

CATHOLIC CHARITIES OF TENNESSEE, INC.

Financial Statements and Supplementary Information

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



CATHOLIC CHARITIES OF TENNESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

The Schedule of Board of Trustees and Management has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
November 16, 2020

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	June 30, 2020	June 30, 2019
Cash and cash equivalents	\$ 1,712,418	\$ 534,934
Annual fund deposits with CCIL	2,265,385	2,134,502
Receivable from the State of Tennessee	141,689	164,442
Receivable from United States Conference of Catholic Bishops	69,606	174,885
Receivable from Metropolitan Government of Nashville	36,142	40,041
Receivable from Office of Refugee Resettlement	363,818	502,266
Receivable from United Way	551,468	580,426
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$13,110 at June 30, 2019 and 2018	33,902	282,873
Prepaid expenses	18,010	22,949
Equipment and leasehold improvements, net	610,697	678,137
	\$ 5,803,135	\$ 5,115,455
Total assets	\$ 5,803,135	\$ 5,115,455
Liabilities and Net Assets		
Program advance	\$ 116,889	\$ 16,000
Accounts payable and accrued liabilities	621,234	622,939
Deferred revenues	37,333	30,000
	775,456	668,939
Total liabilities	775,456	668,939
Net assets		
Net assets without donor restrictions		
Designated for:		
Future operations	3,551,439	3,149,158
Physical plant equity	610,697	678,137
Renewal and replacement	87,221	87,221
	4,249,357	3,914,516
Total net assets without donor restrictions	4,249,357	3,914,516
Net assets with donor restrictions		
	778,322	532,000
Total net assets	5,027,679	4,446,516
	\$ 5,803,135	\$ 5,115,455
Total liabilities and net assets	\$ 5,803,135	\$ 5,115,455

See accompanying notes to financial statements

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years Ended June 30, 2020 and 2019

	For year ended June 30, 2020			For year ended June 30, 2019		
	Assets without donor restrictions	Assets with donor restrictions	Total	Assets without donor restrictions	Assets with donor restrictions	Total
Support and revenue:						
State of Tennessee grants	\$ 1,151,633	\$ -	\$ 1,151,633	\$ 1,090,879	\$ -	\$ 1,090,879
Service fees	607,930	-	607,930	1,489,515	-	1,489,515
Diocesan contributions and grants	689,856	-	689,856	536,797	-	536,797
United States Conference of Catholic Bishops grants	800,610	-	800,610	720,681	-	720,681
Miscellaneous program grants	1,586,446	-	1,586,446	512,880	-	512,880
Metropolitan Government of Nashville grants	106,782	-	106,782	125,050	-	125,050
Office of Refugee Resettlement grants	3,833,719	-	3,833,719	4,166,667	-	4,166,667
Reimbursement of occupancy expenses	200,497	-	200,497	241,152	-	241,152
Contributions and bequests	1,008,194	-	1,008,194	574,753	-	574,753
United Way allocation and designations	456,192	778,322	1,234,514	424,770	532,000	956,770
Other	189,942	-	189,942	117,237	-	117,237
In-kind donations	650,506	-	650,506	824,657	-	824,657
Net assets released from restrictions	532,000	(532,000)	-	533,668	(533,668)	-
Total support and revenue	11,814,307	246,322	12,060,629	11,358,706	(1,668)	11,357,038
Expenses:						
Program expenses	9,758,013	-	9,758,013	9,982,899	-	9,982,899
Management and general	1,311,913	-	1,311,913	934,076	-	934,076
Auxiliary services	293,737	-	293,737	298,462	-	298,462
Fundraising	115,803	-	115,803	267,164	-	267,164
Total expenses	11,479,466	-	11,479,466	11,482,601	-	11,482,601
Increase (decrease) in net assets	334,841	246,322	581,163	(123,895)	(1,668)	(125,563)
Net assets at beginning of year	3,914,516	532,000	4,446,516	4,038,411	533,668	4,572,079
Net assets at end of year	\$ 4,249,357	\$ 778,322	\$ 5,027,679	\$ 3,914,516	\$ 532,000	\$ 4,446,516

See accompanying notes to financial statements

CATHOLIC CHARITIES OF TENNESSEE, INC.
Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

