

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Financial Statements and Supplementary Information**

**June 30, 2023 and 2022**

**(With Independent Auditors' Report Thereon)**



# CATHOLIC CHARITIES OF TENNESSEE, INC.

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## **INDEPENDENT AUDITORS' REPORT**

**The Board of Trustees  
Catholic Charities of Tennessee, Inc.:**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

**We have audited the accompanying financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.**

**In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.**

#### **Basis for Opinion**

**We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.**

#### **Responsibilities of Management for the Financial Statements**

**Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.**

**In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.**

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Board of Trustees and Management but does not include the basic financial statements and our auditor's report thereon. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*LBM, PC*

Brentwood, Tennessee  
November 16, 2023

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Financial Position**

**June 30, 2023 and 2022**

<b>Assets</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Cash and cash equivalents	\$ 251,022	\$ 534,770
Annual fund deposits with CCIL	2,662,338	2,486,558
Receivable from the State of Tennessee	155,765	612,276
Receivable from United States Conference of Catholic Bishops	443,965	180,905
Receivable from Metropolitan Government of Nashville	4,006	21,561
Receivable from Office of Refugee Resettlement	1,292,509	1,464,417
Receivable from United Way	531,250	657,470
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$13,110 at June 30, 2023 and 2022	277,812	74,898
Prepaid expenses	96,981	70,985
Equipment and leasehold improvements, net	723,683	604,547
Operating lease right of use assets	1,020,068	-
<b>Total assets</b>	<b>\$ 7,459,399</b>	<b>\$ 6,708,387</b>
<b>Liabilities and Net Assets</b>		
Program advance	\$ 105,504	\$ 116,889
Accounts payable and accrued liabilities	1,606,478	1,929,854
Deferred revenues	221,236	140,513
Operating lease obligations	1,035,212	-
<b>Total liabilities</b>	<b>2,968,430</b>	<b>2,187,256</b>
<b>Net assets</b>		
Net assets without donor restrictions		
Board designated for:		
Future operations	3,276,315	3,348,863
Physical plant equity	723,683	604,547
Renewal and replacement	87,221	87,221
<b>Total net assets without donor restrictions</b>	<b>4,087,219</b>	<b>4,040,631</b>
<b>Net assets with donor restrictions</b>	<b>403,750</b>	<b>480,500</b>
<b>Total net assets</b>	<b>4,490,969</b>	<b>4,521,131</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,459,399</b>	<b>\$ 6,708,387</b>

See accompanying notes to financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Activities**

**Years Ended June 30, 2023 and 2022**

	For year ended June 30, 2023			For year ended June 30, 2022		
	Assets without donor restrictions	Assets with donor restrictions	Total	Assets without donor restrictions	Assets with donor restrictions	Total
Support and revenue:						
State of Tennessee grants	\$ 3,024,745	\$ -	\$ 3,024,745	\$ 3,680,580	\$ -	\$ 3,680,580
Service fees	432,451	-	432,451	442,335	-	442,335
Diocesan contributions and grants	575,000	-	575,000	641,392	-	641,392
United States Conference of Catholic Bishops grants	1,768,253	-	1,768,253	2,734,864	-	2,734,864
Miscellaneous program grants	809,007	-	809,007	1,076,636	-	1,076,636
Metropolitan Government of Nashville grants	93,276	-	93,276	145,750	-	145,750
Office of Refugee Resettlement grants	13,427,073	-	13,427,073	7,066,435	-	7,066,435
Reimbursement of occupancy expenses	-	-	-	15,895	-	15,895
Contributions and bequests	1,055,661	-	1,055,661	1,140,416	-	1,140,416
United Way allocation and designations	1,344,837	403,750	1,748,587	1,161,801	480,500	1,642,301
Other	207,123	-	207,123	185,257	-	185,257
In-kind donations	651,537	-	651,537	759,234	-	759,234
Net assets released from restrictions	480,500	(480,500)	-	480,500	(480,500)	-
Total support and revenue	23,869,463	(76,750)	23,792,713	19,531,095	-	19,531,095
Expenses:						
Program expenses	22,103,976	-	22,103,976	17,751,546	-	17,751,546
Management and general	1,445,105	-	1,445,105	1,205,010	-	1,205,010
Auxiliary services	13,243	-	13,243	71,697	-	71,697
Fundraising	260,551	-	260,551	442,106	-	442,106
Total expenses	23,822,875	-	23,822,875	19,470,359	-	19,470,359
Increase (decrease) in net assets	46,588	(76,750)	(30,162)	60,736	-	60,736
Net assets at beginning of year	4,040,631	480,500	4,521,131	3,979,895	480,500	4,460,395
Net assets at end of year	\$ 4,087,219	\$ 403,750	\$ 4,490,969	\$ 4,040,631	\$ 480,500	\$ 4,521,131

See accompanying notes to financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Functional Expenses**

