

**CATHOLIC CHARITIES
OF TENNESSEE, INC.**

**Financial Statements and
Supplementary Information**

June 30, 2009 and 2008

(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>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 16
Supplementary Information:	
Schedule of Expenditures of Federal and State Grant Awards	17 - 18
Notes to the Schedule of Expenditures of Federal and State Grant Awards	19
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>	20 - 21
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	22 - 23
Schedule of Findings and Questioned Costs	24



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

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, 2009 and 2008, 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, 2009 and 2008, 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.

As discussed in Note 11 to the financial statements, management has elected to change its method of accounting for contributions from the Bishop's Annual Appeal and United Way designations.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009 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
November 4, 2009

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2009 and 2008

Assets	2009	2008
Cash	\$ 792,953	190,172
Receivable from the State of Tennessee	142,666	231,726
Receivable from United States Catholic Conference of Bishops	176,681	255,435
Receivable from Metropolitan Government of Nashville	45,739	171,569
Receivable from Office of Refugee Resettlement	425,110	128,197
Receivable from United Way, net	301,430	299,837
Miscellaneous program grants receivable	12,138	33,111
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$15,000 at June 30, 2009 and \$6,719 at June 30, 2008	172,651	191,311
Prepaid expenses	19,029	22,375
Equipment and leasehold improvements, net	115,611	80,954
Total assets	\$ 2,204,008	1,604,687
Liabilities and Net Assets		
Program advance	\$ 16,000	16,000
Accounts payable and accrued liabilities	518,217	182,121
Payable to the Catholic Diocese of Nashville	-	49,753
Deferred revenues	120,827	65,757
Total liabilities	655,044	313,631
Net assets:		
Unrestricted:		
Designated for:		
Future operations	769,394	524,847
Physical plant equity	115,611	80,954
Renewal and replacement	107,247	107,247
Total unrestricted net assets	992,252	713,048
Temporarily restricted net assets	556,712	578,008
Total net assets	1,548,964	1,291,056
Total liabilities and net assets	\$ 2,204,008	1,604,687

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
State of Tennessee grants	\$ 549,275	-	549,275	1,022,488	-	1,022,488
Service fees	1,607,104	-	1,607,104	1,673,876	-	1,673,876
Diocesan contributions and grants	721,490	-	721,490	765,340	-	765,340
United States Catholic Conference of Bishops grants	964,694	-	964,694	728,868	-	728,868
Miscellaneous program grants	959,944	-	959,944	628,217	-	628,217
Metropolitan Government of Nashville grants	438,756	-	438,756	365,392	-	365,392
Office of Refugee Resettlement grants	5,275,005	-	5,275,005	207,961	-	207,961
Reimbursement of occupancy expenses	296,096	-	296,096	295,673	-	295,673
Contributions and bequests	362,972	-	362,972	310,813	25,000	335,813
United Way allocation and designations	107,148	301,430	408,578	102,663	299,087	401,750
Other	16,269	587	16,856	10,818	1,569	12,387
In-kind donations	767,695	-	767,695	647,200	-	647,200
Net assets released from restrictions	323,313	(323,313)	-	248,851	(248,851)	-
Total support and revenue	12,389,761	(21,296)	12,368,465	7,008,160	76,805	7,084,965
Expenses:						
Program expenses	11,613,764	-	11,613,764	6,383,528	-	6,383,528
Management and general	131,268	-	131,268	124,624	-	124,624
Auxiliary services	365,525	-	365,525	358,633	-	358,633
Total expenses	12,110,557	-	12,110,557	6,866,785	-	6,866,785
Increase (decrease) in net assets	279,204	(21,296)	257,908	141,375	76,805	218,180
Net assets at beginning of year	713,048	578,008	1,291,056	571,673	501,203	1,072,876
Net assets at end of year	\$ 992,252	556,712	1,548,964	713,048	578,008	1,291,056