2020										
	Social Services	Pregnancy Counseling and Adoptions	Workforce Development	Immigration & Refugee Services	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Salaries and benefits	\$ 1,535,130	335,009	139,544	1,525,020	476,286	\$ 4,010,989	\$ 996,772	43,214	28,980	\$ 5,079,955
Purchased services	165,220	391,348	23,218	49,187	1,772,986	2,401,959	140,288	36,178	52,338	2,630,763
Travel	34,709	5,165	1,422	166,592	5,706	213,594	2,812	-	433	216,839
Supplies and Materials	112,125	19,455	28,087	91,469	26,949	278,085	56,776	14,517	28,586	377,964
Conferences	5,474	281	242	6,058	6,132	18,187	358	-	-	18,545
Rent / Occupancy	206,800	34,057	5,203	149,402	46,918	442,380	98,503	154,759	3,775	699,417
Subsidies and assistance	1,180,581	186,734	28,765	522,740	457,124	2,375,944	-	-	1,003	2,376,947
Other	167	8,177	-	129	138	8,611	1,715	581	688	11,595
Depreciation and amortization	8,264	-	-	-	-	8,264	14,689	44,488	-	67,441
Total functional expenses	\$ 3,248,470	\$ 980,226	\$ 226,481	\$ 2,510,597	\$ 2,792,239	\$ 9,758,013	\$ 1,311,913	\$ 293,737	\$ 115,803	\$ 11,479,466

2019										
	Social Services	Pregnancy Counseling and Adoptions	Workforce Development	Immigration & Refugee Services	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Salaries and benefits	\$ 1,470,821	\$ 877,815	\$ 78,889	\$ 1,247,873	\$ 506,243	\$ 4,181,641	\$ 630,979	\$ 84,939	\$ 201,304	\$ 5,098,863
Purchased services	172,615	326,112	7,794	47,087	2,251,776	2,805,384	119,168	34,693	30,835	2,990,080
Travel	41,023	75,276	1,344	141,975	12,215	271,833	6,842	(9,120)	248	269,803
Supplies and Materials	50,677	30,001	2,735	37,070	7,983	128,466	42,897	19,601	15,089	206,053
Conferences	3,089	7,311	-	1,347	795	12,542	1,675	-	510	14,727
Rent / Occupancy	212,453	90,962	1,811	122,510	45,824	473,560	62,112	165,513	19,178	720,363
Subsidies and assistance	754,115	143,998	52,025	619,200	523,939	2,093,277	-	-	-	2,093,277
Other	-	7,573	-	707	133	8,413	797	540	-	9,750
Depreciation and amortization	7,783	-	-	-	-	7,783	69,606	2,296	-	79,685
Total functional expenses	\$ 2,712,576	\$ 1,559,048	\$ 144,598	\$ 2,217,769	\$ 3,348,908	\$ 9,982,899	\$ 934,076	\$ 298,462	\$ 267,164	\$ 11,482,601

See accompanying notes to financial statements

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 581,163	\$ (125,563)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	67,442	79,685
Changes in assets and liabilities:		
Receivable from the State of Tennessee	22,753	(20,416)
Receivable from United States Conference of Catholic Bishops	105,279	(71,946)
Receivable from Metropolitan Government of Nashville	3,899	(33,641)
Receivable from Office of Refugee Resettlement	138,448	(76,257)
Receivable from United Way	28,958	(16,629)
Miscellaneous accounts receivable, net of allowance	248,971	(57,643)
Prepaid expenses	4,939	1,475
Program advance, accounts payable and accrued liabilities	99,182	51,227
Deferred revenues	7,333	(12,500)
Net cash provided (used) by operating activities	1,308,367	(282,208)
Cash flows from investing activities:		
Purchases of annual fund deposits with CCIL	(130,883)	(109,743)
Purchases of equipment and leasehold improvements	-	(42,193)
Net cash used by investing activities	(130,883)	(151,936)
Net increase (decrease) in cash and equivalents	1,177,484	(434,144)
Cash and cash equivalents at beginning of year	534,934	969,078
Cash and cash equivalents at end of year	\$ 1,712,418	\$ 534,934

See accompanying notes to the financial statements

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

The Organization has majority voting control and management responsibilities for St. Mary Villa, Inc. (the "Center"), a child care facility. Under the terms of a management agreement, the Organization is responsible for providing financial and administrative oversight of the Center. Additionally, the Organization has a seat on the board of trustees of the Center, the voting interest of which is equal to one more vote than all other trustees. However, management has determined that the Organization does not have an economic interest in the Center that would require consolidation of the Center with the Organization under generally accepted accounting principles in the United States of America.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(b) Net Assets

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

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

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

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

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

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

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

(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, Cash Equivalents, and Annual Fund Deposits with CCIL

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

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

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

(g) Revenues and Support

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

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

(h) Functional Categories

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

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

(i) 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. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. Catholic Charities does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any asset or liability for unrecognized tax benefits.