**Years Ended June 30, 2023 and 2022**

	2023										
	<b>Social Services</b>	<b>Pregnancy Counseling and Adoptions</b>	<b>Workforce Development</b>	<b>Immigration and Refugee Services</b>	<b>Tennessee Office for Refugees</b>	<b>Tennessee Serves Neighbors</b>	<b>Total Program Expenses</b>	<b>Management and General</b>	<b>Auxiliary Services</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 2,230,152	\$ 74,602	\$ 186,950	\$ 2,420,322	\$ 576,376	\$ 860,279	\$ 6,348,681	\$ 1,009,174	\$ 13,667	\$ 51,152	\$ 7,422,674
Purchased services	97,132	2,266	52,939	156,113	4,979,778	34,984	5,323,212	216,413	19,329	159,727	5,718,681
Travel	28,019	1,774	3,271	201,127	9,783	24,532	268,506	8,334	(14,661)	272	262,451
Supplies and materials	51,770	6,340	21,006	80,567	30,648	36,952	227,283	95,230	(12,055)	22,811	333,269
Conferences	5,603	-	420	4,132	1,525	-	11,680	4,418	-	-	16,098
Rent / occupancy	231,413	6,837	1,111	239,871	48,384	157,773	685,389	82,007	(75,765)	5,039	696,670
Subsidies and assistance	908,456	-	28,550	782,760	5,859,068	1,649,623	9,228,457	26,800	-	20,250	9,275,507
Other	495	-	237	1,223	326	223	2,504	1,893	86	1,300	5,783
Depreciation and amortization	8,264	-	-	-	-	-	8,264	836	82,642	-	91,742
<b>Total functional expenses</b>	<b>\$ 3,561,304</b>	<b>\$ 91,819</b>	<b>\$ 294,484</b>	<b>\$ 3,886,115</b>	<b>\$ 11,505,888</b>	<b>\$ 2,764,366</b>	<b>\$ 22,103,976</b>	<b>\$ 1,445,105</b>	<b>\$ 13,243</b>	<b>\$ 260,551</b>	<b>\$ 23,822,875</b>

	2022										
	<b>Social Services</b>	<b>Pregnancy Counseling and Adoptions</b>	<b>Workforce Development</b>	<b>Immigration and Refugee Services</b>	<b>Tennessee Office for Refugees</b>	<b>Tennessee Serves Neighbors</b>	<b>Total Program Expenses</b>	<b>Management and General</b>	<b>Auxiliary Services</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 2,170,814	\$ 146,180	\$ 160,947	\$ 2,139,054	\$ 567,640	\$ 978,889	\$ 6,163,524	\$ 920,484	\$ 23,500	\$ 98,380	\$ 7,205,888
Purchased services	53,635	33,309	30,407	162,197	3,255,082	55,300	3,589,930	158,452	13,709	229,171	3,991,262
Travel	20,055	3,063	100	196,378	4,173	20,848	244,617	3,435	(3,327)	1,532	246,257
Supplies and materials	46,167	7,470	42,693	102,534	20,014	85,115	303,993	42,762	(969)	33,453	379,239
Conferences	10,603	1,199	-	2,074	1,390	2,759	18,025	1,476	-	-	19,501
Rent / occupancy	200,351	11,922	6,282	167,395	33,095	187,424	606,469	75,473	(28,436)	16,502	670,008
Subsidies and assistance	1,846,043	2,492	32,495	2,147,897	1,750,975	1,030,514	6,810,416	-	-	62,200	6,872,616
Other	4,988	-	200	802	156	162	6,308	2,092	92	868	9,360
Depreciation and amortization	8,264	-	-	-	-	-	8,264	836	67,128	-	76,228
<b>Total functional expenses</b>	<b>\$ 4,360,920</b>	<b>\$ 205,635</b>	<b>\$ 273,124</b>	<b>\$ 4,918,331</b>	<b>\$ 5,632,525</b>	<b>\$ 2,361,011</b>	<b>\$ 17,751,546</b>	<b>\$ 1,205,010</b>	<b>\$ 71,697</b>	<b>\$ 442,106</b>	<b>\$ 19,470,359</b>

See accompanying notes to financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2023 and 2022**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (30,162)	\$ 60,736
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	91,742	76,228
In-kind donation of equipment	(158,900)	-
Noncash lease expense	15,144	-
Changes in assets and liabilities:		
Receivable from the State of Tennessee	456,511	294,226
Receivable from United States Conference of Catholic Bishops	(263,060)	(127,318)
Receivable from Metropolitan Government of Nashville	17,555	9,359
Receivable from Office of Refugee Resettlement	171,908	(810,369)
Receivable from United Way	126,220	(98,677)
Miscellaneous accounts receivable	(202,914)	(8,332)
Prepaid expenses	(25,996)	(48,412)
Program advance, accounts payable and accrued liabilities	(334,761)	925,291
Deferred revenues	80,723	42,034
Net cash provided (used) by operating activities	<u>(55,990)</u>	<u>314,766</u>
Cash flows from investing activity:		
(Purchases) receipts of annual fund deposits with CCIL, net	(175,780)	(700,134)
Purchases of equipment and leasehold improvements	<u>(51,978)</u>	<u>(132,542)</u>
Net cash used by investing activities	<u>(227,758)</u>	<u>(832,676)</u>
Net decrease in cash and equivalents	(283,748)	(517,910)
Cash and cash equivalents at beginning of year	<u>534,770</u>	<u>1,052,680</u>
Cash and cash equivalents at end of year	<u><u>\$ 251,022</u></u>	<u><u>\$ 534,770</u></u>

