members must be willing to meet together. Transportation will be arranged for those who cannot access it. Child care will also be provided. For individuals and families who decide that they will not or cannot attend group sessions, the therapist will provide individual services at places and times most accessible to the individual and family, as well as available to the therapist.

Whenever possible and when culturally appropriate, extended families will be invited to participate in safety planning, support for the children and non-offending parent, and will be educated in the dynamics of sexual abuse to reduce victim blame and other dynamics common in cases of incest.

5. Treatment for Sexually Reactive Children

Sexually reactive youth must be assessed for both victim and abusive issues, for research indicates that while young children who are sexually acting out with other children are often victims of abuse themselves, not

all of them have been victims, and this population needs service providers who are both trained in the treatment of victims *and* young perpetrator dynamics. To our knowledge, only SAS has treatment providers trained and experienced across the broad spectrum of these dynamics. CSATP has been treating juvenile offenders in Hawai'i since 1988. It is critical to meet the special needs of this population as quickly as possible so that these children and adolescents can ameliorate their abuse/perpetrator issues early on in their development, thus creating safety in our communities and families and providing the sexually reactive youth the greatest opportunity not to offend in their later adolescent or adult lives. Services will be provided through individual, group, and family therapy sessions and case management services will be provided for sexually reactive children and their families as needed.

6. Treatment and Case Management for Families in which there is Adolescent (over 12 years) Child to Child Sexual Abuse

In SAS, the most immediate treatment focus will be on a safety and prevention plan for the entire family, which may include extended family members being involved for supervision and placement issues. All members of the family will receive individual, and, where appropriate, group therapy for support and for education in the dynamics of sexual abuse. The victim will receive age-appropriate therapy, including group for survivors and will be helped to prepare a scrapbook based on a trauma assessment. The abusive youth will receive individual and group treatment to address abusive issues, will be helped to accept responsibility, learn about thinking errors and boundaries, relapse prevention, and will be helped to prepare clarification for her or his victim and her or his family. Family therapy will begin when clarification is possible, the victim is supported by the family, and family and treating therapists agree that it is appropriate. Such work may begin as dyad therapy (marital therapy, mother/child, child/child). When the family is ready and able to maintain safety, appropriate boundaries, and can discuss healthy sexuality and safety plans, family therapy will ensue. Often, members of the family, for the victim's perception of safety, may have had separate therapists in these cases and at this point family therapy will take place with the victim's therapist as facilitator. Case Management services will be provided to this often conflicted and high risk population. Intensive support, home visits, meeting with extended family, Children's Alliance support for victims, and other needed concomitant services will be provided.

7. Case Management Services

Case management services are critical for individuals and families in the early stages of discovery of child sex abuse. The intake worker and therapist will provide assistance in accessing resources such as housing,

financial assistance, employment, child care, medical, legal, and other services needed to establish stability within the family. These services will be provided directly or through referrals to community service providers. Thus far, SAS mothers have been offered an array of treatment services that address concurrent issues of domestic violence, adults molested as children issues, economic losses resulting from the offender's removal from the home, and the impact of the abuse on themselves and all their children. Case management services have included assistance with rental deposits, searching for housing, and help with obtaining and moving furniture and other household items. SAS mothers can be referred within the Catholic Charities Hawai'i network of services, which includes immigrant services, elderly services, and emergency funding services. Additionally, SAS therapists make every attempt to support victims and their families through the court process, including accompanying victims to court.

8. Referrals

Catholic Charities Hawai'i has developed a wide network of collaborative support and service providers throughout O'ahu. These corollaries and collaborations are key in receiving a wide-range of referrals for sexually abused children and their families. Since referrals do not always happen during traditional work-day hours (9:00 a.m. – 5:00 p.m.), SAS will provide intake for referrals on a 24 hour, seven day-a-week basis. The SAS program will accept referrals from the CJC, SATC, DHS/CPS, HPD, Family Advocacy (of the branches of the military), and other community social services providers.

B. The applicant shall provide a projected annual timeline for accomplishing the results or outcomes of the service.

Output Measurements. The number of unduplicated clients served will be recorded in quarterly reports and will be totaled annually. Most SAS clients successfully complete treatment within one year. (Average treatment duration is 10 months for victims and families of child sexual abuse when the caretaker is protective and believing.)

Outcome Measurements. The effectiveness of services will be measured by percentage of clients attending sessions, percentage of goals achieved (quarterly service plans), standardized pre- and post-program testing, clinical judgment, and client satisfaction.

Annual goals include:

- 90% of clients referred will attend 85% of scheduled sessions
- 90% of clients will complete 85% of service plan goals each quarter
- 90% of clients will benefit from treatment

- 85% of clients will achieve all service plan goals within one year

Reporting. The Program Director will submit written quarterly reports to the administrating agency within 30 days after the end of each quarter and year-end reports summarizing output and outcome data, performance accomplishments, challenges, and actual expenditures 45 days after the end of each fiscal year and/or at the end of the contract period.

The Program Director will detail accomplishments, identify persons served during the reporting period, identify any immediate problems, and will identify plans for the next reporting period. In addition to written reports, the Program Director and SAS therapists will meet with representatives of the Judiciary to discuss the progress of the work required.

The Program Director will submit a final written report to the Judiciary at the end of the contract period. The report will include documentation of the overall effort toward meeting the program's goals and objectives. The Program Director will provide, from time to time, any reporting data requested by the Judiciary. If the level of appropriation differs from the amount included in this application, the measures of effectiveness will need to be updated and transmitted to the Judiciary.

III. Financial

Budget

1. The applicant shall submit a budget utilizing the enclosed budget forms as applicable, to detail the cost of the request.
 - See attached budget forms.
2. The applicant shall provide its anticipated quarterly funding requests for the fiscal year 2012.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
\$67,329.75	\$67,329.75	\$67,329.75	\$67,329.75	\$269,319.00

3. The applicant shall provide a listing of all other sources of funding that they are trying to obtain for fiscal year 2012.
 - CCH has submitted a response Judiciary RFP J11030, 2.2 ADCJC with a probable funding amount of \$208,000.

IV. Experience and Capability

A. Necessary Skills and Experience

The Child Sexual Abuse Treatment Program (CSATP) has an extensive history within Catholic Charities Hawai'i. A special Child Protective Service Treatment Unit was first formed through a Department of Social Services and Housing purchase of service contract in 1974. This purchase of service contract with the Department of Human Services (DHS) has been renewed yearly, with timely modifications to re-focus service needs every few years since that time. In 1977, group work services were added to utilize self-help groups for victims, non-offending spouses and perpetrators of sexual abuse, including perpetrators of sibling incest. In 1980, CSATP was created to focus services specifically towards treatment of family members using the most current clinical methodology available.

