

**CATHOLIC CHARITIES  
OF TENNESSEE, INC.**

**Financial Statements and  
Supplementary Information**

**June 30, 2007 and 2006**

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



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Financial Statements:</b>	
<b>Statements of Financial Position</b>	<b>2</b>
<b>Statements of Activities</b>	<b>3</b>
<b>Statements of Functional Expenses</b>	<b>4</b>
<b>Statements of Cash Flows</b>	<b>5</b>
<b>Notes to the Financial Statements</b>	<b>6 - 12</b>
<b>Supplementary Information:</b>	
<b>Schedule of Expenditures of Federal and State Grant Awards</b>	<b>13 - 14</b>
<b>Notes to the Schedule of Expenditures of Federal and State Grant Awards</b>	<b>15</b>
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>16 - 17</b>
<b>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</b>	<b>18 - 19</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>20 - 21</b>



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Catholic Charities of Tennessee, Inc. (the "Organization") as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Tennessee, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2008 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state grant 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
February 8, 2008

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Statements of Financial Position

June 30, 2007 and 2006

Assets	2007	2006
Cash	\$ 237,718	144,612
Contributions receivable	690,790	586,468
Receivable from the State of Tennessee	200,331	165,317
Receivable from United States Catholic Conference of Bishops	77,339	85,470
Receivable from Safety Net Consortium of Middle Tennessee	60,951	49,965
Receivable from Office of Refugee Resettlement	8,078	37,560
Receivable from United Way, net	279,784	229,949
Miscellaneous program grants receivable	83,650	198,402
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$7,106 in 2007 and \$6,732 in 2006	238,328	118,739
Prepaid expenses	24,800	12,375
Equipment and leasehold improvements, net	99,772	119,883
Total assets	\$ 2,001,541	1,748,740
<b>Liabilities and Net Assets</b>		
Program advance	\$ 16,000	16,000
Accounts payable and accrued liabilities	79,595	95,583
Payable to the Governance and Service Offices of the Diocese of Nashville	-	23,591
Note payable to the Governance and Service Offices of the Diocese of Nashville	-	29,598
Deferred revenues	73,072	66,852
Total liabilities	168,667	231,624
Net assets:		
Unrestricted:		
Designated for:		
Future operations	342,043	211,195
Physical plant equity	99,772	119,883
Renewal and replacement	107,247	107,247
Total unrestricted net assets	549,062	438,325
Temporarily restricted net assets	1,283,812	1,078,791
Total net assets	1,832,874	1,517,116
Commitments and contingencies		
Total liabilities and net assets	\$ 2,001,541	1,748,740

See accompanying notes to financial statements.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Statements of Activities

Years ended June 30, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
State of Tennessee grants	\$ 1,270,716	-	1,270,716	1,008,247	-	1,008,247
Service fees	1,160,692	-	1,160,692	969,881	-	969,881
Diocesan contributions and grants	43,626	690,790	734,416	88,903	586,468	675,371
United States Catholic Conference of Bishops grants	445,838	-	445,838	502,520	-	502,520
Miscellaneous program grants	644,910	-	644,910	508,519	-	508,519
Safety Net Consortium of Middle Tennessee grant	333,702	-	333,702	317,984	-	317,984
Office of Refugee Resettlement grants	131,774	-	131,774	156,449	-	156,449
Reimbursement of occupancy expenses	292,875	-	292,875	283,269	-	283,269
Contributions and bequests	507,778	-	507,778	448,612	-	448,612
United Way allocation and designations	29,123	302,395	331,518	20,515	259,961	280,476
Other	24,287	15	24,302	12,201	27	12,228
In-Kind Donations	893,296	-	893,296	1,099,366	-	1,099,366
Net assets released from restrictions	788,179	(788,179)	-	825,210	(825,210)	-
Total support and revenue	6,566,796	205,021	6,771,817	6,241,676	21,246	6,262,922
Expenses:						
Program expenses	5,876,276	-	5,876,276	5,588,299	-	5,588,299
Management and general	281,386	-	281,386	221,420	-	221,420
Auxiliary services	298,397	-	298,397	299,405	-	299,405
Total expenses	6,456,059	-	6,456,059	6,109,124	-	6,109,124
Increase in net assets	110,737	205,021	315,758	132,552	21,246	153,798
Net assets at beginning of year	438,325	1,078,791	1,517,116	305,773	1,057,545	1,363,318
Net assets at end of year	\$ 549,062	1,283,812	1,832,874	438,325	1,078,791	1,517,116