See accompanying notes to the financial statements

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2023 and 2022

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

Catholic Charities of Tennessee, Inc. (the "Corporation" or "Organization" or "Catholic Charities") is a Tennessee not-for-profit corporation which operates charitable and social service programs throughout Tennessee, but primarily Middle Tennessee. Catholic Charities was incorporated in July 1962. The members of the Corporation are the Bishop, the Vicars General, and the Moderator of the Curia for the Catholic Diocese of Nashville. The business and affairs of the Organization are supervised by its Board of Trustees. The Trustees of the Board are appointed by the members of the Corporation.

The accompanying financial statements include programs that are supported by grants from the State of Tennessee, the Metropolitan Government of Nashville and Davidson County, Office of Refugee Resettlement and the United States Conference of Catholic Bishops. These financial statements have been prepared on the accrual basis of accounting.

Catholic Charities was designated by the Office of Refugee Resettlement, a division of U.S. Department of Health and Human Services, to administer refugee resettlement programs in the state of Tennessee. The Tennessee Office for Refugees was created as a program within Catholic Charities of Tennessee to administer Refugee Cash Assistance, Refugee Medical Assistance, Medical Screenings, Social Services, School Impact Grants, and Targeted Assistance Grants to sub-grantee agencies across the state.

#### (b) Newly adopted accounting standards

On January 1, 2022, the Organization adopted the cumulative accounting standard updates initially issued by the Financial Accounting Standards Board ("FASB") in February 2016 that amend the accounting for leases and are codified as Accounting Standards Codification ("ASC") Topic 842. These changes to the lease accounting model require operating leases be recorded on the statement of financial position through recognition of a liability for the discounted present value of future fixed lease payments and a corresponding right-of-use ("ROU") asset. The ROU asset recorded at commencement of the lease represents the right to use the underlying asset over the lease term in exchange for the lease payments. Leases with an initial term of 12 months or less that do not have an option to purchase the underlying asset that is deemed reasonably certain to be exercised are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease. The Organization's leases do not contain any material residual value guarantees or material restrictive covenants.

The Organization elected the amended transition requirements allowed for in ASC 842, which provide entities relief by allowing them not to recast prior comparative periods. As a result, the prior year comparative financial statements have not been restated to reflect the adoption of ASC 842. Additionally, the Organization elected the package of practical expedients available in ASC 842 upon adoption whereby an entity need not reassess expired contracts for lease identification or classification as a finance or operating lease, or for the

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2023 and 2022

reassessment of initial direct costs. The Organization has not elected the practical expedient to use hindsight to determine the lease term for its leases at transition. The Organization also elected the accounting policy practical expedient to utilize the risk free rate in place of the incremental borrowing rate on leases in which an implicit rate is not readily-available.

The adoption of ASC 842 resulted in recognition of an operating lease liability and a related ROU asset of approximately \$1,579,000 on July 1, 2022, with no cumulative adjustment to net assets.

### (c) Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Catholic Charities and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Catholic Charities has chosen to provide further classification information about net assets without donor restrictions as follows:

Undesignated - Cumulative results from activities which have not been designated by Catholic Charities for specific purposes.

Designated for future operations - Cumulative results from activities which have been designated for future purposes.

Designated for physical plant equity - Net investment in equipment and leasehold improvements.

Designated for renewal and replacement - Amounts designated for future acquisitions of fixed assets or for renewals and repairs.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be met by actions of Catholic Charities and/or the passage of time or may be maintained in perpetuity.

### (d) Use of Estimates in the Preparation of the Financial Statements

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.

# **CATHOLIC CHARITIES OF TENNESSEE, INC.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### **(e) Cash, Cash Equivalents, and Annual Fund Deposits with CCIL**

Catholic Charities maintains cash balances on deposit with Catholic Community Investment and Loan, Inc. ("CCIL"). CCIL is a not-for-profit public benefit and charitable corporation established to loan funds to parishes and entities subject to the canonical jurisdiction of the Bishop of Nashville as well as to invest pooled deposits. These cash balances are not insured; however, Catholic Charities has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash and equivalents.

Catholic Charities considers all cash and highly liquid investments held with original maturities of less than three months to be cash equivalents. Cash and cash equivalents include checking and savings accounts on deposit with CCIL. Annual fund deposits with CCIL are not considered cash equivalents due to restrictions on withdrawal of those funds.