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Functional Expenses

Years ended June 30, 2009 and 2008

2009													
	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	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Total
Total salaries/benefits	\$ 850,696	1,139,562	753,591	108,328	173,449	251,278	153,322	35,563	519,662	3,985,451	624,180	197,633	4,807,264
Purchased services	106,722	223,762	255,308	17,147	18,799	20,581	33,029	2,668	1,154,831	1,832,847	116,715	187,957	2,137,519
Supplies and materials	41,784	29,698	26,321	1,492	14,396	4,045	8,312	385	38,685	165,118	31,555	17,181	213,854
Depreciation and amortization	1,283	-	-	-	-	-	-	-	1,000	2,283	27,042	14,167	43,492
Conferences	1,951	13,070	20,894	79	170	250	860	-	13,285	50,559	2,671	1,876	55,106
Rent	57,670	10,400	2,780	8,000	-	500	8,163	-	37,404	124,917	1,121	141,820	267,858
Miscellaneous	891	1,190	4,032	67	75	35	284	-	1,762	8,336	16,313	1,806	26,455
Administrative expenses	211,406	143,331	162,804	15,456	45,140	23,178	27,443	2,354	-	631,112	(707,856)	76,744	-
Building occupancy	22,131	122,665	73,820	-	14,183	12,397	2,410	-	8,387	255,993	17,666	(273,659)	-
Subsidies/assistance	649,228	679,270	79,163	207,196	-	435	64,988	-	2,876,868	4,557,148	87	-	4,557,235
Fundraising	-	-	-	-	-	-	-	-	-	-	1,774	-	1,774
Total functional expenses	\$ 1,943,762	2,362,948	1,378,713	357,765	266,212	312,699	298,811	40,970	4,651,884	11,613,764	131,268	365,525	12,110,557

2008													
	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	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Total
Total salaries/benefits	\$ 836,972	810,786	646,015	124,341	163,821	306,976	179,959	294,363	38,402	3,401,635	608,383	161,564	4,171,582
Purchased services	78,134	176,682	184,790	32,633	15,520	34,039	25,899	39,023	12,396	599,116	114,541	190,393	904,050
Supplies and materials	26,675	64,901	19,135	2,263	12,366	3,518	4,010	2,039	7,900	142,807	25,506	12,745	181,058
Depreciation and amortization	1,269	-	-	-	-	-	-	-	-	1,269	17,236	13,905	32,410
Conferences	2,735	7,148	24,590	552	278	290	1,069	1,471	-	38,133	121	103	38,357
Rent	40,441	7,534	1,354	2,889	-	-	515	-	-	52,733	1,380	138,273	192,386
Miscellaneous	1,080	3,127	1,755	18	299	44	121	330	-	6,774	8,557	1,594	16,925
Administrative expenses	189,719	115,727	147,965	17,280	42,632	28,217	27,619	37,526	-	606,685	(672,612)	65,927	-
Building occupancy	24,560	74,324	51,273	10,518	18,405	10,713	14,462	1,755	2,441	208,451	17,420	(225,871)	-
Subsidies/assistance	399,488	527,646	76,359	244,571	-	126	77,735	-	-	1,325,925	-	-	1,325,925
Fundraising	-	-	-	-	-	-	-	-	-	-	4,092	-	4,092
Total functional expenses	\$ 1,601,073	1,787,875	1,153,236	435,065	253,321	383,923	331,389	376,507	61,139	6,383,528	124,624	358,633	6,866,785

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 257,908	218,180
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	43,492	32,410
Changes in assets and liabilities:		
Receivable from the State of Tennessee	89,060	(31,395)
Receivable from United States Catholic Conference of Bishops	78,754	(178,096)
Receivable from Metropolitan Government of Nashville	125,830	(171,569)
Receivable from Office of Refugee Resettlement	(296,913)	(120,119)
Receivable from United Way	(1,593)	(89,261)
Miscellaneous program grants receivable	20,973	111,490
Miscellaneous accounts receivable, net of allowance	18,660	47,017
Prepaid expenses	3,346	2,425
Accounts payable and accrued liabilities	336,096	102,526
Payable to the Catholic Diocese of Nashville	(49,753)	49,753
Deferred revenues	55,070	(7,315)
Net cash provided (used) by operating activities	<u>680,930</u>	<u>(33,954)</u>
Cash flows used in investing activities-		
purchase of equipment and leasehold improvements	<u>(78,149)</u>	<u>(13,592)</u>
Net increase (decrease) in cash	602,781	(47,546)
Cash at beginning of year	<u>190,172</u>	<u>237,718</u>
Cash at end of year	<u>\$ 792,953</u>	<u>190,172</u>

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(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 in 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, Offices of Refugee Resettlement and the United States Catholic Conference of Bishops. These financial statements have been prepared on the accrual basis of accounting.