See accompanying notes to financial statements.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Statements of Functional Expenses

Years ended June 30, 2007 and 2006

	2007												2006												
	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Community Healthcare Access	Child Abuse Prevention	Welfare to Work	Total Program Expenses	Management and General	Auxiliary Services	Total	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Community Healthcare Access	Child Abuse Prevention	Welfare to Work	Total Program Expenses	Management and General	Auxiliary Services	Total	
Total salaries/benefits	\$ 712,296	710,390	531,979	230,183	148,261	285,553	160,327	146,947	2,925,936	614,128	128,385	3,668,449	Total salaries/benefits	\$ 738,089	524,025	452,758	139,694	142,648	263,473	155,934	124,926	2,541,547	515,302	131,393	3,188,242
Purchased services	68,594	152,179	183,715	37,213	12,973	9,863	24,925	91,577	581,039	134,693	187,126	902,858	Purchased services	94,054	140,210	128,930	20,939	12,831	12,353	21,963	98,821	530,101	138,478	186,328	854,907
Supplies and materials	21,523	25,877	18,759	3,013	9,212	5,598	2,943	2,676	89,601	38,868	9,262	137,731	Supplies and materials	24,508	31,808	13,900	4,675	12,630	4,457	4,199	3,333	99,510	38,938	5,195	143,643
Depreciation and amortization	1,269	—	—	—	—	—	—	—	1,269	25,552	13,368	40,189	Depreciation and amortization	1,269	—	—	—	—	—	—	—	1,269	29,457	13,132	43,858
Conferences	2,617	5,700	17,091	385	431	475	1,953	270	28,922	788	—	29,710	Conferences	3,908	3,842	22,698	—	235	272	283	—	31,238	4,158	74	35,470
Rent	39,912	8,761	4,670	—	—	—	682	—	54,025	1,390	—	189,468	Rent	43,064	6,000	4,957	547	—	—	791	—	55,359	1,500	134,204	191,063
Miscellaneous	1,044	15,395	764	583	23	163	233	132	18,337	6,811	1,966	27,114	Miscellaneous	2,011	297	597	10	—	287	—	246	3,448	12,215	(569)	15,094
Administrative expenses	193,801	81,677	145,712	45,537	41,515	25,652	25,084	18,000	576,978	(635,623)	58,645	—	Administrative expenses	187,596	84,882	137,492	29,752	34,997	23,317	20,135	18,607	536,778	(580,302)	43,524	—
Building occupancy	20,884	57,933	43,478	24,574	19,659	6,400	13,401	26,031	212,360	22,048	(234,408)	—	Building occupancy	26,375	43,829	45,624	11,875	21,408	8,496	11,909	18,823	188,339	25,537	(213,876)	—
Subsidies/assistance	542,581	301,834	180,547	304,069	—	544	57,130	1,104	1,387,809	72,731	—	1,387,809	Subsidies/assistance	338,318	535,403	153,564	522,874	120	2,204	44,389	3,838	1,600,710	—	—	1,600,710
Fundraising	—	—	—	—	—	—	—	—	—	—	—	72,731	Fundraising	—	—	—	—	—	—	—	—	—	—	—	36,137
Total functional expenses	\$ 1,604,521	1,359,746	1,126,715	645,557	232,074	334,248	286,678	286,737	5,876,276	281,386	298,397	6,456,059	Total functional expenses	\$ 1,459,192	1,370,296	960,520	730,366	224,869	314,859	259,603	268,594	5,588,299	221,420	299,405	6,109,124

See accompanying notes to financial statements.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in net assets	\$ 315,758	153,798
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,189	43,858
Changes in operating assets and liabilities:		
Contributions receivable	(104,322)	(27,927)
Receivable from the State of Tennessee	(35,014)	(15,000)
Receivable from United States Catholic Conference of Bishops	8,131	95,110
Receivable from Safety Net Consortium of Middle Tennessee	(10,986)	51,704
Receivable from Office of Refugee Resettlement	29,482	(18,673)
Receivable from United Way	(49,835)	10,670
Miscellaneous program grants receivable	105,658	23,938
Miscellaneous accounts receivable, net of allowance	(110,495)	44,772
Prepaid expenses	(12,425)	(992)
Program advance, accounts payable and accrued liabilities	(15,988)	(133,312)
Payable to the GSO of the Diocese of Nashville	(23,591)	(180,738)
Deferred revenues	6,220	(29,065)
Net cash provided by operating activities	<u>142,782</u>	<u>18,143</u>
Cash flows used in investing activities:		
Purchase of equipment and leasehold improvements	<u>(20,078)</u>	<u>(56,869)</u>
Cash flows provided in financing activities:		
Proceeds from note payable to the Governance and Service Offices of the Diocese of Nashville	—	32,757
Payments of note payable to the Governance and Service Offices of the Diocese of Nashville	<u>(29,598)</u>	<u>(3,159)</u>
Net cash provided (used) by financing activities	<u>(29,598)</u>	<u>29,598</u>
Net increase (decrease) in cash	93,106	(9,128)
Cash at beginning of year	<u>144,612</u>	<u>153,740</u>
Cash at end of year	<u>\$ 237,718</u>	<u>144,612</u>