Since 1990, CSATP has provided quarterly training on the dynamics of child sexual abuse to the Volunteer Guardian Ad Litem Program (VGAL) through a contract with the Judiciary. In addition, CSATP staff regularly provides training to various state and community groups, including local media.

In 1997, CSATP became a part of Therapeutic Services, which also includes the Domestic Violence and Family Counseling components, which are funded by Catholic Charities Hawai'i. This has enabled CSATP to offer a continuum of services to all families involved with sexual abuse.

In September, 2003, CSATP was awarded the contract to treat the "gap" group. The "gap" group includes children and families in which there is CPS and/or HPD confirmed intrafamilial child sexual abuse but which are not covered under CPS because CPS deems caretakers to be protective. This program, Safe and Sound (SAS), also provides treatment services for sexually reactive children under the age of 12.

There are two Master's level therapists and one Outreach Worker on O'ahu and contractors under the O'ahu SAS program that provide services on Hawai'i island. *Because of the unique continuum of services available within CSATP and because SAS therapists are trained in the treatment of sexually abusive youth, SAS is able to provide additional services for families in which there is intrafamilial child to child sexual abuse.*

The two SAS therapists have a combined 20 years of clinical experience and provide SAS families with individual, group, dyad, and family therapy resulting in over 80% successful clinical discharges of clients and client satisfaction ratings at a very high level.

Additionally, CSATP was recently awarded a small grant from the Department of Health to provide mental health and other services to homeless youth on the Leeward Coast. This grant includes the identification of victims of sexual abuse among the population. If the SAS grant is approved, we would be able to extend SAS services to the Leeward Coast homeless youth population. This would involve going to where the youth are, rather than having them come to central Oahu for treatment. It is our hope that SAS therapists would be able to provide support groups for sexually abused youth in collaboration with other agencies providing services to this population.

The Program Director is a clinical member of AAMFT (Association of Marriage and Family Therapists), and ATSA (Association for the treatment of Sexual Abusers), which requires adherence to the Sex Offender Management Team (SOMT) guidelines and best practices for treatment of all family members involved with child sexual abuse.

B. Facilities

Direct clinical treatment services will be provided at the Catholic Charities Hawai'i offices at 1822 Keeaumoku Street, Honolulu, and at facilities in Kapolei (Grace Bible Church) and Nanakuli (St. Rita's Church). Program offices include private interview rooms for individual therapy, a family therapy room, a playroom that includes sand tray materials, as well as larger rooms for group therapy sessions. All offices are wheelchair accessible and there is a bathroom that meets ADA requirements.

V. Personnel: Project Organization and Staffing

A. Proposed Staffing, Staff Qualifications, Supervision and Training

Proposed Staffing. Staff is composed of two FTE therapists; one FTE Outreach Worker; one 0.10 FTE Program Coordinator; one 0.10 FTE secretary. All referred clients will receive services.

Staff Qualifications. All therapists are required to have at least a Master's degree in Social Work or Clinical Psychology. In addition, a minimum of three years experience in sexual abuse treatment is required. Experience in domestic violence and substance abuse treatment is additionally preferred. The Outreach Worker must have a High School diploma and experience working with children who have been abused or neglected. A Bachelor's degree in Social Work or Psychology is preferred. The Program Director is required to have at least a Master's Degree and at least five years experience and training in specialized sexual abuse treatment. In addition, two years of clinical supervisory experience is required.

Supervision and Training. On a weekly basis, ongoing individual supervisory contacts and group supervision enable the staff to gain new clinical knowledge at frequent intervals. On a daily basis, the Program Director maintains an "open door" policy with therapists to encourage timely giving and receiving of feedback regarding clinical issues with clients.

The performance of each staff member is evaluated by his/her supervisor on an annual basis. This process involves mutual discussion of the employee's needs in terms of both review of acquired skills and identification of additional skills to be developed during the coming year. To address both of these needs, each staff member is encouraged to take advantage of special opportunities which exist in the community for skill development and review. In addition, several training opportunities are made available to all professional staff, within budget limitations, to assure that a common pool of knowledge is shared by all.

As a clinical member of the Association for the Treatment of Sexual Abuses, the Program Director has international access via electronic mail to service providers and trainers in the field. This enables the program staff to remain current with evaluative tools, new modalities of treatment, and best practice tenets.

B. Organization Chart

See attached Catholic Charities Hawai'i organization chart (page 13) and attached Family and Therapeutic Services organization chart (page 14).

VI. Other

A. Litigation

Catholic Charities Hawai'i is not involved as a party in any pending litigation and there are no outstanding judgments against it.

B. Licensure or Accreditation

1. Council on Accreditation for Families and Children (Catholic Charities Hawai'i received this national accreditation in 2003)
2. The Program Director of Child Sexual Abuse Treatment Program is a licensed Marriage and Family Therapist (in California and Hawai'i).
3. The two therapists are licensed in Hawai'i. (Marriage and Family Therapist and Clinical Social Worker)
4. Hawai'i State General Excise License

Attachment A

Cost Proposal – Budget

BUDGET REQUEST BY SOURCE OF FUNDS
(Period: July 1, 2011 to June 30, 2012)

Applicant: Catholic Charities Hawaii

BUDGET CATEGORIES	Total State Funds Requested (a)	(b)	(c)	(d)
A. PERSONNEL COST				
1. Salaries	147,947			
2. Payroll Taxes & Assessments	16,650			
3. Fringe Benefits	38,684			
TOTAL PERSONNEL COST	203,281			
B. OTHER CURRENT EXPENSES				
1. Airfare, Inter-Island				
2. Insurance				
3. Lease/Rental of Equipment				
4. Lease/Rental of Space	2,400			
5. Staff Training	1,481			
6. Supplies	1,620			
7. Telecommunication	3,564			
8. Utilities				
9. Mileage	2,200			
10. Program Activities (Not Included Above)	43,921			
11. Contractual -Subcontracts (Big Island)	10,851			
12				
13				
14				
15				
16				
17				
18				
19				
20				
TOTAL OTHER CURRENT EXPENSES	66,037			
C. EQUIPMENT PURCHASES				
D. MOTOR VEHICLE PURCHASES				
E. CAPITAL				
TOTAL (A+B+C+D+E)	269,319			
SOURCES OF FUNDING		Budget Prepared By:		
(a) GIA Request	269,319	Darlene Beatty, Division Administrator		527-4601
(b)		[Redacted]		Phone
(c)		[Redacted]		01/27/11
(d)		Signature of Authorized Official		Date
TOTAL BUDGET	269,319	Stella M.Q. Wong, VP Programs Name and Title (Please type or print)		

