CATHOLIC CHARITIES OF TENNESSEE, INC.

Financial Statements and Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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, 2019 and 2018, 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 and state grant 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 7, 2019, 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 7, 2019

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2019 and 2018

Assets	June 30, 2019	June 30, 2018
Cash and cash equivalents	$ 534,934	$ 969,078
Annual fund deposits with CCIL	2,134,502	2,024,759
Receivable from the State of Tennessee	164,442	144,026
Receivable from United States Conference of Catholic Bishops	174,885	102,939
Receivable from Metropolitan Government of Nashville	40,041	6,400
Receivable from Office of Refugee Resettlement	502,266	426,009
Receivables from United Way	580,426	563,797
Miscellaneous accounts receivable, net of allowance for doubtful accounts of $13,110 at June 30, 2019 and 2018	282,873	225,230
Prepaid expenses	22,949	24,424
Equipment and leasehold improvements, net	678,137	715,629
Total assets	$ 5,115,455	$ 5,202,291
Liabilities and Net Assets		
Program advance	$ 16,000	$ 16,000
Accounts payable and accrued liabilities	622,939	571,712
Deferred revenues	30,000	42,500
Total liabilities	668,939	630,212
Net assets without donor restrictions		
Designated for:		
Future operations	3,149,158	3,235,561
Physical plant equity	678,137	715,629
Renewal and replacement	87,221	87,221
Total unrestricted net assets	3,914,516	4,038,411
Net assets with donor restrictions	532,000	533,668
Total net assets	4,446,516	4,572,079
Total liabilities and net assets	$ 5,115,455	$ 5,202,291

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years Ending June 30, 2019 and 2018

	For year ended June 30, 2019			For year ended June 30, 2018		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and revenue:						
State of Tennessee grants	$ 1,090,879	$ -	$ 1,090,879	$ 818,220	$ -	$ 818,220
Service fees	1,489,515	-	1,489,515	1,745,684	-	1,745,684
Diocesan contributions and grants	536,797	-	536,797	538,523	-	538,523
United States Conference of Catholic Bishops grants	720,681	-	720,681	623,877	-	623,877
Miscellaneous program grants	512,880	-	512,880	480,761	-	480,761
Metropolitan Government of Nashville grants	125,050	-	125,050	81,400	-	81,400
Office of Refugee Resettlement grants	4,166,667	-	4,166,667	5,597,697	-	5,597,697
Reimbursement of occupancy expenses	241,152	-	241,152	225,913	-	225,913
Contributions and bequests	574,753	-	574,753	717,536	-	717,536
United Way allocations and designations	424,770	532,000	956,770	154,226	533,668	687,894
Other	117,237	-	117,237	58,833	-	58,833
In-Kind Donations	824,657	-	824,657	710,842	-	710,842
Net assets released from restrictions	533,668	(533,668)	-	535,500	(535,500)	-
Total support and revenue	11,358,706	(1,668)	11,357,038	12,289,012	(1,832)	12,287,180
Expenses:						
Program expenses	9,982,899	-	9,982,899	10,908,440	-	10,908,440
Management and general	934,076	-	934,076	925,293	-	925,293
Auxiliary services	298,462	-	298,462	335,583	-	335,583
Fundraising	267,164	-	267,164	324,881	-	324,881
Total expenses	11,482,601	-	11,482,601	12,494,197	-	12,494,197
Decrease in net assets	(123,895)	(1,668)	(125,563)	(205,185)	(1,832)	(207,017)
Net assets at beginning of year	4,038,411	533,668	4,572,079	4,243,596	535,500	4,779,096
Net assets at end of year	$ 3,914,516	$ 532,000	$ 4,446,516	$ 4,038,411	$ 533,668	$ 4,572,079

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

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**
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

2018

	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**
Total salaries and benefits	$ 1,281,295	$ 1,027,379	$ 73,644	$ 1,416,044	$ 608,135	$ 4,406,497	$ 674,738	$ 68,957	$ 240,787	$ 5,390,979
Purchased services	98,993	312,824	2,607	42,999	2,578,499	3,035,922	125,973	41,546	37,470	3,240,911
Travel	27,022	82,764	109	151,595	9,770	271,260	3,719	(1,397)	2,004	275,586
Supplies and materials	47,633	45,437	5,827	40,339	26,687	165,923	36,937	18,192	22,440	243,492
Conferences	4,623	12,625	-	1,710	1,478	20,436	1,789	50	637	22,912
Rent / occupancy	186,355	96,298	13,858	128,721	49,816	475,048	58,993	163,239	19,957	717,237
Subsidies and assistance	642,412	100,771	14,750	503,218	1,243,210	2,504,361	-	1,929	881	2,507,171
Other	297	7,998	9,426	1,096	526	19,343	3,767	225	705	24,040
Depreciation and amortization	6,264	-	3,386	-	-	9,650	19,377	42,842	-	71,869
Total functional expenses	$ 2,294,894	$ 1,686,096	$ 123,607	$ 2,285,722	$ 4,518,121	$ 10,908,440	$ 925,293	$ 335,583	$ 324,881	$ 12,494,197