### **(f) Receivables and Credit Policies**

Accounts receivable are from grantors and clients. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of grantors and clients, historical loss experience and existing economic conditions.

### **(g) Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost, or fair market value at the date of gift if acquired by donation, net of accumulated depreciation or amortization. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Equipment, furnishings, and vehicles are generally depreciated over a period between three and ten years. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the lease. Estimated salvage value of assets is zero. The Organization's capitalization policy is to capitalize any expenditures over \$5,000 with a useful life greater than two years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When assets are retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is included in operations.

### **(h) Grant and Contributions Revenue**

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period an unconditional promise is received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues in net assets without donor restrictions.

# **CATHOLIC CHARITIES OF TENNESSEE, INC.**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

Grant revenue is recognized as expenses are incurred in accordance with the terms of the grant.

Support and revenue are reported as increases in net assets without donor restrictions unless use of the related net assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

### **(i) Revenue From Contracts with Customers**

The Organization identifies a contract with a customer as an agreement which both parties have approved, creates enforceable rights and obligations, has commercial substance, and where payment terms are identified, and collectability is probable. Once the entity has entered a contract, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration, such as discounts.

The Organization's primary source of revenue from contracts with customers are from service fees relating to counseling. Service fees are paid and recognized at the point in time the services occur. Counselees enter into an individual contract for each session and rates vary based upon the duration of the counseling sessions.

### **(j) Functional Categories**

The costs of programs and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The allocation of salaries and other direct and indirect expenditures into functional categories is based upon the amount of time spent in the various functions by Catholic Charities' personnel, space utilized for various functions, and other appropriate bases of allocation.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2023 and 2022**

**(k) Income Taxes**

Catholic Charities is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. Catholic Charities does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any asset or liability for unrecognized tax benefits.

As of June 30, 2023 and 2022, Catholic Charities had accrued no interest and no penalties related to uncertain tax positions. It is Catholic Charities' policy to recognize interest and/or penalties related to income tax matters in income tax expense. Catholic Charities files U.S. Federal information tax returns. Catholic Charities is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**(l) Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2023 and 2022

### (2) Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Cash	\$ 251,022	\$ 534,770
Annual fund deposit	2,662,338	2,486,558
Accounts and grants receivable	2,427,495	2,936,629
Miscellaneous accounts receivable	<u>277,812</u>	<u>74,898</u>
Financial assets at end of year	5,618,667	6,032,855
Less assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	403,750	480,500
Net assets without donor restrictions designated for future operations	3,276,315	3,348,863
Net assets without donor restrictions designated for renewal and replacement	<u>87,221</u>	<u>87,221</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,851,381</u>	<u>\$ 2,116,271</u>

The net assets designated for certain purposes are not available for general expenditure although these amounts could be made available, if necessary.

### (3) Events Occurring After the Report Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and November 16, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

### (4) Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair values of cash and highly liquid investments, included in cash and cash equivalents, are determined based upon their quoted redemption prices and recent transaction prices of \$1.00 per share (Level 2 inputs), with no discounts for credit quality or liquidity restriction. The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2023 or 2022.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2023 and 2022**

**(5) Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Furnishings	\$ 21,766	\$ 21,766
Furniture/Equipment	293,447	82,569
Vehicles	15,944	15,944
Leasehold improvements	<u>895,911</u>	<u>895,911</u>
	1,227,068	1,016,190
Less accumulated depreciation and amortization	<u>503,385</u>	<u>411,643</u>
Equipment and leasehold improvements, net	<u>\$ 723,683</u>	<u>\$ 604,547</u>

**(6) Employee Benefit Plans**

Catholic Charities participates in two retirement plans currently sponsored by the Catholic Diocese of Nashville (the "Diocese"). They are as follows:

**(a) Defined Benefit Pension Plan**

Catholic Charities participates in a non-contributory church defined benefit pension plan which is funded based on the required contribution each year as determined by the Diocesan Lay Retirement Board of Trust of the Diocese. Church pension plans are exempt from compliance with participation, vesting and funding rules of the Employee Retirement Income Security Act of 1974. Contributions to the plan are calculated as a percentage of eligible employees' compensation. Participants vest in all employer contributions to the plan as follows: after three years of service 20%, increasing 20% for each year of additional service until participants are fully vested after seven years of service.

Management has determined that the defined benefit pension plan qualifies for treatment as a multi-employer plan under generally accepted accounting principles. Participation in multi-employer pension plans is different from single employer pension plans in the following ways: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits of employment to other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Organization stops participating in its multi-employer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan.

The following table sets forth the benefit obligations, fair value of plan assets, funded status (in thousands) of the Diocese of Nashville Lay Pension Plan as of January 1, 2023 and 2022 in which Catholic Charities is a participant:

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Pension benefits (in thousands):		
Benefit obligation at end of plan year	\$ (64,117)	\$ (60,319)
Plan assets at fair value at end of plan year	<u>62,321</u>	<u>76,392</u>
Funded Status	<u>\$ (1,796)</u>	<u>\$ 16,073</u>

As a multi-employer plan, only the expenses associated with Catholic Charities' employees are reflected in the accompanying financial statements. During 2023 and 2022, Catholic Charities contributed 5% of the eligible employees' compensation to the plan each year which totaled \$278,609 and \$263,577, respectively. The Organization currently has no intention of withdrawing from this multi-employer pension plan.