As of June 30, 2020 and 2019, Catholic Charities had accrued no interest and no penalties related to uncertain tax positions. It is Catholic Charities' policy to recognize interest and/or penalties related to income tax matters in income tax expense. Catholic Charities files U.S. Federal information tax returns. Catholic Charities is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(j) Impairment of Long-Lived Assets

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(k) Recently Adopted Accounting Pronouncement

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted ASU No. 2018-08 effective July 1, 2019; however, the adoption of this guidance did not have a material impact on the financial statements.

(l) New Accounting Pronouncement, Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09, along with subsequent amendments, supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. In addition, ASU 2014-09 requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing, and uncertainty of revenue. This standard is effective for fiscal years beginning after December 15, 2019 and will be adopted by the Organization for fiscal year 2021. The Organization continues to evaluate its population of revenue sources to assess the potential effects ASU 2014-09 will have on its financial statements and related disclosures; however, the Organization expects the primary impact to be in the form of additional financial statement disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 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. This standard is effective for fiscal years beginning after December 15, 2021 and will be adopted by the Organization for fiscal year 2023. The adoption of ASU 2016-02 will increase total assets and total liabilities. The Organization is currently evaluating the effect of adoption on the Organization's financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(2) Liquidity and Availability

The following table reflects the organization's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,712,418	\$ 534,934
Annual fund deposit	2,265,385	2,134,502
Accounts receivable	1,162,723	1,462,060
Miscellaneous accounts receivable	<u>33,902</u>	<u>282,873</u>
Financial assets at end of year	5,174,428	4,414,369
Less assets unavailable for general expenditures within one year:		
Net assets without donor restrictions designated for future operations	3,551,437	3,149,158
Net assets without donor restrictions designated for renewal and replacement	<u>87,221</u>	<u>87,221</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,535,770</u>	<u>\$ 1,177,990</u>

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

(3) Events Occurring After the Report Date

The Organization has evaluated events and transactions that occurred between June 30, 2020 and November 16, 2020. which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(4) Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair values of cash and highly liquid investments, included in cash and cash equivalents, are determined based upon their quoted redemption prices and recent transaction prices of \$1.00 per share (Level 2 inputs), with no discounts for credit quality or liquidity restriction. The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2020 or 2019.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(5) **Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following:

	<u>2020</u>	<u>2019</u>
Furnishings	\$ 21,766	\$ 21,766
Furniture/Equipment	66,426	66,426
Vehicles	15,944	15,944
Leasehold improvements	<u>818,052</u>	<u>818,052</u>
	922,188	922,188
Less accumulated depreciation and amortization	<u>311,491</u>	<u>244,051</u>
Equipment and leasehold improvements, net	<u>\$ 610,697</u>	<u>\$ 678,137</u>

(6) **Employee Benefit Plans**

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

(a) **Defined Benefit Pension Plan**

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

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

The following table sets forth the benefit obligations, fair value of plan assets, funded status (in thousands) of the Diocese of Nashville Lay Pension Plan as of January 1, 2020 and 2019 in which Catholic Charities is a participant:

	<u>2020</u>	<u>2019</u>
Pension benefits (in thousands):		
Benefit obligation at end of plan year	\$ (53,936)	\$ (51,583)
Plan assets at fair value at end of plan year	<u>57,535</u>	<u>47,269</u>
Funded Status	<u>\$ 3,599</u>	<u>\$ (4,314)</u>

As a multi-employer plan, only the expenses associated with Catholic Charities' employees are reflected in the accompanying financial statements. During 2020 and 2019, Catholic Charities contributed 5% of the eligible employees' compensation to the plan each year which totaled \$174,870 and \$177,056, respectively. The Organization currently has no intention of withdrawing from this multi-employer pension plan.

(b) Defined Contribution Benefit Plan

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

Contributions to the defined contribution plan were \$91,792 and \$92,024 for the years ended June 30, 2020 and 2019, respectively.