BUDGET JUSTIFICATION PERSONNEL - SALARIES AND WAGES

Applicant: Catholic Charities Hawaii

Period: July 1, 2011 to June 30, 2012

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
Program Coordinator	1	\$53,876.00	10.00%	\$ 5,387.60
Therapist	1	\$53,876.00	100.00%	\$ 53,876.00
Therapist	1	\$53,876.00	100.00%	\$ 53,876.00
Outreach Worker	1	\$31,643.00	100.00%	\$ 31,643.00
Secretary	1	\$31,643.00	10.00%	\$ 3,164.30
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
TOTAL:				147,946.90
JUSTIFICATION/COMMENTS:				

BUDGET JUSTIFICATION - EQUIPMENT AND MOTOR VEHICLES

Applicant: Catholic Charities Hawaii

Period: July 1, 2011 to June 30, 2012

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
N/A			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:			\$ -	
JUSTIFICATION/COMMENTS:				

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
N/A			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
TOTAL:			\$ -	
JUSTIFICATION/COMMENTS:				

BUDGET JUSTIFICATION CAPITAL PROJECT DETAILS

Applicant: Catholic Charities Hawaii

Period: July 1, 2011 to June 30, 2012

FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2009-2010	FY: 2010-2011	FY:2011-2012	FY:2011-2012	FY:2012-2013	FY:2013-2014
PLANS	N/A	N/A	N/A	N/A	N/A	N/A
LAND ACQUISITION						
DESIGN						
CONSTRUCTION						
EQUIPMENT						
TOTAL:						
JUSTIFICATION/COMMENTS:						

**DECLARATION STATEMENT
APPLICANTS FOR GRANTS AND SUBSIDIES
CHAPTER 42F, HAWAII REVISED STATUTES**

The undersigned authorized representative of the applicant acknowledges that said applicant meets and will comply with all of the following standards for the award of grants and subsidies pursuant to section 42F-103, Hawaii Revised Statutes:

- (1) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant or subsidy is awarded;
- (2) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) Agree not to use state funds for entertainment or lobbying activities; and
- (4) Allow the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant or subsidy.

In addition, a grant or subsidy may be made to an organization only if the organization:

- (1) Is incorporated under the laws of the State; and
- (2) Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.

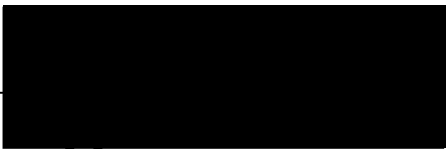
Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (1) Has been determined and designated to be a non-profit organization by the Internal Revenue Service; and
- (2) Has a governing board whose members have no material conflict of interest and serve without compensation.

For a grant or subsidy used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant or subsidy was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant or subsidy used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Catholic Charities Hawaii

 tion)

1/27/11
(Date)

Jerry Rauckhorst

(Typed Name)

President & Chief Executive Officer

(Title)

Attachment B

Other Financial Related Materials

Financial Audit

Year Ended August 31, 2010

**CATHOLIC CHARITIES HAWAII
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

**YEAR ENDED AUGUST 31, 2010
(With Independent Auditors' Reports
Required by OMB Circular A-133)**

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CHOO, OSADA & LEE, CPAs, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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SUITE 240
HONOLULU, HAWAII 96816

TELEPHONE (808) 734-1921

**INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC
CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

To the Board of Directors
Catholic Charities Hawaii and Affiliate
Honolulu, Hawaii


We have audited the accompanying consolidated statement of financial position of Catholic Charities Hawaii (a nonprofit corporation) and Affiliate as of August 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year ended August 31, 2010. These consolidated financial statements are the responsibility of the management of Catholic Charities Hawaii and Affiliate. Our responsibility is to express an opinion on these consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities Hawaii and Affiliate as of August 31, 2010, and the changes in their net assets and their cash flows for the year 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 December 14, 2010, on our consideration of Catholic Charities Hawaii and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Catholic Charities Hawaii and Affiliate taken as a whole. The statement of activities: provision of shelter and services to the homeless is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of the Organization. The accompanying schedule of expenditures of federal awards 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



Honolulu, Hawaii
December 14, 2010

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2010**

ASSETS

Cash and cash equivalents (Note 2)	\$ 1,087,582
Investments (Note 4)	9,164,370
Receivables	
Government contracts	5,883,680
Program service fee and other	42,672
Advance to the Roman Catholic Church in the State of Hawaii	40,758
Promises to give (Note 5)	6,790,057
Property and equipment, net (Note 8)	22,291,837
Prepaid expenses and other assets	153,661
Restricted cash (Note 2)	<u>1,000,000</u>
	<u>\$ 46,454,617</u>

LIABILITIES AND NET ASSETS

Liabilities	
Notes payable (Note 10)	\$ 16,114,632
Obligations under capital leases (Note 11)	33,744
Accounts payable and accrued liabilities	2,151,320
Revenue received in advance	558,097
Other liabilities	<u>352,843</u>
	<u>19,210,636</u>

Net Assets	
Unrestricted	
Undesignated	4,056,089
Net investment in property and equipment	<u>6,143,461</u>
Total unrestricted	10,199,550
Temporarily restricted (Note 12)	9,632,501
Permanently restricted (Note 12)	<u>7,411,930</u>
	<u>27,243,981</u>
	<u>\$ 46,454,617</u>

See accompanying notes.