See accompanying notes to financial statements.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to the Financial Statements

June 30, 2007 and 2006

### (1) Summary of significant accounting policies

#### (a) Reporting entity

Catholic Charities of Tennessee, Inc. (the "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 July, 1962. The accompanying financial statements include programs that are supported by grants from the State of Tennessee, the Metropolitan Government of Nashville and Davidson County, and the United States Catholic Conference of Bishops. These financial statements have been prepared on the accrual basis of accounting.

#### (b) Basis of Presentation

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

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

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Catholic Charities has chosen to provide further classification information about unrestricted net assets 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.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of Catholic Charities and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. Currently, Catholic Charities has no such permanently restricted net assets.



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

## **Notes to the Financial Statements**

**June 30, 2007 and 2006**

Support and revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (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.

### **(c) 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.

### **(d) Cash Risk**

Catholic Charities generally maintains cash on deposit at banks in excess of federally insured amounts. Catholic Charities also has funds on deposit in the Deposit and Loan Fund of the Governance and Service Office of the Diocese of Nashville (the "GSO"). See also Note 10. 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.

### **(e) 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.

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

Equipment and leasehold improvements are stated at cost or fair market value at date of gift if acquired by donation, net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. 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.

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 and amortization are removed from the accounts, and the resulting gain or loss is included in operations.

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

## **Notes to the Financial Statements**

**June 30, 2007 and 2006**

### **(g) Functional Categories**

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.

### **(h) Income Taxes**

Catholic Charities is exempt from federal and state income taxes; accordingly, no provision for income taxes has been made in the accompanying financial statements.

### **(i) 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.

### **(j) Change in Vacation Policy**

In 2006, Catholic Charities changed the vacation accrual policy and discontinued the policy of carrying forward any unused vacation time to the subsequent year. Employees were given the option to either use their accrued vacation time by June 30, 2006 or be paid 50% of unused vacation time. As a result of the elimination of the accrued vacation, expenses were reduced and net assets were increased approximately \$67,000 during 2006.

### **(k) Reclassifications**

Certain reclassifications have been made to the 2006 financial statements in order for them to conform to the 2007 presentation. These reclassifications have no effect on total net assets or total changes in net assets as previously reported.

## **(2) Contributions Receivable**

Contributions receivable of \$690,790 and \$586,468 at June 30, 2007 and 2006, respectively, represents unconditional promises received from the Bishops Annual Appeal. The gross amount, which approximates net realizable value, has been recorded, and is receivable in less than one year. The amount from the Bishops Annual Appeal is restricted for operations of the subsequent fiscal year.

Receivables from United Way of \$279,784 and \$229,949 at June 30, 2007 and 2006, respectively, represent pledges that have been designated to Catholic Charities as well as allocations for specific programs from United Way. The receivables are recorded at net realizable value and are receivable in less than one year. The gross amounts were recorded less a net allowance of \$7,049 and \$10,987 for 2007 and 2006, respectively, which represents an estimated uncollectible amount for United Way designations.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to the Financial Statements

June 30, 2007 and 2006

### (3) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 197,670	\$ 185,321
Furnishings	13,096	13,096
Vehicles	20,316	50,046
Leasehold improvements	<u>186,504</u>	<u>178,775</u>
	417,586	427,238
Less accumulated depreciation and amortization	<u>317,814</u>	<u>307,355</u>
Equipment and leasehold improvements, net	<u>\$ 99,772</u>	<u>\$ 119,883</u>

### (4) Note Payable

The Organization had a note payable to the Governance and Service Offices of the Diocese of Nashville ("GSO") of \$29,598 at June 30, 2006. The note was issued to finance certain leasehold improvements at the St. Mary Villa location and was paid in full during 2007.