(7) Net assets with donor restrictions

As of June 30, 2020 and 2019, temporarily restricted net assets of \$778,322 and \$532,000, respectively, were available for subsequent year operations subject to certain programmatic restrictions.

During 2020 and 2019, net assets released from restrictions related to the utilization of funds restricted to programs.

(8) Lease Commitments

The Organization leases certain real property and equipment under arrangements classified as operating leases. Total rent expense under operating leases paid to lessors amounted to \$731,245 and \$720,363 in 2020 and 2019, respectively. Certain lease agreements are with the Diocese and affiliated entities. The Organization also subleases certain property to a related party, the Center. Income from such sublease during 2020 and 2019 was approximately \$200,000 and \$241,000, respectively.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

A summary of total rental expenses to the Diocese and affiliated entities for fiscal years 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Catholic Diocese of Nashville	\$ 366,000	\$ 354,000
Holy Name Church	24,135	23,475
St. Vincent de Paul Church	<u>163,800</u>	<u>165,000</u>
	<u>\$ 553,935</u>	<u>\$ 542,475</u>

A summary of approximate net future minimum payments under operating leases as of June 30, 2020 is as follows:

<u>Year</u>	<u>Total</u>	<u>Sublease Income</u>
2021	\$ 319,000	\$ 172,000
2022	114,000	-
2023	63,000	-
2024	62,000	-
2025	44,000	-
2026	<u>4,000</u>	<u>-</u>
	<u>\$ 606,000</u>	<u>\$ 172,000</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.

(10) Transactions with Related Parties

Catholic Charities purchases certain services from the Diocese, under separate operating agreements including human resources, software support and maintenance, and payroll services. Fees for these services totaled \$48,668 in 2020 and 2019 and are included in Purchased Services in the statements of functional expenses.

The Organization receives management fees from the Center. Management fees amounted to \$36,000 in 2020 and 2019 and are included in service fees in the statements of activities.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

(11) In-Kind Donations

Many individuals volunteer their time and perform a variety of tasks that assist the agency with program services. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under ASC Topic 958, *Not for Profit Entities*. Donated goods and space are recognized in the financial statements at fair market value when received.

(12) Commitments and Contingencies

Catholic Charities has one program that is subject to grant matching requirements, the Match Grant/Free Case Resettlement program. This program is eligible for a 50% matching requirement, 20% of which must be cash or cash equivalents. The required match for fiscal year 2020 grant was \$185,186 with at least \$9,324 consisting of a cash or cash equivalent match. The required match for fiscal year 2019 was \$152,851 with at least \$7,492 consisting of a cash or cash equivalent match.

(13) Current Economic Environment

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, the Organization has experienced certain changes in the make-up of grant funding to respond to these needs as well as other operational effects, including the receipt of a Paycheck Protection Program loan totaling approximately \$960,000 for which all conditions had been substantially met during 2020.

Management is closely monitoring the situation and has implemented strategies designed to mitigate the impacts of these conditions. While the Organization continues to work to mitigate COVID-19 related impacts, the financial impact and duration of these uncertainties cannot be reasonably estimated.