**(b) Defined Contribution Benefit Plan**

Catholic Charities participates in a defined contribution plan as a supplement to the defined benefit pension plan. Employees are permitted to contribute up to 100% of their compensation to the defined contribution plan subject to certain Internal Revenue Code limitations. For those employees who contribute at least 3% of their compensation to the plan, Catholic Charities contributes a 100% match of 3% of the employee's compensation. Participants are 100% vested in their elective contributions and the employers' matching contributions.

Contributions to the defined contribution plan were \$142,739 and \$138,900 for the years ended June 30, 2023 and 2022, respectively.

**(7) Net assets with donor restrictions**

As of June 30, 2023 and 2022, donor restricted net assets of \$403,750 and \$480,500, respectively, were available for subsequent year operations subject to certain programmatic restrictions.

During 2023 and 2022, net assets released from restrictions related to the utilization of funds restricted to programs.

**(8) Leases**

The Organization leases certain real property and equipment under operating leases. The lease agreements generally require the Organization to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Variable costs are not included in the determination of the ROU asset or lease obligation.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2023 and 2022**

The components of lease cost and rent expense, included in Rent/occupancy and Supplies and materials expenses in the accompanying statement of functional expenses, for the year ended June 30, 2023 are as follows:

Operating lease expense	\$ 598,213
Short-term lease expense (or variable)	<u>\$ 106,014</u>
Total operating lease costs	<u>\$ 704,227</u>

Rent expense recognized in fiscal year 2023 to related parties included approximately \$408,000 to the Catholic Diocese of Nashville and approximately \$19,500 to Holy Name Church.

The weighted-average remaining lease term and discount rate for the operating leases are 1.88 years and 2.98%, respectively, for the year ended June 30, 2023.

Operating cash flow for the operating lease payments included in the measurement of lease liabilities was approximately \$611,576 for the year ended June 30, 2023.

A summary of approximate net future minimum payments under operating leases as of June 30, 2023 is as follows:

<u>Year</u>	<u>Total</u>
2024	\$ 581,592
2025	480,768
2026	<u>3,658</u>
Total undiscounted cash flows	\$ 1,066,018
Less: present value discount	(30,806)
Less: lease obligation, current portion	<u>(558,413)</u>
Long-term operating lease obligation	<u>\$ 476,799</u>

Prior to the adoption of ASC 842, the Organization accounted for its lease arrangements under ASC 840, *Leases*, with no right of use assets or lease liabilities reflected on the statements of financial position. Rent expense recognized in fiscal year 2022 was approximately \$689,000, including approximately \$378,000 to the Catholic Diocese of Nashville and approximately \$17,600 to Holy Name Church.

**(9) Grants and Contracts**

Expenditures related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. Catholic Charities does not anticipate that adjustments, if any, arising from such reviews will have a material effect on the statement of financial position.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2023 and 2022**

**(10) Transactions with Related Parties**

Catholic Charities purchases certain services from the Diocese, under separate operating agreements including human resources, software support and maintenance, and payroll services. Fees for these services totaled \$170,153 and \$48,668 in 2023 and 2022, respectively, and are included in purchased services in the statements of functional expenses.

The Organization, on certain occasions, purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the board of directors. In the opinion of management, such matters are consistent with the application of the conflict of interest policies and procedures adopted by the board and reviewed annually by the audit committee.

**(11) In-Kind Donations**

Many individuals volunteer their time and perform a variety of tasks that assist the agency with program services. No amounts have been reflected in the financial statements for these donated services, except for certain professional services, since the volunteers' time does not meet the criteria for recognition under ASC Topic 958, *Not for Profit Entities*.

The Organization also received certain donated goods and program space from donors. These donations are recognized in the financial statements at fair market value when received. Donated goods consist primarily of clothing, furniture and household items which are valued based on similar goods, such as thrift or other resale values. Donated program space is valued based on estimated rental rates for space of comparable size, location and purpose. The Organization does not monetize in-kind donations but consumes those donations for use in providing the Organization's charitable services and are generally restricted to specific programs.

A summary of in-kind donations during 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Donated goods (including approximately \$150,000 of capitalized furniture in 2023)	\$ 471,630	\$ 595,424
Donated program space	155,013	154,649
Donated professional services	<u>24,894</u>	<u>9,161</u>
Total in-kind donations	<u>\$ 651,537</u>	<u>\$ 759,234</u>

**(12) Commitments and Contingencies**

Catholic Charities has one program that is subject to grant matching requirements, the Match Grant/Free Case Resettlement program. This program is eligible for a 50% matching requirement, 20% of which must be cash or cash equivalents. The required match for fiscal year 2023 and 2022 grant was approximately \$89,000 and \$61,000, respectively.