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenue and gains				
Public support				
Aloha United Way contributions	\$ 315,826	(4,793)	-	311,033
Roman Catholic Church in the State of Hawaii contributions	251,772	-	-	251,772
Other contributions	744,863	793,467	-	1,538,330
Non-monetary contributions	9,425	-	-	9,425
	<u>1,321,886</u>	<u>788,674</u>	<u>-</u>	<u>2,110,560</u>
Revenue and gains				
Government and foundation contracts	19,916,965	275,055	-	20,192,020
Program service fees	792,270	-	-	792,270
Project income	58,103	-	-	58,103
Investment income	361	150,584	-	150,945
Net realized and unrealized gain on investments	57,457	364,581	-	422,038
Other	344,159	4,223	-	348,382
	<u>21,169,315</u>	<u>794,443</u>	<u>-</u>	<u>21,963,758</u>
	22,491,201	1,583,117	-	24,074,318
Net assets released from restrictions				
Satisfaction of usage restrictions	4,655,705	(4,655,705)	-	-
	<u>4,655,705</u>	<u>(4,655,705)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and gains	\$ <u>27,146,906</u>	<u>(3,072,588)</u>	<u>-</u>	<u>24,074,318</u>

See accompanying notes.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES - continued
YEAR ENDED AUGUST 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses and losses				
Program services				
Community and senior services	\$ 5,117,623	-	-	5,117,623
Family and therapeutic services	8,104,563	-	-	8,104,563
Youth enrichment services	6,732,443	-	-	6,732,443
Intake, information and referral	1,597,406	-	-	1,597,406
	<u>21,552,035</u>	<u>-</u>	<u>-</u>	<u>21,552,035</u>
Supporting services				
Management and general	1,128,933	-	-	1,128,933
Capital campaign	753,621	-	-	753,621
Fundraising	264,092	-	-	264,092
	<u>2,146,646</u>	<u>-</u>	<u>-</u>	<u>2,146,646</u>
Loss on disposition of property and equipment	56,916	-	-	56,916
Total expenses and losses	<u>23,755,597</u>	<u>-</u>	<u>-</u>	<u>23,755,597</u>
Increase (decrease) in net assets	3,391,309	(3,072,588)	-	318,721
Net assets, at beginning of period	<u>6,808,241</u>	<u>12,705,089</u>	<u>7,411,930</u>	<u>26,925,260</u>
Net assets, at end of period	<u>\$ 10,199,550</u>	<u>9,632,501</u>	<u>7,411,930</u>	<u>27,243,981</u>

See accompanying notes.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2010

	Program Services				Supporting Services			Total
	Community and Senior Services	Family and Therapeutic Services	Youth Enrichment Services	Intake, Information and Referral	Management and General	Capital Campaign	Fundraising	
Salaries	\$ 2,177,577	3,386,743	3,184,584	523,696	1,493,858	72,954	136,205	10,975,617
Employee benefits	360,521	494,307	469,947	75,545	206,455	7,257	10,207	1,624,239
Payroll taxes	231,631	360,898	338,969	55,225	137,649	7,284	13,673	1,145,329
Total salaries and related expenses	2,769,729	4,241,948	3,993,500	654,466	1,837,962	87,495	160,085	13,745,185
Contracted services	1,079,341	2,120,114	51,196	57,033	286,067	130,205	35,171	3,759,127
Supplies	53,779	54,569	133,175	3,617	70,840	9,286	3,724	328,990
Telecommunications	38,359	68,060	116,192	10,310	130,462	13,273	12	376,668
Postage and shipping	5,499	5,392	8,631	1,187	7,953	813	16,520	45,995
Occupancy	351,885	242,694	362,669	12,539	308,224	25,571	1,431	1,305,013
Rental and maintenance of equipment	38,566	31,574	49,212	3,421	74,398	59	807	198,037
Printing and publication	4,853	2,852	3,705	592	5,417	4,988	38,263	60,670
Travel and transportation	158,996	167,042	165,684	7,483	43,731	506	-	543,442
Conferences, conventions, and meetings	4,926	4,395	14,608	2,303	41,307	7,372	1,016	75,927
Specific assistance to individuals	12,842	128,176	839,026	701,292	41,480	-	-	1,722,816
Miscellaneous	12,304	5,989	56,529	179	80,376	72,994	7,063	235,434
Program management fees	500,036	796,579	794,806	99,373	(2,190,794)	-	-	-
Total expenses before property related expenses	5,031,115	7,869,384	6,588,933	1,553,795	737,423	352,562	264,092	22,397,304
Depreciation and amortization	86,452	233,419	143,449	43,611	389,414	181,584	-	1,077,929
Interest	56	1,760	61	-	2,096	219,475	-	223,448
	<u>\$ 5,117,623</u>	<u>8,104,563</u>	<u>6,732,443</u>	<u>1,597,406</u>	<u>1,128,933</u>	<u>753,621</u>	<u>264,092</u>	<u>23,698,681</u>

See accompanying notes.

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2010**

Cash flows from operating activities	
Increase in net assets	\$ 318,721
Adjustments to reconcile change in net assets	
to net cash provided by operating activities	
Loss on disposition of property and equipment	56,916
Depreciation and amortization	1,077,929
Net realized and unrealized gain on investments	(422,038)
Decrease (increase) in:	
Accounts receivable	(711,689)
Advance to the Roman Catholic	
Church in the State of Hawaii	(63,035)
Prepaid expenses and other assets	458,991
Increase (decrease) in:	
Accounts payable and accrued liabilities	450,649
Revenue received in advance	(486,554)
Other liabilities	89,257
Contributions restricted to long-term purposes	
Restricted unconditional promises to give	(595,373)
Net cash provided by operating activities	<u>173,774</u>
Cash flows from investing activities	
Proceeds from sale of investments	7,257,184
Purchase of investments	(7,627,558)
Payments for property and equipment	(4,036,342)
Net cash used by investing activities	<u>(4,406,716)</u>
Cash flows from financing activities	
Proceeds from long-term borrowings	3,813,612
Payments on long-term borrowings	(984,124)
Principal payments on capital lease obligations	(45,356)
Collections of bequests restricted for long-term purposes	438,479
Collections of contributions restricted for long-term	
purposes - building fund	950,280
Net cash provided by financing activities	<u>4,172,891</u>
Net decrease in cash and cash equivalents	(60,051)
Cash and cash equivalents at beginning of year	<u>1,147,633</u>
Cash and cash equivalents at end of year	<u>\$ 1,087,582</u>
Supplemental disclosure of cash flow information	
Cash paid during the period for	
Interest	\$ 223,448

See accompanying notes.

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2010**

**NOTE 1 - ORGANIZATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
USE OF ESTIMATES**

Organization

The Organization (Catholic Charities) consists of Catholic Charities Hawaii (Catholic Charities Hawaii) and its affiliate.