### (5) Employee Benefit Plans

Catholic Charities participates in two retirement plans currently sponsored by the GSO. They are as follows:

#### (a) *Defined Benefit Pension Plan*

Catholic Charities participates in a non-contributory defined benefit plan which is funded based on the required contribution each year as determined by the joint Diocesan Lay Retirement Board of Trust of the GSO and the GSO of Knoxville, and is calculated as a percentage of eligible employees' salaries. Catholic Charities contributes 4% of the eligible employees' salaries to the plan. 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.

#### (b) *Defined Contribution Benefit Plan*

Catholic Charities participates in a defined contribution plan as a supplement to the defined benefit pension plan. In order to participate in the plan, employees are required to contribute a minimum of 3% of salary. Catholic Charities contributes a 3% match to the accounts of the employees that are participating in the plan. Participants are 100% vested in their contributions and the employers' matching contributions.

Contributions to both retirement plans were \$162,848 and \$142,289 for the years ended June 30, 2007 and 2006, respectively.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to the Financial Statements

June 30, 2007 and 2006

### (6) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2007 and 2006 are available for the following purposes or periods:

	<u>2007</u>	<u>2006</u>
Subsequent year operations - program unrestricted	\$ 782,609	\$ 612,770
Subsequent year operations - programmatic restrictions	210,576	152,472
Other restricted programmatic purposes	<u>290,627</u>	<u>313,549</u>
	<u>\$ 1,283,812</u>	<u>\$ 1,078,791</u>

### (7) Utilization of Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2007</u>	<u>2006</u>
Utilization of funds restricted to current year	\$ 612,770	\$ 590,537
Utilization of funds restricted to programs for current year	152,472	211,736
Utilized to satisfy donor-specified purpose	<u>22,937</u>	<u>22,937</u>
	<u>\$ 788,179</u>	<u>\$ 825,210</u>

### (8) Leases

Catholic Charities operated facilities under operating lease agreements during the fiscal years ended June 30, 2007 and 2006.

The Loaves and Fishes, Refugee, Families First, and various other programs operate from offices owned by Holy Name Catholic Church. A letter of agreement dated July 1, 1999, between the lessor and Catholic Charities outlines the basic terms of the lease for the programs. This agreement calls for a five year lease with a five year renewal option, with lease payments based on Catholic Charities' portion of actual facility expenses. The agreement also contains a clause which would allow Catholic Charities to reduce its lease payments in the event of a significant decrease in program activity. The Loaves and Fishes lease was entered into on July 1, 2003 and has the option to renew annually. Lease expense for 2007 and 2006 was \$45,811 and \$49,366, respectively.

The Refugee Resettlement programs lease warehouse space from East Nashville Cooperative Ministry on a month-to-month basis for \$500 per month. Total rental payments were \$6,000 in 2007 and 2006.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to the Financial Statements

June 30, 2007 and 2006

Two social service programs operated out of space leased from Immaculate Conception Catholic Church in Clarksville, Tennessee, for a lease payment of \$175 a month. Total rent payments were \$2,100 in 2007 and 2006.

Effective May 1, 2005, the North Nashville Outreach program entered into a three year lease arrangement with Buchanan Plaza Center for \$1,650 per month with a 7% increase beginning with the first day of the third year of the lease. Lease expense for 2007 and 2006 was \$20,031 and \$19,800, respectively.

The other Charities operations leased facilities at Saint Mary Villa, under annual lease agreements with the GSO. Catholic Charities manages the Saint Mary Villa facility for the GSO under a separate agreement. The annual amount paid is based on reimbursement of occupancy expense for the percentage of building space actually used by the various programs. For the years ended June 30, 2007 and 2006, Catholic Charities' portion of the occupancy expense totaled \$130,101 and \$125,447, respectively. Total occupancy revenues received from related entities (St Mary Villa Child Daycare Center, Mary Queen of Angels, and several Diocesan offices) were approximately \$292,875 and \$283,000 in 2007 and 2006, respectively.

In addition to the above leased facilities, Catholic Charities also has several leased automobiles and office equipment. Total lease payments in fiscal years 2007 and 2006 for automobiles and office equipment were \$72,954 and \$46,405, respectively. The amount of lease expense also includes expense from automobile rentals.

