

Catholic Charities of Tennessee, Inc.

2022 Client Service Communication

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

Dear Board of Trustees:

We have audited the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), as of and for the year ended June 30, 2022, and have issued our report thereon dated November 17, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 18, 2022. Professional standards also require that we communicate to you certain other matters related to our audit.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee of the Board of Trustees, and management of the Organization, and is not intended to be, and should not be used by anyone other than these specified parties.

We appreciate the confidence you place in LBMC as your business advisor. We strive to help you stay compliant, manage risk, and improve performance in every way as you grow organization.

LBMC, PC

Brentwood, Tennessee
November 17, 2022

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Overview of the Audit and Responsibilities

Scope of Attest Services	LBMC was engaged to perform an audit of the Organization's 2022 financial statements, including subjecting certain supplementary information to auditing procedures under generally accepted auditing standards and <i>Government Auditing Standards</i> .
Management's Responsibilities	Management is responsible for the preparation and fair presentation of the financial statements, supplementary information and maintaining internal controls.
Attest Deliverable	LBMC issued an unmodified opinion on the Organization's 2022 financial statements and communicated certain matters relating to the audited financial statements and supplemental information.
Other Services	<p>LBMC performed certain nonattest services including drafting of the footnotes to the financial statements in coordination with the audit. LBMC will also prepare the Organization's tax returns.</p> <p>We provided management with any and all accounting records that were prepared by LBMC in connection with the nonattest services set forth above. Management is responsible for retaining these accounting records.</p>

Qualitative Assessments

Area	Detail
Qualitative Aspects of Accounting Practices – Accounting Policies	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. As noted in Note 1 to the financial statements, management adopted the provisions of Accounting Standards Update ("ASU") No. 2020-07, <i>Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets</i> as of July 1, 2021.</p> <p>There were no other new significant accounting policies adopted or changes in the application of existing policies during 2022. We are not aware of any transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
Qualitative Aspects of Accounting Practices – Estimates	<p>Accounting estimates are an integral part of the Organization's financial statements and are based on management's knowledge and experience, as well as certain assumptions. Certain accounting estimates are particularly sensitive due to: (i) their significance to the financial statements; and (ii) uncertainties inherent in the estimation process. The most sensitive estimates affecting the financial statements relate to:</p> <ul style="list-style-type: none"> • <i>Anticipated collection of accounts and grants receivable,</i> • <i>Functional allocation of expenses based on the Organization's Cost Allocation Plan (assigns direct costs, administrative costs and allocable direct costs based on a number of factors),</i> <p>We evaluated the key factors and assumptions used to develop each of these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.</p>
Qualitative Aspects of Accounting Practices – Disclosures	<p>Financial statement disclosures are neutral, consistent, and clear.</p>

Interaction with Management, Independence, and Other Matters

Area	Detail
Difficulties Encountered in Performing the Audit	<p>For purposes of this report, “difficulties” may include matters such as:</p> <ul style="list-style-type: none"> • the unavailability of, or significant delays in management providing information, • an unreasonable time frame within which to complete the audit, • extensive unexpected effort required to obtain audit evidence, or • restrictions imposed on the auditor by management. <p>We encountered no significant difficulties in performing and completing our audit.</p>
Disagreements with Management	<p>For purposes of this report “disagreements with management” include matters that, individually or in the aggregate, could be significant to the Organization’s financial statements or the auditors’ report, regardless of whether they were satisfactorily resolved. Examples of such matters include, but are not limited to, the application of accounting principles to a specific transaction, the basis for management’s judgments about accounting estimates, and the scope of the audit. We are pleased to report that no such disagreements arose during the course of our audit.</p>
Management Consultations with Other Independent Accountants	<p>If management were to consult with other accountants about the application of an accounting principle to the Organization’s financial statements or the type of auditors’ opinion that may be expressed on those statements, professional standards require the consulting accountant to confer with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.</p>
Management Representations	<p>We have requested certain representations from management that are included in the management representation letter dated November 17, 2022.</p>
Independence	<p>We are not aware of any relationships between our firm and the Organization that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2021 through the date of this report.</p>
Other Findings or Issues	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year both prior to, and subsequent to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.</p>
Information Accompanying the Financial Statements	<p>With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

Corrected and Uncorrected Misstatements

While professional standards require communication of all misstatements identified during the audit that are more than trivial in nature and magnitude to management, we are pleased to report that no such misstatements were identified as a result of our audit procedures.

Internal Control Related Matters

We issued the following reports that address internal control related matters:

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*

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

Recent Accounting Pronouncements

Leases

The FASB's lease accounting standard will generally require on statement of financial position recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use (ROU) asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability.

The Organization will be required to apply the new leasing standard for its fiscal year beginning July 1, 2022, and can elect to transition to the new standard either retrospectively, or as a cumulative-effect adjustment as of the date of transition.

Client Service is a Priority

For additional information or if you have questions please contact the Audit Service Team Leader:

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