Catholic Charities Hawaii is a nonprofit membership corporation. Its members are the Bishop of the Roman Catholic Church in the State of Hawaii and other members as specified in the by-laws or appointed by the Bishop. Its mission statement is described in the following words:

"Catholic Charities Hawaii, rooted in the gospel of Jesus, exists to carry out the social mission of the church by serving the people of Hawaii, without regard to their culture or faith. We are a community of hope that promotes the dignity of each person by helping people empower themselves. We provide a wide range of social services with compassion and a commitment to excellence. Through our programs and our advocacy for social justice, we lovingly serve all people, especially those with the greatest need. In the spirit of Hawaiian 'ohana, we work with parishes, agencies, and community groups. We welcome all people of good will to share our mission."

Catholic Charities Housing Development Corporation (CCHDC) is a nonprofit corporation whose sole member is Catholic Charities Hawaii. CCHDC's principal purpose is to provide housing for elderly and socially or economically disadvantaged persons in Hawaii, and to provide assistance to Catholic Charities Hawaii in the fulfillment of its agency missions.

Principles of consolidation

The consolidated financial statements include the accounts of Catholic Charities Hawaii and CCHDC. Significant inter-affiliate transactions and balances have been eliminated in consolidation.

Contributions and promises to give

Contributions and promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Catholic Charities that is, in substance, unconditional.

Recognition of donor restrictions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents

For the purposes of the statement of cash flows, Catholic Charities considers all highly liquid debt securities purchased with a maturity of three months or less and not included in its investment portfolios, or received with donor-imposed stipulations restricting use to long-term purposes, to be cash equivalents.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 1 - ORGANIZATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES - continued

Government contracts

Grant and contract funds are reported as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are reported as revenue received in advance in the consolidated statement of financial position. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants and contracts, Catholic Charities will record such disallowance at the time the final assessment is made. Government contracts, program service fee and other receivables are presented in the consolidated statement of financial position net of an allowance for doubtful accounts, which was not considered necessary at August 31, 2010.

Investments

Investments consist of debt and equity securities and mutual funds and are stated at fair value. Gains or losses on the sale of investments are recognized on an average cost basis.

Property and equipment

Owned property and equipment is stated at cost or at fair value at date of donation. Major renewals and betterments are charged to the property accounts while replacements, maintenance, and repairs which do not extend the lives of assets are charged to operations. It is Catholic Charities' policy to capitalize property and equipment over \$5,000.

Equipment under capital leases is stated at the lower of the present value of minimum lease payments at the beginning of the lease or fair value at the inception of the lease.

Owned property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 to 5 years
Automobiles	5 years
Buildings and capital improvements	15 to 35 years

Equipment under capital leases is amortized over the lesser of the lease term or the estimated useful life of the related asset.

Public support and revenue

All public support and revenue is considered available for unrestricted use, unless specifically restricted by the donor or the terms of the grant.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 1 - ORGANIZATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES - continued

Corporate income taxes

Catholic Charities is exempt from Federal corporate income taxes (except for income taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation by the Internal Revenue Service. Catholic Charities is also exempt from Hawaii corporate income taxes.

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, indirect expenses (personnel and overhead) have been allocated among the programs and supporting services benefited based upon a federally-approved indirect cost rate which is applied to total direct salaries.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents consist primarily of deposits with Hawaii banks.

At August 31, 2010, restricted cash consisted of endowment funds required by the donor to be deposited with a federally insured Hawaii financial institution. Deposits to and withdrawals from that account are subject to the prior approval of the donor's representatives.

At August 31, 2010, cash deposits (including cash, cash equivalents, and restricted cash) not covered by federal insurance amounted to approximately \$1,626,000.

NOTE 3 - ENDOWMENTS

Catholic Charities is subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has interpreted UPMIFA as requiring the Organization to preserve the original gift of donor-restricted endowment funds as permanently restricted net assets, absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 3 - ENDOWMENTS - continued

Catholic Charities Hawaii has adopted an investment policy that clearly defines its investment objectives, guidelines, standards, and procedures for the investment funds, including endowments, held by the agency. Other areas of importance included in the policy are the roles and responsibilities of the Investment Subcommittee, Finance and Audit Committee and Board of Directors; criteria describing appropriate investments for the agency; criteria that establishes a meaningful basis for the evaluation of the investment management of the funds; and procedures that provide guidance on handling investment fund distributions.

Changes in endowment net assets for the year ended August 31, 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at August 31, 2009	\$ (57,209)	15,048	7,411,930	7,369,769
Investment return:				
Net investment income	-	109,890	-	109,890
Net realized/unrealized gain	<u>57,209</u>	<u>420,015</u>	-	<u>477,224</u>
Total investment return	57,209	529,905	-	587,114
Contributions	-	-	-	-
Appropriations for expenditure	<u>-</u>	<u>(35,479)</u>	<u>-</u>	<u>(35,479)</u>
Balance at August 31, 2010	<u>\$ -</u>	<u>509,474</u>	<u>7,411,930</u>	<u>7,921,404</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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$57,209 as of August 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. There were no such deficiencies as of August 31, 2010.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 4 - INVESTMENTS

At August 31, 2010, the aggregate cost and market value of investments were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Corporate and foreign bonds	\$ 1,596,684	1,710,158
U.S. Government agencies' obligations	793,219	807,982
U.S. Treasury obligations	742,801	770,112
Equity securities	3,381,066	3,704,732
Equity mutual funds	1,617,132	1,523,083
Money market funds and cash	483,185	483,185
Fixed income mutual funds	157,391	165,118
	<u>\$ 8,771,478</u>	<u>9,164,370</u>

Investment income for the year ended August 31, 2010 consisted of the following:

Interest and dividends from investments	\$ 236,840
Less custodial and investment advisory fees	<u>85,895</u>
	<u>\$ 150,945</u>

NOTE 5 - PROMISES TO GIVE

At August 31, 2010, unconditional promises to give consisted of the following:

Receivable in:	
Less than one year	\$ 1,395,443
One to five years	4,519,629
More than five years	<u>1,500,000</u>
	7,415,072
Less discounts to net present value at 2.47%	<u>625,015</u>
	<u>\$ 6,790,057</u>

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board (FASB) has established a framework for measuring fair value in conformity with generally accepted accounting principles and for disclosures about fair value measurements. As a part of this framework, the FASB has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets. Catholic Charities' level 1 securities include exchange-traded equity securities, mutual funds and money market funds.