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ending June 30, 2019 and 2018

	June 30, 2019	June 30, 2018
Cash flows from operating activities:		
Decrease in net assets	$ (125,563)	$ (207,017)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	79,685	71,869
Loss on disposal of asset	-	9,426
Changes in assets and liabilities:		
Receivable from the State of Tennessee	(20,416)	16,167
Receivable from United States Catholic Conference of Bishops	(71,946)	64,098
Receivable from Metropolitan Government of Nashville	(33,641)	41,306
Receivable from Office of Refugee Resettlement	(76,257)	584,062
Receivables from United Way	(16,629)	(28,298)
Miscellaneous accounts receivable	(57,643)	56,058
Prepaid expenses	1,475	634
Program advance, accounts payable and accrued liabilities	51,227	(473,167)
Deferred revenues	(12,500)	10,488
Net cash provided (used) by operating activities	(282,208)	145,626
Cash flows used in investing activities:		
Purchases of annual fund deposits with CCIL, net	(109,743)	(2,024,759)
Purchases of equipment and leasehold improvements	(42,193)	-
Net cash used by investing activities	(151,936)	(2,024,759)
Net decrease in cash and equivalents	(434,144)	(1,879,133)
Cash and cash equivalents at beginning of year	969,078	2,848,211
Cash and cash equivalents at end of year	$ 534,934	$ 969,078

(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 Catholic Conference of 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 Humans 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.

(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 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.

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, 2019 and 2018, 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.

(k) Recently Adopted Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Organization adopted ASU 2016-14 in fiscal year 2019, and the provisions have been applied retrospectively. Total net assets did not change as a result of adoption of this ASU and the primary impact relates to enhanced disclosures.

(l) New Accounting Pronouncement, Not Yet Adopted

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers* (Topic 606), ("ASU 2014-09") which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principles-based approach. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended, is effective for the Organization beginning July 1, 2019 and the Organization has not yet made a determination of the transition approach to be utilized for ASU 2014-09.

The FASB's new lease accounting standard, ASU No. 2016-02, *Leases*, which was issued in February 2016, will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance is effective for the Company beginning July 1, 2022.

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. ASU No. 2018-08 is effective for Catholic Charities' fiscal year beginning July 1, 2019 for transaction in which Catholic Charities serves as a resource recipient, and for its fiscal year beginning July 1, 2020, for transactions in which Catholic Charities serves as a resource provider. Early adoption is permitted.

Management of Catholic Charities is currently assessing the impact that ASU 2014-09, ASU 2016-02, and 2018-08 will have on its financial statements and related disclosures.

(2) Liquidity and Availability

At June 30, 2019, the Organization has cash of $534,934, annual fund deposits of $2,134,502, accounts receivable of $1,462,060, and miscellaneous accounts receivable of $282,873 available for general expenditures within one year of the statement of financial position date. The Organization has $3,149,158 of net assets without donor restrictions designated for future operations, $678,137 of net assets without donor restrictions designated for physical plan equity, and $87,221 of net assets without donor restrictions designated for renewal and replacement; however, each of these designations could be removed if the need arose.

(3) 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, 2019 or 2018.

(4) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	2019	2018
Furnishings	$ 21,766	$ 21,766
Furniture/Equipment	66,426	33,852
Vehicles	15,944	15,944
Leasehold improvements	818,052	808,433
	922,188	879,995
Less accumulated depreciation and amortization	244,051	164,366
Equipment and leasehold improvements, net	$ 678,137	$ 715,629

(5) Employee Benefit Plans

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

(a) Defined Benefit Pension Plan

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

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

The following table sets forth the benefit obligations, fair value of plan assets, funded status (in thousands) of the Diocese of Nashville Lay Pension Plan as of January 1, 2019 and 2018 in which Catholic Charities is a participant:

	2019	2018
Pension benefits (in thousands):		
Benefit obligation at end of plan year	$ (51,583)	$ (47,356)
Plan assets at fair value at end of plan year	47,269	50,220
Funded Status	$ (4,314)	$ 2,864

As a multi-employer plan, only the expenses associated with Catholic Charities' employees are reflected in the accompanying financial statements. During 2019 and 2018, Catholic Charities contributed 5% of the eligible employees' compensation to the plan each year which totaled $177,056 and $191,415 for the years ended June 30, 2019 and 2018, 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 $92,024 and $100,402 for the years ended June 30, 2019 and 2018, respectively.