CATHOLIC CHARITIES OF TENNESSEE, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2019	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2020
FEDERAL AWARDS							
14.218	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Community Development Block Grant	MDHA	-	20,000	20,000	-	-
	Total Program		-	20,000	20,000	-	-
14.231	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant	MDHA	-	-	34,552	40,000	5,448
	Emergency Solutions Grant	MDHA	-	-	27,629	35,000	7,371
	Total Program		-	-	62,181	75,000	12,819
14.267	U.S. Department of Housing and Urban Development Pass-through from US Housing and Urban Development - HUD Continuum of Care Program	TN0274L4J041600	-	-	253	253	-
	Continuum of Care Program		-	5,422	5,422	-	-
	Total Program		-	5,422	5,675	253	-
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	Edison # 26768	-	-	206,896	223,878	16,982
	Child Abuse Prevention Program - VOCA		-	29,050	29,050	-	-
	Total Program		-	29,050	235,946	223,878	16,982
16.726	U.S. Dept. of Justice Pass-through from Catholic Charities USA Multi-State Mentoring Program	2018-JU-FX-0018	-	-	32,674	37,141	4,467
	Multi-State Mentoring Program	2017-JU-FX-0017	-	17,619	17,619	-	-
	Total Program		-	17,619	50,293	37,141	4,467
19.510	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Reception & Placement - Nashville	S-PRMCO-18-CA-0009	-	-	409,429	430,238	20,809
	Reception & Placement - Nashville	S-PRMCO-17-CA-1006	-	98,739	98,739	-	-
	Total Program		-	98,739	508,168	430,238	20,809
84.287C	US Dept. of Education-Office of Elementary and Secondary Education Pass-through from State of Tennessee Department of Education 21st Century Community Learning Centers	33109-03318	-	11,874	11,874	-	-
	21st Century Community Learning Centers	33109-03318	-	-	135,716	202,607	66,891
	Total Program		-	11,874	147,590	202,607	66,891
93.052	US Dept. of Health and Human Services - Administration on Community Living Pass-through from State of Tennessee Commission on Aging and Disability Development of Elder Abuse Material	Edison 93392	-	-	-	1,063	1,063
			-	-	-	1,063	1,063
93.556	U.S. Dept. of Health and Human Services - Administration for Children and Families Adoption Opportunities Pass through from Harmony Adoptions of Tennessee, Inc. Administration for Children and Families Adoption Opportunities (ASAP)	EDISON 41258	-	128,010	128,010	-	-
			-	128,010	128,010	-	-
	Administration for Children and Families Adoption Opportunities (ASAP)	EDISON 41258	-	-	55,280	59,526	4,246
	Administration for Children and Families Adoption Opportunities (FOCUS)	EDISON 41258	-	15,272	15,272	-	-
	Total Program		-	15,272	70,552	59,526	4,246
			-	143,282	198,562	59,526	4,246

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2019	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2020
93.558	U.S. Dept. of Health and Human Services - Administration for Children and Families Pass-through from United Way of Metropolitan Nashville Pass-through from Tennessee Department of Human Services						
	Family Empowerment Program	53938	-	-	108,377	129,736	21,359
	Family Empowerment Program	53938	-	14,814	14,814	-	-
	Family Empowerment Program	71719	-	-	246,927	295,062	48,135
	Family Empowerment Program	71719	-	33,612	33,612	-	-
	Total Program		-	48,426	403,730	424,798	69,494
93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees	20A1TNRCSMA	-	-	313,622	349,086	35,464
	Tennessee Office for Refugees	20A1TNRCSMA	-	-	242,147	243,425	1,278
	Tennessee Office for Refugees	17A1TNRCSMA and 18A1TNRCSMA	-	166,917	166,917	-	-
	Tennessee Office for Refugees	19A1TNRCSMA and 20A1TNRCSMA	-	-	469,181	555,692	86,511
	Tennessee Office for Refugees	1801TNRCSOC and 1901TNRCSOC	-	154,353	154,353	-	-
	Tennessee Office for Refugees	1901TNRCSOC and 2001TNRCSOC	-	-	1,208,669	1,354,509	145,840
	Tennessee Office for Refugees	1801TNRCSOC and 1901TNRCSOC	-	30,434	30,434	-	-
	Tennessee Office for Refugees	1901TNRCSOC and 2001TNRCSOC	-	-	207,541	226,767	19,226
	Tennessee Office for Refugees	1701TNRCSOC and 1801TNRCSOC	-	15,673	15,673	-	-
	Tennessee Office for Refugees	1901TNRCSOC and 2001TNRCSOC	-	-	83,480	90,996	7,516
	Tennessee Office for Refugees	1901TNRCSOC and 2001TNRCSOC	-	-	167,280	191,994	24,714
	Tennessee Office for Refugees	1901TNRCSOC and 2001TNRCSOC	-	-	56,661	65,437	8,776
	Total Program		2,341,177	367,377	3,115,958	3,077,906	329,325
93.567	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Match Grant/Free Case Resettlement - Nashville Match Grant/Free Case Resettlement - Nashville	90RV0070-01 1801DCRVMG	- -	76,146 -	76,146 321,576	- 370,372	- 48,796
	Total Program		-	76,146	397,722	370,372	48,796
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants Tennessee Office for Refugees Tennessee Office for Refugees	90RX0277 90RX0277	- -	12,875 -	12,875 93,413	- 108,565	- 15,152
	Total Program		-	12,875	106,288	108,565	15,152
93.583	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees	90RW0054 90RW0054	- -	42,069 -	42,069 145,054	- 145,054	- -
	Tennessee Office for Refugees	90RW0054	-	2,509	2,509	-	-
	Tennessee Office for Refugees	90RW0054	-	-	212,619	212,619	-
	Tennessee Office for Refugees	90RW0054	-	43,723	43,723	-	-
	Tennessee Office for Refugees	90RW0054	-	-	75,367	75,367	-
	Tennessee Office for Refugees	90RW0054	-	33,712	33,712	-	-
	Tennessee Office for Refugees	90RW0054	-	-	194,865	214,208	19,343
	Total Program		-	122,013	749,918	647,248	19,343
93.590	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Children's Services Child Abuse Prevention Services Child Abuse Prevention Services	EDISON 45114 EDISON 57673	- -	5,881 -	5,881 29,342	- 32,528	- 3,186
	Total Program		-	5,881	35,223	32,528	3,186