Level 2 – Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly. Catholic Charities' level 2 securities include fixed income securities such as corporate and foreign bonds, U.S. Government agencies' obligations and U.S. Treasury obligations, which are valued by the pricing services of custodial banks using computer-based valuation models.

Level 3 – Unobservable inputs in which there is little or no market data, and which require significant management judgment or estimation.

At August 31, 2010, the fair values of financial assets that are measured on a recurring basis were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate and foreign bonds	\$ -	1,710,158	-	1,710,158
U.S. Government agencies' obligations	-	807,982	-	807,982
U.S. Treasury obligations	-	770,112	-	770,112
Equity securities	3,704,732	-	-	3,704,732
Equity mutual funds	1,523,083	-	-	1,523,083
Money market funds and cash	483,185	-	-	483,185
Fixed income mutual funds	165,118	-	-	165,118
	<u>\$5,876,118</u>	<u>3,288,252</u>	<u>-</u>	<u>9,164,370</u>
Investments in marketable securities	<u>\$5,876,118</u>	<u>3,288,252</u>	<u>-</u>	<u>9,164,370</u>

There were no changes in the manner in which the Organization valued its investments during the year ended August 31, 2010.

NOTE 7 - INTEREST IN CHARITABLE TRUST

The Philip T. Gialanella Trust dated January 17, 1990, gives Catholic Charities Hawaii a partial interest in trust assets after the death of the trust's beneficiaries. Management believes that the present value of the estimated future proceeds from this partial interest is not material to the consolidated financial statements.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 8 - PROPERTY AND EQUIPMENT

At August 31, 2010, property and equipment consisted of the following:

Buildings and capital improvements	\$ 14,717,861
Furniture and equipment	3,869,842
Automobiles	541,765
	<u>19,129,468</u>
Less accumulated depreciation and amortization	3,006,509
	<u>16,122,959</u>
Land	6,168,878
	<u><u>\$ 22,291,837</u></u>

NOTE 9 - BANK LINES OF CREDIT AND SHORT TERM NOTE PAYABLE

Catholic Charities Hawaii has lines of credit totaling \$1,000,000 with two Hawaii banks. Advances bear interest at 1/2% above the banks' prime or base rates, and are secured by accounts receivable, inventory, and furniture, fixtures and equipment. There were no outstanding borrowings under these arrangements at August 31, 2010.

The terms of the lines of credit provide for, among other things, restrictions on additional borrowings, on fixed asset additions, or on the making of loans or advances. The terms also require the maintenance of a specified debt to net worth ratio, the furnishing of periodic financial statements, and the maintenance of insurance coverage.

NOTE 10 - NOTES PAYABLE

Catholic Charities Hawaii has a joint credit agreement with three Hawaii banks for lines of credit totaling \$23,400,000. Advances bear interest at 1.05% above the banks' base rates (4.5% at August 31, 2010) or at 1.10% above the London Inter-Bank Offered Rate (one-month rates of 0.267% to 0.272% at August 31, 2010), as determined by the borrower. Borrowings are collateralized by rents and pledges, sales agreements or other contracts between the Roman Catholic Church in the State of Hawaii and Catholic Charities Hawaii for the sale of the property, located at 1822 Keeaumoku Street, Honolulu, Hawaii, to Catholic Charities Hawaii, require monthly payments of interest only, and mature on August 1, 2011. Outstanding borrowings under this agreement amounted to \$16,114,632 at August 31, 2010. In addition, Catholic Charities Hawaii may convert up to \$3,777,500 of advances for the property to a term loan not to exceed ten years, and \$1,200,000 of advances for purchases of furniture, fixtures, and equipment to a term loan not to exceed seven years.

The terms of the credit agreement require among other things, the furnishing of periodic financial statements, the maintenance of specified liquid asset to funded debt ratios, and the maintenance of a specified minimum tangible net asset level.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 11 - LEASES

Catholic Charities Hawaii leases (as lessee) office and residential space used in its programs under noncancellable operating leases expiring at various dates through 2014, some of which provide for renewals subject to renegotiation. Catholic Charities Hawaii also leases equipment under capital leases that expire at various dates to 2011.

Included in property and equipment are the following amounts related to capital leases:

Furniture and equipment	\$	310,991
Telephone		114,395
Automobiles		180,372
		<u>605,758</u>
Less accumulated amortization		<u>581,529</u>
	<u>\$</u>	<u>24,229</u>

At August 31, 2010, future minimum lease payments under noncancellable operating and capital leases, and the present value of future minimum capital lease payments were as follows:

<u>Years ending August 31</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2011	\$ 34,442	254,926
2012	-	218,290
2013	-	160,395
2014	-	82,944
		<u>716,555</u>
Total minimum lease payments	34,442	
Less amounts representing interest at 6.3% to 7.6%	<u>698</u>	
Obligation under capital leases	<u>\$ 33,744</u>	

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 11 - LEASES - continued

Annual rental expense included in occupancy expense on the statement of functional expenses for the year ended August 31, 2010 was as follows:

Minimum rentals under noncancellable operating leases	\$ 312,199
Related party rentals (Note 14)	51,768
Other	<u>242,120</u>
	<u>\$ 606,087</u>

Future maturities of capital lease obligations are as follows:

<u>Year ending August 31</u>	
2011	<u>\$ 33,744</u>

NOTE 12 - RESTRICTIONS ON NET ASSETS

At August 31, 2010, temporarily restricted net assets were primarily restricted to the following programs or activities and will be considered released from donor restrictions when the restricted purposes or time restrictions have been fulfilled:

Community and senior services	\$ 2,377,711
Family and therapeutic services	97,473
Youth enrichment services	20,900
Intake, information and referral	19,515
Friends of Catholic Charities, Weinberg Kokua and others	1,432,135
Capital campaign	<u>5,684,767</u>
	<u>\$ 9,632,501</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, the income which is expendable to be used for a specific program in Family and Therapeutic Services, for the poor and needy, and at management's discretion.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
AUGUST 31, 2010

NOTE 13 - RETIREMENT SAVINGS PLAN

Catholic Charities Hawaii has a defined contribution / 401(k) plan that is available to eligible employees and provides the participants the ability to provide pretax contributions for deposit into this retirement savings plan. Employer contributions to the plan are made at the discretion of the Board of Directors. Effective September 1, 2009, Catholic Charities Hawaii made discretionary matching contributions up to employees' first three percent of eligible compensation. For the year ended August 31, 2010, employer contributions amounted to approximately \$250,000, and have been included in employee benefits in the accompanying consolidated statement of functional expenses.