(6) Net assets with donor restrictions

As of June 30, 2019 and 2018, temporarily restricted net assets of $532,000 and $533,668, respectively, were available for subsequent year operations subject to certain programmatic restrictions.

During 2019 and 2018, net assets released from restrictions related to the utilization of funds restricted to programs.

(7) 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 $720,363 and $717,237 in 2019 and 2018, 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 2019 and 2018 was approximately $241,000 and $226,000, respectively.

A summary of total rental expenses to the Diocese and affiliated entities for fiscal years 2019 and 2018 is as follows:

	2019	2018
Catholic Diocese of Nashville	$ 354,000	$ 354,000
Holy Name Church	23,475	22,834
St. Vincent de Paul Church	165,000	142,000
	$ 542,475	$ 518,834

A summary of approximate net future minimum payments under operating leases as of June 30, 2019 is as follows:

Year	Total	Sublease Income
2019	$ 676,000	$ 164,000
2020	268,000	172,000
2021	58,000	-
2022	20,000	-
2023	20,000	-
	$ 1,042,000	$ 336,000

(8) 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.

(9) 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 2019 and 2018 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 2019 and 2018 and are included in service fees in the statements of activities.

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.

(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 ASC Topic 958, *Not for Profit Entities.* Donated goods and space are recognized in the financial statements at fair market value when received.

(11) 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 2019 grant was $152,851 with at least $7,492 consisting of a cash or cash equivalent match. The required match for fiscal year 2018 was $157,020 with at least $4,226 consisting of a cash or cash equivalent match.

(12) Subsequent Event

The Organization has evaluated events and transactions that occurred between June 30, 2019 and November 7, 2019. which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.
Schedule of Expenditures of Federal and State Awards
SEFA
Year Ended June 30, 2019

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2018	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2019
FEDERAL AWARDS							
14.169	U.S. Department of Housing and Urban Development						
	Pass-through from Catholic Charities USA						
	Comprehensive Housing Counseling	HC160011017	-	4,292	4,292	-	-
	Total Program		-	**4,292**	**4,292**	-	-
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	-	-	30,000	30,000	-
	Emergency Solutions Grant	MDHA	-	-	26,250	26,250	-
	Total Program		-	-	**56,250**	**56,250**	-
14.267	U.S. Department of Housing and Urban Development						
	Pass-through from US Housing and Urban Development - HUD	TN0274L4J041600					
	Continuum of Care Program		-	3,383	3,383	-	-
	Continuum of Care Program		-	-	42,749	48,171	5,422
	Total Program		-	**3,383**	**46,132**	**48,171**	**5,422**
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	-	3,526	3,526	-	-
	Child Abuse Prevention Program - VOCA		-	-	168,736	197,786	29,050
	Total Program		-	**3,526**	**172,262**	**197,786**	**29,050**
16.726	U.S. Dept. of Justice						
	Pass-through from Catholic Charities USA						
	Multi-State Mentoring Program	2015-JU-FX-0013	-	12,565	12,565	-	-
	National Mentoring Program	2015-JU-FX-0013	-	-	24,310	41,929	17,619
	Total Program		-	**12,565**	**36,875**	**41,929**	**17,619**
19.510	U.S. Dept. of Health and Human Services: Refugee Assistance						
	Pass-through from United States Catholic Conference:						
	Reception & Placement - Nashville	S-PRMCO-17-CA-1006	-	57,047	57,047	-	-
	Reception & Placement - Nashville	S-PRMCO-18-CA-0009	-	-	314,158	412,897	98,739
	Total Program		-	**57,047**	**371,205**	**412,897**	**98,739**
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	-	49,979	49,979	-	-
	21st Century Community Learning Centers	33109-03318	-	-	221,626	233,500	11,874
	Total Program		-	**49,979**	**271,605**	**233,500**	**11,874**
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	-	147,915	147,915	-	-
	Administration for Children and Families Adoption Opportunities (ASAP)	EDISON 41258	-	-	640,240	768,250	128,010
			-	**147,915**	**788,155**	**768,250**	**128,010**
	Administration for Children and Families Adoption Opportunities (ASAP)	EDISON 41258	-	11,185	11,185	-	-
	Administration for Children and Families Adoption Opportunities (FOCUS)	EDISON 41258	-	-	44,610	59,882	15,272
			-	11,185	55,795	59,882	15,272
	Total Program		-	**159,100**	**843,950**	**828,132**	**143,282**