On April 1, 2008, Catholic Charities became the replacement designee for the state of Tennessee for the refugee resettlement program under the Office of Refugee Resettlement, a division of U.S. Department of Health and Human Services. Tennessee Office for Refugees was created as a program within Catholic Charities of Tennessee. This program administers 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) Basis of Presentation

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 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

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 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.

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 sometimes maintains cash on deposit at banks in excess of federally insured amounts. Catholic Charities also has funds on deposit with Catholic Community Investment and Loan, Inc. See also Note 9. 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(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. The Organization's capitalization policy is to capitalize any expenditures over \$1,000 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 and amortization are removed from the accounts, and the resulting gain or loss is included in operations.

(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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(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) New accounting pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109 ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006; however, the FASB delayed the effective date for non-public companies to periods beginning after December 15, 2007. On December 30, 2008, the FASB issued Staff Position No. 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities ("FSP 48-3") which allows certain nonpublic entities to defer implementation of FIN 48 to fiscal years beginning after December 15, 2008. Management has elected to adopt FSP 48-3 and defer implementation of FIN 48. As a result, the Organization has accounted for uncertain tax positions in accordance with FASB Statement No. 109, Accounting for Income Taxes and No. 5, Accounting for Contingencies in the accompanying financial statements.

(k) Reclassifications

Certain reclassifications have been made to the 2008 financial statements in order to conform to the 2009 presentation.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(1) Events occurring after the reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2009 and November 4, 2009 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(2) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 252,252	\$ 205,236
Furnishings	23,179	16,497
Vehicles	28,311	20,315
Leasehold improvements	<u>205,585</u>	<u>189,129</u>
	509,327	431,177
Less accumulated depreciation and amortization	<u>393,716</u>	<u>350,223</u>
Equipment and leasehold improvements, net	<u>\$ 115,611</u>	<u>\$ 80,954</u>

(3) 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 defined benefit plan which is funded based on the required contribution each year as determined by the Diocesan Lay Retirement Board of Trust of the Diocese, and is calculated as a percentage of eligible employees' salaries. Catholic Charities contributes 4% of the eligible employees' salaries to the plan (increasing to 5% for the 2010 fiscal year). 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

The following table sets forth the benefit obligations, fair value of plan assets, and funded status (in thousands) of the noncontributory pension plan in which Catholic Charities is a participant:

	<u>January 1,</u> <u>2009</u>	<u>January 1,</u> <u>2008</u>
Pension benefits: (in thousands)		
Benefit obligation at end of plan year	\$ (22,815)	\$ (20,925)
Plan assets at fair value at end of plan year	<u>19,700</u>	<u>25,335</u>
Funded Status	<u>\$ (3,115)</u>	<u>\$ 4,410</u>

(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 \$224,135 and \$184,552 for the years ended June 30, 2009 and 2008, respectively.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2009 and 2008 are available for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
Subsequent year operations - programmatic restrictions	\$ 301,430	\$ 299,087
Other restricted programmatic purposes	<u>255,282</u>	<u>278,921</u>
	<u>\$ 556,712</u>	<u>\$ 578,008</u>

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(5) 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>2009</u>	<u>2008</u>
Utilization of funds restricted to programs – current year	\$ 299,087	\$ 210,576
Utilized to satisfy donor-specified purpose	<u>24,226</u>	<u>38,275</u>
	<u>\$ 323,313</u>	<u>\$ 248,851</u>

(6) Leases

Catholic Charities utilized facilities under operating lease agreements during the fiscal years ended June 30, 2009 and 2008.

The Loaves and Fishes 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 July 1, 2003 and has the option to renew annually. Lease expense for 2009 and 2008 was \$50,095 and \$49,609, respectively.

The Refugee Resettlement programs lease warehouse space from East Nashville Cooperative Ministry on a month-to-month basis for \$500 per month for July through October, 2008, then \$750 per month from November through June, 2009. Total rental payments were \$8,000 in 2009 and \$6,000 in 2008.