NOTE 14 - RELATED PARTY TRANSACTIONS

Certain land and buildings used by Catholic Charities for program and supporting services are owned by the Roman Catholic Church in the State of Hawaii (Church), and Catholic Charities pays no rent for the use of such premises. The fair value of such rent, approximately \$52,000 for the year ended August 31, 2010, has been reflected in the consolidated financial statements as a contribution from the Church and as occupancy expense.

Catholic Charities obtains automobile, workers' compensation, and property and general liability insurance through the Church. The expense related to this coverage amounted to approximately \$295,000 for the year ended August 31, 2010.

NOTE 15 - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through December 14, 2010, the date the financial statements were available to be issued.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
SCHEDULE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services Maternal and Child Health Federal Consolidated Programs	93.110	90AE0158/03 90AE0158/04	\$ 49,464 <u>512,208</u> <u>561,672</u>
Substance Abuse & Mental Health Services - Projects of Regional & National Significance	93.243	1U79SM059620-01	<u>218,445</u>
Passed through City and County of Honolulu Department of Community Services State and Community Programs on Aging Grants	93.044	CT-DCS-1000047 CT-DCS-1000052 CT-DCS-1000051 CT-DCS-1000045	90,479 249,321 255,795 54,495 <u>650,090</u>
Passed through State of Hawaii Department of Human Services Temporary Assistance for Needy Families	93.558	HPS 08-10 DHS-09-POS-9033 DHS-08-BESSD-5153	935,004 395,899 72,652 <u>1,403,555</u>
Promoting Safe and Stable Families	93.556	DHS-04-POS-1889 DHS-11-POS-322	22,729 153 <u>22,882</u>
Social Services Block Grant	93.667	DHS-06-POS-3109 DHS-06-POS-3110 DHS-04-POS-1889 DHS-11-POS-322 DHS-11-POS-279 DHS-08-OYS-51 DHS-08-OYS-57 DHS-08-OYS-62	363,935 299,472 1,689,100 1,167 375,848 96,644 30,102 96,856 <u>2,953,124</u>
Passed through State of Hawaii Department of Health Center for Mental Health Services Block Grant Program	93.958	CAMHD LOG NO. 09-003	<u>94,137</u>
Substance Abuse Prevention & Treatment Block Grant	93.959	ASO LOG NO.08-156	<u>54,826</u>
Passed through Honolulu Community Action Program, Inc. Community Services Block Grant - American Recovery & Reinvestment Act	93.710	Memorandum of Agreement	<u>1,368</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
SCHEDULE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - continued
YEAR ENDED AUGUST 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Department of Housing and Urban Development Economic Development Initiative Special Projects	14.251	B-08-SP-HI-0490	<u>196,000</u>
Passed through City and County of Honolulu Department of Community Services Emergency Shelter Grants Program	14.231	CT-DCS-0900259 CT-DCS-0900052	58,000 <u>63,214</u> <u>121,214</u>
Homelessness Prevention & Rapid Re-Housing Program American Recovery & Reinvestment Act	14.257	CT-DCS-1000070	<u>441,409</u>
Passed through Catholic Charities USA Housing Counseling Assistance Program	14.169	HC09-0011-001 HC08-0000-002	18,869 <u>1,040</u> <u>19,909</u>
Passed through City and County of Honolulu Department of Community Services Supportive Housing Program	14.235	CT-DCS-1000286 CT-DCS-0900250	18,737 <u>91,658</u>
Passed through State of Hawaii Department of Human Services Supportive Housing Program	14.235	DHS-11-HL-335	<u>21,847</u>
Hawaii Public Housing Authority Supportive Housing Program	14.235	HPB 09-05	<u>13,171</u> <u>145,413</u>
Federal Emergency Management Agency Emergency Food and Shelter Program	97.024	NONE	<u>44,501</u>
Emergency Food and Shelter Program American Recovery & Reinvestment Act	97.114	NONE	<u>2,502</u>
Department of Agriculture Passed through State of Hawaii Department of Education National School Breakfast Program	10.553	DOE 1419-2	<u>6,698</u>
Department of State Passed through United States Conference of Catholic Bishops Reception and Placement Program	19.510	NONE	<u>286</u>
			<u><u>\$ 6,938,031</u></u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities Hawaii and Affiliate 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

CATHOLIC CHARITIES HAWAII AND AFFILIATE
SCHEDULE 2 - STATEMENT OF ACTIVITIES: PROVISION OF
SHELTER AND SERVICES TO THE HOMELESS
YEAR ENDED AUGUST 31, 2010

Support and revenue	
State stipend program contract	<u>\$ 453,268</u>
Expenses	
Personnel costs	389,038
Operating costs	<u>64,238</u>
Total	<u>453,276</u>
Decrease in net assets	(8)
Net assets	
At beginning of year	<u>(388)</u>
At end of year	<u><u>\$ (396)</u></u>

CHOO, OSADA & LEE, CPAs, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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TELEPHONE (808) 734-1821

**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 Hawaii and Affiliate
Honolulu, Hawaii

We have audited the consolidated financial statements of Catholic Charities Hawaii (a nonprofit corporation) and Affiliate as of and for the year ended August 31, 2010, and have issued our report thereon dated December 14, 2010. 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 Hawaii and Affiliate'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 Catholic Charities Hawaii and Affiliate's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities Hawaii and Affiliate'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 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities Hawaii and Affiliate's consolidated 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 consolidated 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*.

We noted certain matters that we reported to the management of Catholic Charities Hawaii and Affiliate in a separate letter dated December 14, 2010.

This report is intended solely for the information and use of management, the Finance and Audit Committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

[REDACTED]

Honolulu, Hawaii
December 14, 2010

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

To the Board of Directors
Catholic Charities Hawaii and Affiliate
Honolulu, Hawaii

Compliance

We have audited Catholic Charities Hawaii and Affiliate'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 Catholic Charities Hawaii and Affiliate's major federal programs for the year ended August 31, 2010. Catholic Charities Hawaii and Affiliate's major federal programs are identified in the summary of auditors' 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 Catholic Charities Hawaii and Affiliate's management. Our responsibility is to express an opinion on Catholic Charities Hawaii and Affiliate'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 Catholic Charities Hawaii and Affiliate'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 Catholic Charities Hawaii and Affiliate's compliance with those requirements.

In our opinion, Catholic Charities Hawaii and Affiliate 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 August 31, 2010.