CATHOLIC CHARITIES, DIOCESE OF NASHVILLE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Assistance Listing Number	U.S.Federal Grantor / Pass-Through Grantor / Program Title	Grant Number	Passed-through to Subrecipients	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
FEDERAL AWARDS							
14.218	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Community Development Block Grant	MDHA	\$ -	\$ 14,864	\$ 14,864	\$ -	\$ -
	<b>Total Program</b>		-	<b>14,864</b>	<b>14,864</b>	-	-
14.231	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant	MDHA	-	2,856	2,856	-	-
	Emergency Solutions Grant	MDHA	-	-	25,066	25,066	-
	Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant	MDHA	-	2,725	2,725	-	-
	Emergency Solutions Grant	MDHA	-	-	38,899	42,288	3,389
	Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant	MDHA	-	1,116	1,116	-	-
	Emergency Solutions Grant	MDHA	-	-	25,305	25,922	617
	<b>Total Program</b>		-	<b>6,697</b>	<b>95,967</b>	<b>93,276</b>	<b>4,006</b>
16.321	U.S. Dept. of Justice Pass-through from State of Tennessee Department of Finance and Administration Antiterrorism and Emergency Assistance Program (AEAP)	Edison # 76235	-	56,054	56,054	-	-
	Antiterrorism and Emergency Assistance Program (AEAP)	Edison # 76235	-	-	80,016	81,671	1,655
	<b>Total Program</b>		-	<b>56,054</b>	<b>136,070</b>	<b>81,671</b>	<b>1,655</b>
16.575	U.S. Dept. of Justice Pass-through from State of Tennessee Department of Finance and Administration Victims of Crime Program - VOCA	Edison # 46123	-	26,221	26,221	-	-
	Victims of Crime Program - VOCA	Edison # 46123	-	-	177,803	196,070	18,267
	Victims of Crime Program - Refugee VOCA		-	6,451	6,451	-	-
	Victims of Crime Program - Refugee VOCA		-	-	4,423	4,423	-
	<b>Total Program</b>		-	<b>32,672</b>	<b>214,898</b>	<b>200,493</b>	<b>18,267</b>
16.726	U.S. Dept. of Justice Pass-through from Catholic Charities USA Multi-StateJuvenile Mentoring Program	2018-JU-FX-0018	-	11,381	11,381	-	-
	Multi-StateJuvenile Mentoring Program	15PJDP-21-GG-03594-MENT	-	-	26,874	34,053	7,179
	<b>Total Program</b>		-	<b>11,381</b>	<b>38,255</b>	<b>34,053</b>	<b>7,179</b>
17.258	Department of Labor Pass-through from Tennessee Department of Labor and Workforce Development Northern Middle TN Workforce Board WIA/WIOA Adult Program	NM-04-McG-CC	-	3,018	2,798	-	220
	<b>Total Program</b>		-	<b>3,018</b>	<b>2,798</b>	-	<b>220</b>
19.510	U.S. Dept. of State, Bureau of Population, Refugees, and Migration Pass-through from United States Catholic Conference of Bishops Reception & Placement - Nashville	S-PRMCO-20 and 21-CA-3001	-	26,246	26,246	-	-
	Reception & Placement - Nashville	S-PRMCO-21-CA-3001	-	-	315,196	440,713	125,517
	Pass-through from United States Catholic Conference of Bishops 2021 Afghan Placement and Assistance Program	S-PRMCO-21 and 21-CA-3291	-	-	-	-	-
			-	7,327	4,274	-	3,053
	<b>Total Program</b>		-	<b>33,573</b>	<b>345,716</b>	<b>440,713</b>	<b>128,570</b>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES, DIOCESE OF NASHVILLE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Assistance Listing Number	U.S.Federal Grantor / Pass-Through Grantor / Program Title	Grant Number	Passed-through to Subrecipients	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
84.287C	US Dept. of Education-Office of Elementary and Secondary Education						
	Pass-through from State of Tennessee Department of Education						
	21st Century Community Learning Centers	33109-03318	-	5,093	5,093	-	-
	21st Century Community Learning Centers	33109-03318	-	-	51,310	187,153	135,843
	<b>Total Program</b>		-	<b>5,093</b>	<b>56,403</b>	<b>187,153</b>	<b>135,843</b>
93.558	U.S. Dept. of Health and Human Services - Administration for Children and Families						
	Pass-through from State of Tennessee, Department of Human Services						
	Tennessee Serves Neighbors	68089	-	-	2,555,428	2,555,428	-
	Pass-through from Family and Children's Services						
	Connecting Forward (a TANF pilot program)	N/A	-	-	-	34,020	34,020
	Pass-through from United Way of Metropolitan Nashville						
	Family Empowerment Program	71719	-	170,144	170,144	-	-
	Family Empowerment Program	71719	-	-	1,181,441	1,308,940	127,499
	<b>Total Program</b>		-	<b>170,144</b>	<b>3,907,013</b>	<b>3,898,388</b>	<b>161,519</b>
93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service						
	Tennessee Office for Refugees	21/22A1TNRCMA	-	13,196	13,196	-	-
	Tennessee Office for Refugees	22/23A1TNRCMA	-	-	742,520	802,852	60,332
	Tennessee Office for Refugees	21/22A1TNRCMA	-	5,442	5,442	-	-
	Tennessee Office for Refugees	22/23A1TNRCMA	-	-	5,859,068	5,859,068	-
	Tennessee Office for Refugees	21/22A1TNRCMA	-	464,082	464,082	-	-
	Tennessee Office for Refugees	22/23A1TNRCMA	-	-	1,171,372	1,334,127	162,755
	Tennessee Office for Refugees	21/2201TNRSSS	-	548,560	548,560	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	1,697,585	2,149,996	452,411
	Tennessee Office for Refugees	21/2201TNRSSS	-	78,642	78,642	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	307,150	371,430	64,280
	Tennessee Office for Refugees	21/2201TNRSSS	-	23,473	23,473	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	109,273	137,626	28,353
	Tennessee Office for Refugees	21/2201TNRSSS	-	21,640	21,640	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	95,960	116,535	20,575
	Tennessee Office for Refugees	21/22A1TNRCMA	-	82,551	82,551	-	-
	Tennessee Office for Refugees	22/23A1TNRCMA	-	-	401,335	520,765	119,430
	Tennessee Office for Refugees	21/2201TNRSSS	-	29	29	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	92	92	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	29,074	29,074	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	87,979	108,553	20,574
	Tennessee Office for Refugees	21/2201TNRSSS	-	76,062	76,062	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	579,472	664,867	85,395
	Tennessee Office for Refugees	21/2201TNRSSS	-	17,427	17,427	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	75,759	92,895	17,136