Future minimum commitments under noncancelable leases as of June 30, 2007 are:

	<u>Amount</u>
2008	\$ 230,873
2009	196,567
2010	147,453
2011	126,934
2012	<u>128,754</u>
	<u>\$ 830,581</u>

### (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 the Financial Statements**

**June 30, 2007 and 2006**

### **(10) Transactions with the Governance and Service Offices of the Roman Catholic Diocese of Nashville**

The GSO performs the cash management function for Catholic Charities. Consequently, Catholic Charities' cash transactions flow through the "Receivable/Payable to the GSO of the Roman Catholic Diocese of Nashville" account of Catholic Charities. Cash includes \$286,004 and \$159,316 on deposit with the Deposit and Loan Fund of the GSO of the Diocese of Nashville at June 30, 2007 and 2006, respectively.

Under a separate operating agreement, Catholic Charities purchases certain services from the GSO, including human resources, software support and maintenance, and payroll services. Such fees are reflected as fiscal services expenses in the statement of functional expenses.

### **(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 since the volunteers' time does not meet the criteria for recognition under SFAS No. 116. Donated goods and space are recognized in the financial statements at estimated fair market value when received.

### **(12) Commitments and Contingencies**

Catholic Charities has two major programs that are subject to grant matching requirements, the Families First program and the Match Grant/Free Case Resettlement program. The Families First program requires a match proportionate to grant funds expended up to a maximum cash match of \$8,738 in 2006. There was no match for 2007.

The Match Grant/Free Case Resettlement program is based upon a calendar year and is subject to a 50% match requirement, 20% of which must be cash or cash equivalent. The required match for the 2007 grant was \$184,500, with at least \$36,900 consisting of a cash or cash equivalent match. The required match for the 2006 grant was \$194,810, with at least \$33,000 consisting of a cash or cash equivalent match.

Catholic Charities is involved in various legal actions arising in the normal course of business. In the opinion of management, after consultation with legal counsel, such matters will not have a material adverse effect on the Organization's statement of financial position.

### **(13) Related party transactions**

The Organization on rare 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.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2007

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2006	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2007
<b>FEDERAL AWARDS</b>						
14.231	Emergency Shelter Grants Program Pass-through from Metropolitan Development and Housing Agency Loaves and Fishes Total Program	N/A	\$ - -	4,200 4,200	4,200 4,200	- -
16.540	U.S. Dept. of Justice: Juvenile Justice and Delinquency Prevention Pass-through from Metro Social Services Pass-through from Metro Social Services	GR-0617669-00 GR-07-18417-00	10,871 -	21,635 8,661	11,232 19,117	468 10,456
			10,871	30,296	30,349	10,924
16.575	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration Child Abuse Prevention Program - VOCA Pass-through from State of Tennessee Department of Children's Services Child Abuse Prevention Program-Mid Cumb. Child Abuse Prevention Program-Mid Cumb. Child Abuse Prevention Program-Davidson Co. Child Abuse Prevention Program-Davidson Co. Total Program	Z-07-033123-00 GR-0617709-00 GR-0617709-01 GR-0617717-00 GR-0617717-01	14,820 7,072 - 3,427 -	93,280 7,072 35,000 3,427 25,333	87,320 - 35,000 - 26,300	8,860 - - - 967
			25,319	164,112	148,620	9,827
93.235	U.S. Department of Health and Human Services: Abstinence Education Pass-through from State of Tennessee Department of Health Abstinence Education Services Abstinence Education Services Total Program	Z-06-002674-00 Z-07-18327-00	33,485 -	33,485 119,377	- 121,800	- 2,423
			33,485	152,862	121,800	2,423
* 93.252	U.S. Dept. of Health and Human Services: Temporary Assistance for Needy Families Pass-through from Metropolitan Government of Nashville and Davidson Community Access Program Community Access Program Total Program		49,964 -	102,468 220,246	52,504 281,198	- 60,952
			49,964	322,714	333,702	60,952
93.254	U.S. Dept. of Health and Human Services - Administration for Children and Families Infant Adoption Awareness Training Pass through from Harmony Adoptions of Tennessee, Inc. Pass through from Harmony Adoptions of Tennessee, Inc.		5,105 -	93,754 22,687	97,815 25,522	9,166 2,835
			5,105	116,441	123,337	12,001
93.558	U.S. Dept. of Health and Human Services: Temporary Assistance for Needy Families Pass-through from State of Tennessee Department of Human Services Families First Total Program	GR-05-16170-00	28,054 28,054	289,723 289,723	273,956 273,956	12,287 12,287
* 93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Pass-through from State of Tennessee Department of Human Services Refugee Social Services Refugee Elderly Services Total Program	GR-07-18000-00 GR-07-18113-00	27,157 -	267,040 21,955	294,926 22,500	55,043 545
			27,157	288,995	317,426	55,588
93.567	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Total Program	USCC USCC USCC USCC USCC USCC	300 3,045 1,094 39,634 - -	300 3,045 1,094 39,634 172,234 70,231	- - - - 172,234 117,874	- - - - - 47,643
			44,073	286,538	290,108	47,643
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance Pass-through from United States Catholic Conference: Reception & Placement Reception & Placement Reception & Placement Reception & Placement Reception & Placement Refugee Subsidies Refugee Subsidies Refugee Subsidies Refugee Subsidies Refugee Subsidies Refugee Subsidies U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance Administration for Children and Families Individual Development Accounts Program Individual Development Accounts Program Service for arriving Refugees with Special Condition Total Program	USCC USCC USCC USCC USCC USCC USCC USCC USCC USCC USCC	7,021 2,256 15,106 - - 291 - 16 16,708 - -	7,021 2,256 15,106 47,108 32,745 291 - 16 16,708 38,264 8,495	- - - 47,108 38,275 - - - - 38,264 32,661	- - - - 5,530 - - - - - 24,166
		90ZI00060/01 90ZI00060/02 90RE0110/01	22,966 - 14,593	39,033 25,210 97,014	16,067 25,210 90,497	- - 8,076
			78,957	329,267	288,082	37,772
* 93.652	U.S. Dept. of Health and Human Services - Administration for Children and Families Adoption Opportunities Pass through from Harmony Adoptions of Tennessee, Inc.	GR-07-183200	40,399 40,399	330,388 330,388	441,261 441,261	151,272 151,272
93.669	U.S. Department of Health and Human Services: Child Abuse and Neglect State Grants Pass-through from State of Tennessee Department of Children's Services Chap Plus Chap Plus Total Program	GR-06-17279-00 GR-07-18046-00	6,820 -	6,820 41,532	- 49,658	- 8,126
			6,820	48,352	49,658	8,126