Two refugee youth programs operated out of space leased from Second Presbyterian Church for a payment of \$150 per month for June through December, 2008, and then \$200 per month for January through June, 2009. Total rent payments were \$2,100 in 2009 and \$1,800 in 2008.

On July 1, 2008, the Hispanic Family Services program entered into a five year lease agreement with St. Edward Catholic Church for office space located on Nolensville Road for \$2,000 per month with 3% increases annually. Total rental payments were \$24,000 in 2009.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

Effective July 1, 2008, the North Nashville Outreach program entered into a three year lease agreement with Buchanan Plaza Center for \$1,871 per month with 2% increases annually. Lease expense for 2009 and 2008 was \$22,563 and \$21,186, respectively.

The other Catholic Charities' operations leased facilities at Saint Mary Villa under annual lease agreements with the Diocese. Catholic Charities manages the Saint Mary Villa facility for the Diocese 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, 2009 and 2008, Catholic Charities' portion of the occupancy expense totaled \$136,422 and \$128,840, respectively. Total occupancy revenues received from related entities (Saint Mary Villa Child Daycare Center, Mary Queen of Angels, and several Diocesan school offices) were \$296,096 and \$295,673 in 2009 and 2008, respectively.

In addition to the above leased facilities, Catholic Charities also has several leased automobiles and office equipment. Total lease payments in fiscal years 2009 and 2008 for automobiles and office equipment were \$141,733 and \$92,020, respectively. The amount of lease expense also includes expense from automobile rentals.

Future minimum commitments under non-cancelable leases as of June 30, 2009 are:

	<u>Amount</u>
2010	\$ 379,105
2011	289,074
2012	94,969
2013	67,736
2014	<u>20,087</u>
	<u>\$ 850,971</u>

(7) 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 statements of financial position.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(8) Transactions with the Governance and Service Offices of the Roman Catholic Diocese of Nashville

Catholic Charities purchases certain services from the Diocese, under separate operating agreements including human resources, software support and maintenance, and payroll services. Such fees are reflected as purchased service expenses in the statements of functional expenses.

(9) Funds on deposit with the Catholic Community Investment and Loan, Inc.

At June 2009, cash consisted primarily of funds on deposit with the 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. CCIL has incurred losses on its investments through June 30, 2009 which results in its liabilities exceeding its assets as of that date. The funds on deposit with CCIL are not secured. In management's opinion, the losses incurred by CCIL as of June 30, 2009 were temporary and, therefore, did not constitute a significant risk to Catholic Charities' funds on deposit with CCIL. As of September 30, 2009, CCIL assets had, in fact, recovered significantly due to financial market recovery with total CCIL assets within \$100,000 of its liabilities.

(10) 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 Financial Accounting Standards Board ("FASB") Statement of Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*. Donated goods and space are recognized in the financial statements at fair market value when received.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(11) Change in Accounting Method

A change in accounting method was made to reflect a change in the Bishop's Annual Appeal contributions as well as United Way Designation contributions from an accrual to a cash basis. The following table illustrates the changes in net assets as of July 1, 2007.

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Balances at July 1, 2007, as previously reported	\$ 549,062	1,283,812	1,832,874
Adjustments for Bishop's Annual Appeal contributions and United Way designated contributions receivable at July 1, 2007	22,611	(782,609)	(759,998)
Balances at July 1, 2007, as restated	<u>\$ 571,673</u>	<u>501,203</u>	<u>1,072,876</u>

For the year ended June 30, 2008, the impact of the restatement on the change in net assets was a net decrease of approximately \$760,000.

(12) Commitments and Contingencies

Catholic Charities has one major program that is subject to grant matching requirements, the Match Grant/Free Case Resettlement program.