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES, DIOCESE OF NASHVILLE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Assistance Listing Number	U.S.Federal Grantor / Pass-Through Grantor / Program Title	Grant Number	Passed-through to Subrecipients	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
	Tennessee Office for Refugees	21/2201TNRSSS	-	2,444	2,444	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	37,806	52,947	15,141
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	5,364	12,362	6,998
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	-	8,239	8,239
	Tennessee Office for Refugees	21/2201TNRSSS	-	31,556	31,556	-	-
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	409,367	444,755	35,388
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	99,292	186,815	87,523
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	8,253	20,871	12,618
	Tennessee Office for Refugees	21/2201TNRSSS	-	-	21,139	42,494	21,355
	<b>Total Program</b>		<b>4,621,007</b>	<b>1,394,178</b>	<b>13,102,964</b>	<b>12,927,289</b>	<b>1,218,503</b>
93.567	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Match Grant/Free Case Resettlement - Nashville	2201DCRVMG	-	85,980	85,980	-	-
	Match Grant/Free Case Resettlement - Nashville	2301DCRVMG	-	-	775,191	1,038,242	263,051
	<b>Total Program</b>		<b>-</b>	<b>85,980</b>	<b>861,171</b>	<b>1,038,242</b>	<b>263,051</b>
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants						
	United States Conference of Catholic Bishops	90RP0121-01-00	-	14,083	14,083	-	-
	United States Conference of Catholic Bishops	90RP0121-01-00	-	-	38,730	52,807	14,077
	United States Conference of Catholic Bishops	90RP0121-01-00	-	43,499	43,499	-	-
	United States Conference of Catholic Bishops	90RP0121-01-00	-	-	138,132	168,879	30,747
	United States Conference of Catholic Bishops	90RP0121-01-00	-	-	4,653	5,561	908
	<b>Total Program</b>		<b>56,501</b>	<b>57,582</b>	<b>239,097</b>	<b>227,247</b>	<b>45,732</b>
93.583	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service						
	Tennessee Office for Refugees	90RW0077	-	70,238	70,238	-	-
	Tennessee Office for Refugees	90RW0077	-	-	425,774	499,784	74,010
	<b>Total Program</b>		<b>234,618</b>	<b>70,238</b>	<b>496,012</b>	<b>499,784</b>	<b>74,010</b>
93.588	U.S. Dept. of Health and Human Services Pass-through from State of Tennessee, Department of Human Services Tennessee Serves Neighbors	68089	-	506,252	506,252	-	-
	Pass-through from Martha O'Bryan Center Tennessee Opprotunity Pilot Initiative Implimentation	N/A	-	-	111,981	142,358	30,377
	<b>Total Program</b>		<b>-</b>	<b>506,252</b>	<b>618,233</b>	<b>142,358</b>	<b>30,377</b>
93.590	U.S. Dept. of Health and Human Services Pass-through from State of Tennessee Department of Children's Services Child Abuse Prevention Services	EDISON 57673	-	12,205	12,205	-	-
	<b>Total Program</b>		<b>-</b>	<b>12,205</b>	<b>12,205</b>	<b>-</b>	<b>-</b>
93.598	U.S. Dept. of Health and Human Services Trafficking Victim Assistance Program	90ZV0137-01-00	-	550	550	-	-
	Trafficking Victim Assistance Program	90ZV0137-01-00	-	-	1,020	1,020	-
	<b>Total Program</b>		<b>-</b>	<b>550</b>	<b>1,570</b>	<b>1,020</b>	<b>-</b>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES, DIOCESE OF NASHVILLE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Assistance Listing Number	U.S.Federal Grantor / Pass-Through Grantor / Program Title	Grant Number	Passed-through to Subrecipients	Receivable Balance June 30, 2022	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2023
93.676	U.S. Dept. of Health and Human Services						
	Pass-through from United States Catholic Conference:						
	Safe Passages	SP11-21-13	-	5,702	5,702	-	-
	Safe Passages	SP11-21-13	-	-	55,441	62,051	6,610
	Pass through from Lutheran Immigration and Refugee Service						
	Safe Release Support Services	90ZU0318	-	40,296	40,296	-	-
	Safe Release Support Services	90ZU0318	-	-	51,026	70,412	19,386
	Safe Release Support Services	90ZU0394-01-00	-	3,349	-	-	3,349
	Safe Release Support Services	90ZU0394-01-00	-	1,320	1,320	-	-
	Safe Release Support Services	90ZU0394-01-00	-	-	26,408	36,961	10,553
	Safe Release Support Services	90ZU0394-01-00	-	220	220	-	-
	Safe Release Support Services	90ZU0394-01-00	-	-	24,457	32,585	8,128
	Total Program		-	50,887	204,870	202,009	48,026
	94.006	Corporation for National and Community Services					
Americorps		22NDBVA002	-	-	2,674	2,674	-
Total Program			-	-	2,674	2,674	-
97.024	U.S. Department of Homeland Security						
	Emergency Food and Shelter National Board Program						
	Emergency Food and Shelter Program		-	-	82,646	82,646	-
	Emergency Food and Shelter Program		-	-	9,603	9,603	-
	Emergency Food and Shelter Program		-	-	3,727	3,727	-
	Emergency Food and Shelter Program		-	-	40,815	40,815	-
	Emergency Food and Shelter Program		-	-	11,515	11,515	-
	Total Program		-	-	148,306	148,306	-
Total Federal Awards			\$ 4,912,126	\$ 2,511,368	\$ 20,499,086	\$ 20,124,676	\$ 2,136,958