\* Indicates major program

See accompanying notes to the Schedule of Expenditures of Federal and State Grant Awards.

See accompanying independent auditors' report.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Schedule of Expenditures of Federal and State Grant Awards (continued)

Year ended June 30, 2007

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2006	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2007
<b>FEDERAL AWARDS</b>						
97.024	Federal Emergency Management Agency: Emergency Food and Shelter Pass-through from United Way of Middle Tennessee					
	Emergency Food and Shelter	24-7652-00-005	3,683	3,683	-	-
	Emergency Food and Shelter	24-7652-00-015	4,885	4,885	-	-
	Emergency Food and Shelter	25-7652-00-005	-	7,088	14,175	7,087
	Emergency Food and Shelter	25-7652-00-015	-	5,906	11,813	5,907
	Total Program		8,568	21,562	25,988	12,994
* 97.084	U.S. Department of Homeland Security Pass-through from Catholic Charities USA passed-through from United Methodist Committee on Relief (UMCOR)		140,142	389,757	290,695	41,080
	Sub-total Federal Awards		498,914	2,775,207	2,739,182	462,889
<b>STATE AWARDS</b>						
N/A	State of Tennessee Department of Health Hispanic Health Education Services	GR-06-17253-00	22,939	22,939	-	-
	Hispanic Health Services	GR-07-18482-00	-	69,242	75,000	5,758
	Tennessee Department of Education LEAP	Z-05-027744-00	12,702	165,382	203,908	51,228
	Test Prep LEAP	Z-07-034314-00	-	5,835	50,000	44,165
	Sub-total State Awards		35,641	263,398	328,908	101,151
	Grand total		\$ 534,555	3,038,605	3,068,090	564,040

\* Indicates major program

See accompanying notes to the Schedule of Expenditures of Federal and State Grant Awards.

See accompanying independent auditors' report.



**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to the Schedule of Expenditures of Federal and State Grant Awards**

**Year ended June 30, 2007**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the Schedule) includes the federal and state grant activity of Catholic Charities of Tennessee, Inc. (the "Organization"). The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Catholic Charities.

**(2) Summary of Significant Accounting Policies for Federal and State Expenditures**

For purposes of the Schedule, expenditures of federal awards are recognized on the accrual basis of accounting.