Internal Control Over Compliance

The management of Catholic Charities Hawaii and Affiliate 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 Catholic Charities Hawaii and Affiliate'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 Catholic Charities Hawaii and Affiliate'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. However, we identified one deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-01. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Catholic Charities Hawaii and Affiliate's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Catholic Charities Hawaii and Affiliate's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the management, the Finance and Audit Committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

[REDACTED]

Honolulu, Hawaii
December 14, 2010

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2010**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Catholic Charities Hawaii and Affiliate.
2. No instances of significant deficiencies and material weaknesses in internal controls were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Catholic Charities Hawaii and Affiliate were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs was disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for Catholic Charities Hawaii and Affiliate expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: Maternal and Child Health Federal Consolidated Programs, CFDA No. 93.110, State and Community Programs on Aging Grants, CFDA No. 93.044, Temporary Assistance for Needy Families, CFDA No. 93.558, Substance Abuse and Mental Health Services, CFDA No. 93.243, Homelessness Prevention and Rapid Re-Housing Program, CFDA No. 14.257, Economic Development Initiative Special Projects, CFDA No. 14.251
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Catholic Charities Hawaii and Affiliate was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding No. 10-01

Maternal and Child Health Federal Consolidated Programs, CFDA No. 93.110
Temporary Assistance for Needy Families, CFDA No. 93.558
Substance Abuse and Mental Health Services, CFDA No. 93.243
Homelessness Prevention and Rapid Re-Housing Program, CFDA No. 14.257

**CATHOLIC CHARITIES HAWAII AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
YEAR ENDED AUGUST 31, 2010**

Condition

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires that for contracts expected to equal or exceed \$25,000, the organization should:

- obtain a certification that the contractor is not suspended or debarred by the General Services Administration (GSA);
- include a clause to that effect in the agreement with the contractor; or
- check the Excluded Parties List System (EPLS) maintained by the GSA.

Although we did not note any contracts that meet the \$25,000 requirement during our testing, based on our inquiries, program and accounting personnel were not aware of OMB A-110 requirements related to contracts expected to equal or exceed \$25,000.

Recommendation

In connection with federal grant awards, management should establish internal control procedures for compliance with applicable suspension and debarment requirements.

Management response

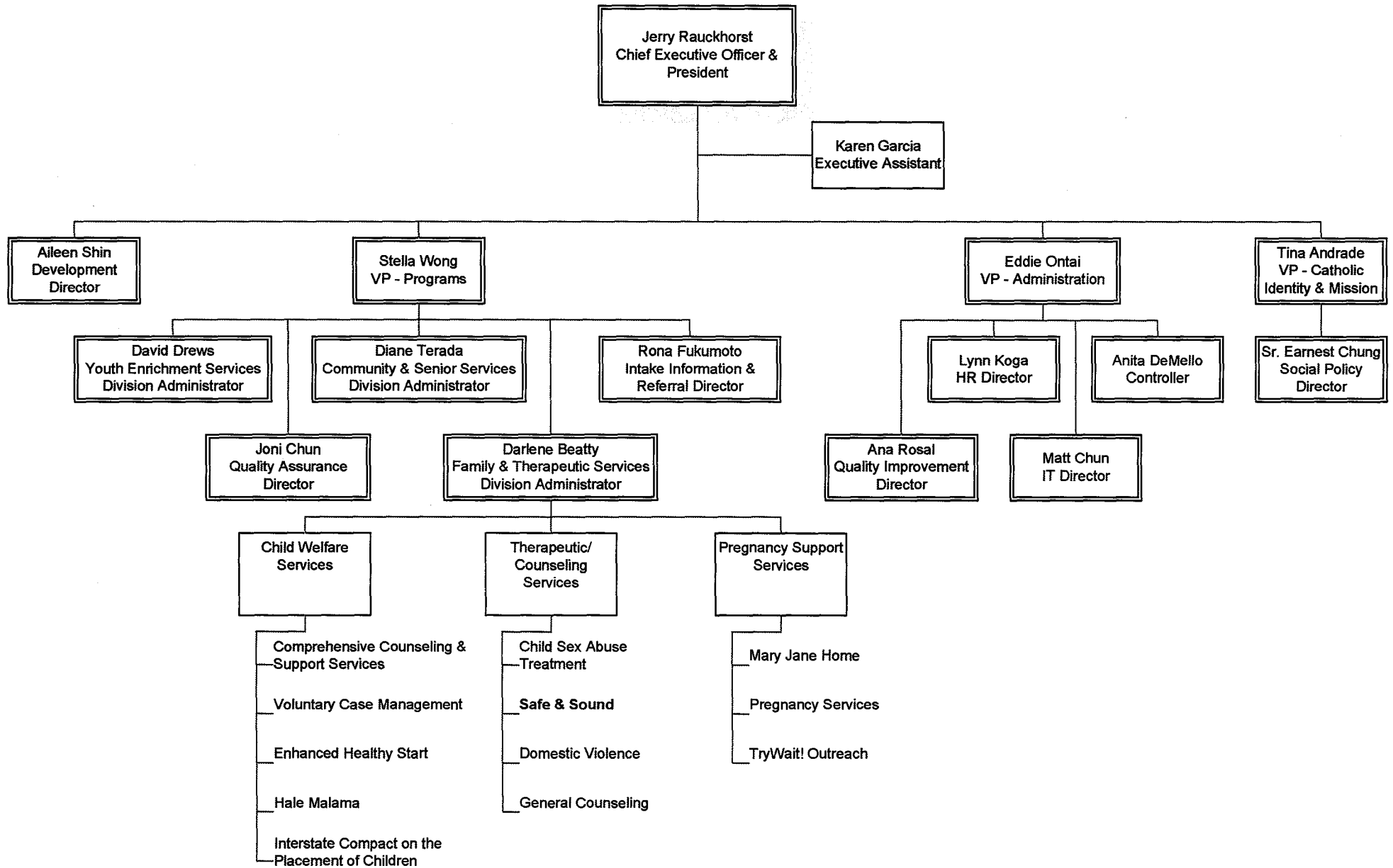
Management concurs with the recommendation and will establish internal control procedures to ensure compliance with federal suspension and debarment requirements.

Attachment C

Organization Charts

Catholic Charities Hawai'i

Agency Overview





CATHOLIC CHARITIES HAWAII
Family & Therapeutic Services
Therapeutic Services Program