The Match Grant/Free Case Resettlement program is based upon a calendar year and is subject to a 50% match requirement, of which, 20% must be cash or cash equivalent. The required match for the 2009 grant was \$204,000 with at least \$51,000 consisting of a cash or cash equivalent match. The required match for the 2008 grant was \$230,000, with at least \$46,000 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(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 to Date June 30, 2009

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2008	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2009
FEDERAL AWARDS						
14.856	U.S. Department of Housing and Urban Development Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation Disaster Relief (Katrina) (MDHA)	None	\$ 68,423	68,423	-	-
			-	126,065	126,065	-
	Total Program		68,423	194,488	126,065	-
84.184	US Dept of Education - Safe and Drug-Free Schools and Communities Refugee Youth Mentoring Program	Q184B070127-08	8,809	8,809	-	-
	Refugee Youth Mentoring Program	Q184B070127-08	-	102,009	114,148	12,139
	Total Program		8,809	110,818	114,148	12,139
84.287	US Dept of Education-Office of Elementary and Secondary Education Pass-through from State of Tennessee Department of Education 21st Century Community Learning Centers	GR-08-22353-00	41,035	41,035	-	-
	21st Century Community Learning Centers	GR-08-22353-00	-	136,641	193,858	57,217
	Total Program		41,035	177,676	193,858	57,217
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.	90-CG-265901	-	96,742	96,742	-
			-	96,742	96,742	-
	Pass through from Harmony Adoptions of Tennessee, Inc.	90-CG-265901	2,836	2,836	-	-
	Pass through from Harmony Adoptions of Tennessee, Inc.	90-CG-265901	-	30,062	30,062	-
	Total Program		2,836	32,898	30,062	-
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: Pass through from Maximus, Inc.	OPS-27S-99-0178	45,834	45,834	-	-
	Pass through from Maximus, Inc.	OPS-27S-99-0178	-	21,979	21,979	-
	Total Program		45,834	67,813	21,979	-
* 93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees	GR - 08A1TNCMAR	61,357	61,357	-	-
	Tennessee Office for Refugees	GR - 09A1TNCMAR	-	751,097	850,768	99,671
	Tennessee Office for Refugees	GR - 09A1TNCMAR	-	987,726	997,629	9,903
	Tennessee Office for Refugees	GR - 09A1TNCMAR	-	1,879,047	1,879,047	-
	Tennessee Office for Refugees	GR - 09A1TNCMAR	-	378,971	467,916	88,945
	Tennessee Office for Refugees	G - 08A1TNRSS/GR-0822295	88,582	88,582	-	-
	Tennessee Office for Refugees	G - 08A1TNRSS	-	582,218	707,749	125,531
	Tennessee Office for Refugees	G - 09A1TNRSS	-	-	-	-
	Refugee Elderly Services	GR-08-22300-00	2,093	2,093	-	-
	Total Program		152,032	4,731,091	4,903,109	324,050
* 93.567	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Match Grant/Free Case Resettlement	USCC	178,798	178,438	-	360
	Match Grant/Free Case Resettlement	USCC	-	415,899	486,325	70,426
	Total Program		178,798	594,337	486,325	70,786
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants Tennessee Office for Refugees	90ZE0106/01	-	121,739	165,812	44,073
	Reception & Placement	USCC	31,078	31,078	-	-
		USCC	-	265,056	371,311	106,255
			31,078	417,873	537,123	150,328
	Refugee Subsidies	USCC	45,559	45,559	-	-
	Refugee Subsidies	USCC	-	105,548	105,548	-
	NOTE: 35-00 and 35-02 merged in Jan 2009		45,559	151,107	105,548	-
	Safe Passage	USCC	-	736	736	-
			-	736	736	-
	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance Administration for Children and Families Individual Development Accounts Program	90Z10060	66,841	66,841	-	-
	Individual Development Accounts Program	90Z10060	-	78,066	100,768	22,702
			66,841	144,907	100,768	22,702
	Total Program		143,478	714,623	744,175	173,030
93.584	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees	08A1TNRRTA	-	71,032	105,317	34,285
			-	71,032	105,317	34,285
* 93.590	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration Child Abuse Prevention Program - VOCA	Z-07-033123-00	1,864	1,864	-	-
			-	53,713	76,842	23,129
			1,864	55,577	76,842	23,129
	Pass-through from State of Tennessee Department of Children's Services Child Abuse Prevention Service's	GR-08-21361-00	-	34,758	48,000	13,242
			-	34,758	48,000	13,242