See accompanying notes to schedule of expenditures of federal awards.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to the Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2023**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Catholic Charities of Tennessee, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**(2) Summary of Significant Accounting Policies**

For purposes of the Schedule, expenditures of federal awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect Cost Rate**

The Organization has elected to not use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**(4) Non-cash assistance**

There were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding at year end.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Schedule of Board of Trustees and Management**

**Year ended June 30, 2023**

**Board of Trustees**

**Gina Emmanuel, President  
Greg Pope, Vice President  
Joan Garr Hamrick, Secretary  
Michael Ratino, Treasurer  
John Brew  
Deanna Dibin  
Vincent Dixie  
Renee Drake  
Tony Dunning  
Father Theo Ebulueme  
Doctor Mary Held  
Deacon Bill Hill  
Shandy Husmann  
Catherine Kelly  
Mark Lenihan  
Bill McGugin  
Lissa Renk  
Brooke Reusch  
John Rodgers  
Patrick Sheehy  
Leo Silva  
Drew Tyrer**

**Members of Management**

**Judy Orr, Executive Director  
Debby Morrow, Financial Services and Contract Compliance Director**



**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees of  
Catholic Charities of Tennessee, Inc.:

We have audited, in accordance with the 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, the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## Report on Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LBMC, PC*

Brentwood, Tennessee  
November 16, 2023



**Independent Auditors' Report on Compliance for Each Major Program and on Internal  
Control over Compliance Required by the Uniform Guidance**

The Board of Trustees  
Catholic Charities of Tennessee, Inc.:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Catholic Charities of Tennessee, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

### **Report on 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. A *significant deficiency in internal control over compliance* 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*LBMCP, PC*

Brentwood, Tennessee  
November 16, 2023

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_yes xno  
Significant deficiency(ies) identified? \_\_\_yes xnone reported

Noncompliance material to financial statements noted? \_\_\_yes xno

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_yes xno  
Significant deficiency(ies) identified? \_\_\_yes xnone reported

Type of auditors' report issued on compliance for major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes xno

Identification of major programs for the Organization for the fiscal year ended June 30, 2023 are:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
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93.566	Refugee Resettlement Social Service
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Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? xyes \_\_\_no

**FINANCIAL STATEMENT FINDINGS**

None noted

**FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS**

None noted

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Summary Schedule of Prior Audit Findings**

**June 30, 2023**

**FINANCIAL STATEMENT FINDINGS**

There were no prior findings reported

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior findings reported