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2018	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2019
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	-	23,907	23,907	-	-
	Family Empowerment Program	53938	-	-	140,506	155,320	14,814
	Family Empowerment Program	71719	-	-	182,170	215,782	33,612
	Total Program		**-**	**23,907**	**346,583**	**371,102**	**48,426**
93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service						
	Tennessee Office for Refugees	16A1TNRCMA and 17A1TNRCMA	-	100,514	100,514	-	-
	Tennessee Office for Refugees	17A1TNRCMA and 18A1TNRCMA	-	-	567,110	734,026	166,916
	Tennessee Office for Refugees	1601TNRSOC and 1701TNRSOC	-	119,401	119,401	-	-
	Tennessee Office for Refugees	1701TNRSOC and 1801TNRSOC	-	-	980,121	1,134,474	154,353
	Tennessee Office for Refugees	1601TNRSOC and 1701TNRSOC	-	27,061	27,061	-	-
	Tennessee Office for Refugees	1701TNRSOC and 1801TNRSOC	-	-	257,329	287,762	30,433
	Tennessee Office for Refugees	1601TNRSOC and 1701TNRSOC	-	5,624	5,624	-	-
	Tennessee Office for Refugees	1701TNRSOC and 1801TNRSOC	-	-	83,747	99,420	15,673
	Tennessee Office for Refugees	1601TNRSOC and 1701TNRSOC	-	1,026	1,026	-	-
	Tennessee Office for Refugees	1701TNRSOC and 1801TNRSOC		-	1,078	1,078	-
	Total Program		**1,362,634**	**253,626**	**2,143,011**	**2,256,760**	**367,375**
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	90RV0070-01	-	45,892	45,892	-	-
	Match Grant/Free Case Resettlement - Nashville	1801DCRVMG	-	-	224,138	300,284	76,146
	Total Program		**-**	**45,892**	**270,030**	**300,284**	**76,146**
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants						
	Tennessee Office for Refugees	90RX0272	-	9,804	9,804	-	-
	Tennessee Office for Refugees	90RX0277	-	-	98,484	111,359	12,875
	Tennessee Office for Refugees	90RT0213	-	21,034	21,034	-	-
	Tennessee Office for Refugees	90RT0213	-	-	87,660	87,660	-
	Total Program		**-**	**30,838**	**216,982**	**199,019**	**12,875**
93.583	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service						
	Tennessee Office for Refugees	90RW0054	-	51,771	51,771	-	-
	Tennessee Office for Refugees	90RW0054	-	-	464,103	506,172	42,069
	Tennessee Office for Refugees	90RW0054	-	1,969	1,969	-	-
	Tennessee Office for Refugees	90RW0054	-	-	444,664	447,173	2,509
	Tennessee Office for Refugees	90RW0054	-	97	97	-	-
	Tennessee Office for Refugees	90RW0054	-	-	76,766	76,766	-
	Tennessee Office for Refugees	90RW0054	-	31,091	31,091	-	-
	Tennessee Office for Refugees	90RW0054	-	-	284,795	328,519	43,724
	Tennessee Office for Refugees	90RW0054	-	22,222	22,222	-	-
	Tennessee Office for Refugees	90RW0054		-	194,218	227,930	33,712
	Total Program		**557,527**	**107,150**	**1,571,696**	**1,586,560**	**122,014**
93.584	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service						
	Tennessee Office for Refugees	16A1TNRTAG	-	34,396	34,396	-	-
	Tennessee Office for Refugees	17A1TNRTAG	-	-	124,328	124,328	-
	Total Program		**-**	**34,396**	**158,724**	**124,328**	**-**
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	EDISON 45114	-	6,001	6,001	-	-
	Child Abuse Prevention Services	EDISON 45114	-	-	31,887	37,768	5,881
	Total Program		**-**	**6,001**	**37,888**	**37,768**	**5,881**