* Indicates major program

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

See accompanying notes to the auditors' report

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2008	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2009
	Child Abuse Prevention Program-Davidson Co.	GR-08-21281-00	1,374	1,374		-
	Child Abuse Prevention Program-Davidson Co.	GR-08-21281-00	-	22,881	27,000	4,119
			1,374	24,255	27,000	4,119
	Total Program		3,238	114,590	151,842	40,490
93.643	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	GR-08-22257-00	2,497	2,497	-	-
	Chap Plus	GR-09-25594-00	-	39,972	49,658	9,686
	Total Program		2,497	42,469	49,658	9,686
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.	GR07183200	109,782	109,782		-
	Administration for Children and Families Adoption Opportunities	359.40-113-09	-	569,166	699,787	130,621
	Administration for Children and Families Adoption Opportunities		109,782	678,948	699,787	130,621
	Total Program					
97.024	Federal Emergency Management Agency: Emergency Food and Shelter Pass-through from United Way of Middle Tennessee					
	Emergency Food and Shelter	26-7652-00-015	3,653	3,653	-	-
	Total Program		3,653	3,653	-	-
	Sub-total Federal Awards		760,415	7,631,178	7,723,067	852,304
STATE AWARDS						
N/A	State of Tennessee Commission on Aging and Disability Tennessee Tenn Care	H445082	-	5,750	7,950	2,200
			-	5,750	7,950	2,200
N/A	State of Tennessee Department of Health Hispanic Health Education Services					
	Total Program	GR-08-20838-00	18,622	18,622	-	-
			18,622	18,622	-	-
N/A	Tennessee Department of Education Lottery for Education: Afterschool Program (LEAP)	Z-08-23333-00	57,500	57,500	-	-
	Lottery for Education: Afterschool Program (LEAP) - Food Program	Z-09-212284-00	-	71,454	93,182	21,728
	Total Program		57,500	128,954	93,182	21,728
	Test Prep Lottery for Education: Afterschool Program (LEAP)	Z-07-034314-00	18,154	18,154	-	-
	Test Prep Lottery for Education: Afterschool Program (LEAP)	Z-09-212284-00	-	41,438	49,785	8,347
	Total Program		18,154	59,592	49,785	8,347
N/A	State of Tennessee Department of Children's Services					
N/A	Adoption Home Recruitment (from Harmony Adoptions)	GR-07-18492	15,633	15,633	-	-
	Adoption Home Recruitment (from Harmony Adoptions)	GR-07-18492	-	91,912	100,587	8,675
	Total Program		15,633	107,545	100,587	8,675
	Sub-total State Awards		109,909	320,463	251,504	40,950
	Grand total Federal and State Awards		\$ 870,324	7,951,641	7,974,571	893,254

* Indicates major program
See accompanying notes to the Schedule of Federal and State Grant Awards
See accompanying notes to the auditors' report

CATHOLIC CHARITIES OF TENNESSEE, INC.

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

Year ended June 30, 2009

(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.



**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 the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended solely for the information and use of the Board of Trustees, management, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lattimore Black Mayon + Co., PC

Brentwood, Tennessee
November 4, 2009



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

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

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

Compliance and Other Matters

We have audited the compliance of Catholic Charities of Tennessee, Inc. (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Trustees, management, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lattimore Black Mayan + Co. PC

Brentwood, Tennessee
November 4, 2009

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

- (a) The independent auditors' report expressed an unqualified opinion on the financial statements.
- (b) No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
- (c) No instances of noncompliance material to the basic financial statements of the Organization, which would be required to be reported in accordance with *Government Accounting Standards*, were disclosed during the audit.
- (d) No significant deficiencies relating to the audit of the major federal award programs are reported in the 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.
- (e) The independent auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all the major federal programs.
- (f) There are no audit findings relative to the federal award programs for the Organization which are required to be reported under Section 510(a) of OMB Circular A-133.
- (g) The programs tested as major programs included:

<u>CFDA#</u>	<u>Grantor</u>	<u>Program</u>
93.566	U.S. Department of Health and Human Services	Refugee Resettlement Social Service
93.567	U.S. Department of Health and Human Services (pass-through from United States Catholic Conference)	Refugee Assistance
93.590	U.S. Department of Justice	Victim Crime Assistance

- (h) The threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Organization qualified as a low-risk auditee.

(2) Findings - Financial Statement Audit

None

(3) Findings and Questioned Costs - Major Federal Award Program Audit

None