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2019	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2020
93.658	U.S. Dept. of Health and Human Services - Administration for Children and Families Partial State/Partial Federal Funds Pass through from State of Tennessee						
	Home Study Services	EDISON 49046	-	59,780	59,780	-	-
	Home Study Services	EDISON 49046	-	-	429,781	471,515	41,734
	Total Program		-	59,780	489,561	471,515	41,734
93.676	U.S. Federal Government - Corporation for National and Community Service Pass through from Lutheran Immigration and Refugee Service						
	FY2018 Foster Care and Safe Release Support	90ZU0223-02	-	7,503	7,503	-	-
	FY2019 Foster Care and Safe Release Support		-	-	86,631	93,512	6,881
	Total Program		-	7,503	94,134	93,512	6,881
93.870	U.S. Dept. of Health and Human Services - Administration for Children and Families Pass through from State of Tennessee, Department of Health						
	Maternal Infant Health Outreach Worker (MIHOW)	Edison ID 57329	-	57,857	57,857	-	-
	Maternal Infant Health Outreach Worker (MIHOW)	Edison ID 57329	-	-	208,209	220,042	11,833
	Total Program		-	57,857	266,066	220,042	11,833
94.006	U.S. Federal Government - Corporation for National and Community Service AmeriCorps National						
	CCUSA-AmeriCorps	18NDHVA001	-	3,169	3,169	-	-
	CCUSA-AmeriCorps	19NDHVA001	-	-	5,860	8,372	2,512
	Total Program		-	3,169	9,029	8,872	3,012
	AmeriCorps National CCUSA-AmeriCorps	16NDHVA001	-	-	-	500	500
	Total Program		-	3,169	9,029	8,872	3,012
97.024	U.S. Department of Homeland Security Emergency Food and Shelter National Board Program						
	Emergency Food and Shelter Program	765200-005	-	-	7,064	7,064	-
	Emergency Food and Shelter Program	765200-005	-	-	2,774	2,774	-
	Emergency Food and Shelter Program	765200-005	-	-	5,813	5,813	-
	Emergency Food and Shelter Program	765200-005	-	-	4,763	4,763	-
	Total Program		-	-	20,414	20,414	-
	Total Federal Awards			2,341,177	1,087,013	6,916,458	676,033

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Catholic Charities of Tennessee, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Board of Trustees and Management

Year ended June 30, 2020

Board of Trustees

Matt Curley, President
Gina Emmanuel, Vice President
John Brew, Secretary
Mike Nunan, Treasurer
Heidi Bundren
Sherry Cummings
Deanna Dibin
Katherine Duck
Bill Farmer
Bill Hill
Father Mark Hunt
Shandy Husmann
Catherine Kelly
Stacey Garrett Koju
Mark Lenihan
William McGugin
Jim McIntyre
Greg Pope
Michael Ratino
Rochelle Reding
Patrick Sheehy
Russell Taber
Drew Tyrer
Michael Veinbergs

Members of Management

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

LBMC, PC

Brentwood, Tennessee
November 16, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Catholic Charities of Tennessee, Inc. (the "Organization") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

LBMC, PC

Brentwood, Tennessee
November 16, 2020

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs for the Organization for the fiscal year ended June 30, 2020 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.566	Refugee Resettlement Social Service

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

FINANCIAL STATEMENT FINDINGS

None noted

FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

None noted

CATHOLIC CHARITIES OF TENNESSEE, INC.

Summary Schedule of Prior Audit Findings

June 30, 2020

Financial Statement Findings

There were no prior findings reported

Federal Award Findings and Questioned Costs

There were no prior findings reported