CFDA#	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2018	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2019
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	-	48,541	48,541	-	-
	Home Study Services	EDISON 49046	-	-	327,532	387,312	59,780
	Total Program		**-**	**48,541**	**376,073**	**387,312**	**59,780**
93.676	U.S. Federal Government - Corporation for National and Community Service						
	Pass through from Lutheran Immigration and Refugee Service						
	FY2017 Foster Care and Safe Release Support	HHS-2017-ACF-ORR-ZU-1132	-	11,848	11,848	-	-
	FY2018 AND 19 Foster Care and Safe Release Support	90ZU0223-02	-	-	75,773	83,276	7,503
	Total Program		**-**	**11,848**	**87,621**	**83,276**	**7,503**
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	-	35,982	35,982	-	-
	Maternal Infant Health Outreach Worker (MIHOW)	Edison ID 57329	-	-	176,657	234,513	57,856
	Total Program		**-**	**35,982**	**212,639**	**234,513**	**57,856**
94.006	U.S. Federal Government - Corporation for National and Community Service						
	AmeriCorps National						
	Pass through from Catholic Charities USA						
	CCUSA-Americorps	16NDHVA001	-	3,159	3,159	-	-
	CCUSA-Americorps	16NDHVA001	-	-	12,811	15,980	3,169
	Total Program		**-**	**3,159**	**15,970**	**15,980**	**3,169**
97.010	U.S. Department of Homeland Security						
	Pass through from Nashville Adult Literacy Council						
	Citizenship and Integration Direct Services Grant Program	2014-CS-010-000026	-	3,795	3,795	-	-
	Citizenship and Integration Direct Services Grant Program	2016-CS-010-000019	-	-	9,570	9,570	-
	Total Program		**-**	**3,795**	**13,365**	**9,570**	**-**
97.024	U.S. Department of Homeland Security						
	Emergency Food and Shelter National Board Program						
	Emergency Food and Shelter Program	765200-005	-	-	9,195	9,195	-
	Emergency Food and Shelter Program	765200-005	-	-	3,046	3,046	-
	Emergency Food and Shelter Program	765200-005	-	-	4,802	4,802	-
	Emergency Food and Shelter Program	765200-005	-	-	6,008	6,008	-
	Total Program		**-**	**-**	**23,051**	**23,051**	**-**
	Sub-total Federal Awards		**1,920,161**	**895,027**	**7,276,204**	**7,468,188**	**1,087,011**
STATE AWARDS							
N/A			-	-	-	-	-
	Total Program		-	-	-	-	-
	Sub-total State Awards		-	-	-	-	-
	Grand total Federal and State Awards		**1,920,161**	**895,027**	**7,276,204**	**7,468,188**	**1,087,011**

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

Year ended June 30, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state award activity of Catholic Charities of Tennessee, Inc. (the "Organization") under programs of the federal and state of Tennessee government for the year ended June 30, 2019. 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 and state 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, 2019

Board of Trustees

John Rodgers, President
Matt Curley, Vice President
Allen Arender, Secretary
Stefan Caulfield, Treasurer
Rochelle Reding, Program Oversight Chair
Clark Baker
John Brew
Heidi Bundren
Katherine Duck
Gina Emmanuel
Bill Farmer
Bill Hill
Father Mark Hunt
Shandy Husmann
Stacey Garrett Koju
William McGugin
Jim McIntyre
Mike Nunan
Greg Pope
Michael Ratino
Liz Schatzlein
Patrick Sheehy
Russell Taber
Drew Tyrer
Michael Veinbergs

Members of Management

Judy Orr, Executive Director
Richard Neal, Chief Financial Officer
Kinley Hill, Executive Assistant

<u>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*</u>

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 of the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2019.

<u>Internal Control Over Financial Reporting</u>

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 7, 2019

LBMC MAKE A GOOD BUSINESS BETTER

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, 2019. 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, 2019.

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 7, 2019

(1) Summary of Auditors' Results

(a) The independent auditors' report expressed an unmodified 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*. No material weaknesses are reported.

(c) No instances of noncompliance material to the 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 deficiencies in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

(e) The independent auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified 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 in this schedule in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

(g) The programs tested as major program included:

CFDA#	Grantor	Program
93.566	U.S. Department of Health and Human Services	Refugee Resettlement Social Service
93.583	U.S. Department of Health and Human Services	Refugee and Entrant Assistance - Wilson/ Fish Program
93.556	U.S. Department of Health and Human Services	Promoting Safe & Stable Families

(h) The threshold used to distinguish between Type A and Type B programs was $750,000.

(i) The Organization qualified as a low-risk auditee.

Summary Schedule of Prior Audit Findings

June 30, 2019

Financial Statement Findings

There were no prior findings reported

Federal Award Findings and Questioned Costs

There were no prior findings reported