

CATHOLIC CHARITIES OF TENNESSEE, INC.

Financial Statements and Supplementary Information

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

LBMC

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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 are comprised of the statements of financial position as of June 30, 2015 and 2014, 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 audit 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, 2015 and 2014, 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 awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Brentwood, Tennessee
November 11, 2015

A handwritten signature in black ink that reads "LBMC, PC". The letters are stylized and cursive, with a long vertical line extending downwards from the "C".

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2015 and 2014

Assets	June 30, 2015	June 30, 2014
Cash and cash equivalents	\$ 907,307	\$ 683,127
Annual fund deposits with CCIL	3,037,553	3,037,553
Receivable from the State of Tennessee	102,400	215,962
Receivable from United States Catholic Conference of Bishops	260,337	218,332
Receivable from Office of Refugee Resettlement	918,524	796,254
Receivable from United Way	449,089	448,242
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$13,110 at June 30, 2015 and June 30, 2014	293,743	241,824
Prepaid expenses	23,041	36,501
Equipment and leasehold improvements, net	105,187	58,995
Total assets	\$ 6,097,181	\$ 5,736,790
Liabilities and Net Assets		
Liabilities		
Program advance	\$ 16,000	\$ 16,000
Accounts payable and accrued liabilities	929,100	714,672
Deferred revenues	93,808	107,354
Total liabilities	1,038,908	838,026
Net assets		
Unrestricted		
Designated for		
Future operations	4,416,776	4,047,176
Physical plant equity	105,187	58,995
Renewal and replacement	87,221	87,221
Total unrestricted net assets	4,609,184	4,193,392
Temporarily restricted net assets	449,089	705,372
Total net assets	5,058,273	4,898,764
Total liabilities and net assets	\$ 6,097,181	\$ 5,736,790

See accompanying notes to the financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years Ended June 30, 2015 and 2014

	for year ended June 30, 2015			for year ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
State of Tennessee grants	\$ 731,528	\$ -	\$ 731,528	\$ 592,804	\$ -	\$ 592,804
Service fees	1,819,422	-	1,819,422	1,752,320	-	1,752,320
Diocesan contributions and grants	555,854	-	555,854	546,394	-	546,394
United States Catholic Conference of Bishops grants	1,513,501	-	1,513,501	1,539,381	-	1,539,381
Miscellaneous program grants	401,647	-	401,647	308,358	-	308,358
Metropolitan Government of Nashville grants	-	-	-	30,000	-	30,000
Office of Refugee Resettlement grants	9,875,761	-	9,875,761	9,162,718	-	9,162,718
Reimbursement of occupancy expenses	358,502	-	358,502	340,572	-	340,572
Contributions and bequests	632,653	-	632,653	4,056,109	-	4,056,109
United Way allocation and designations	85,060	449,089	534,149	123,731	446,589	570,320
Other	170,770	-	170,770	83,414	1,554	84,968
In-Kind Donations	649,000	-	649,000	795,318	-	795,318
Net assets released from restrictions	705,372	(705,372)	-	289,640	(289,640)	-
Total support and revenue	17,499,070	(256,283)	17,242,787	19,620,759	158,503	19,779,262
Expenses:						
Program expenses	16,432,612	-	16,432,612	15,519,717	-	15,519,717
Management and general	56,496	-	56,496	128,713	-	128,713
Auxiliary services	383,621	-	383,621	423,719	-	423,719
Fundraising	210,549	-	210,549	225,135	-	225,135
Total expenses	17,083,278	-	17,083,278	16,297,284	-	16,297,284
Increase (decrease) in net assets	415,792	(256,283)	159,509	3,323,475	158,503	3,481,978
Net assets at beginning of year	4,193,392	705,372	4,898,764	869,917	546,869	1,416,786
Net assets at end of year	<u>\$ 4,609,184</u>	<u>\$ 449,089</u>	<u>\$ 5,058,273</u>	<u>\$ 4,193,392</u>	<u>\$ 705,372</u>	<u>\$ 4,898,764</u>

See accompanying notes to the financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Functional Expenses

Years Ended June 30, 2015 and 2014

2015												
	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Child Abuse Prevention	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Total salaries/benefits	\$ 999,289	\$ 1,857,332	\$ 806,385	\$ 7,658	\$ 149,880	\$ 197,730	\$ 590,902	\$ 4,609,176	\$ 663,436	\$ 224,825	\$ 112,787	\$ 5,610,224
Purchased services	237,226	200,521	163,663	85	7,509	19,049	3,377,840	4,005,893	169,521	201,719	50,737	4,427,870
Supplies and materials	43,071	73,651	27,246	545	8,981	2,265	32,840	188,599	37,621	10,830	20,104	257,154
Depreciation and amortization	497	-	-	-	-	-	-	497	10,519	5,430	-	16,446
Conferences	7,833	498	5,035	-	185	661	199	14,411	7,415	3,917	2,100	27,843
Rent / Occupancy	143,410	215,547	72,049	-	1,947	13,625	63,509	510,087	21,334	(103,471)	4,868	432,818
Miscellaneous	1,710	958	357	-	96	51	299	3,471	7,540	1,104	390	12,505
Administrative expenses	174,578	322,194	140,386	1,391	26,154	34,379	102,978	802,060	(860,890)	39,267	19,563	-
Subsidies/assistance	299,393	900,807	70,918	196,127	22,450	84,812	4,723,911	6,298,418	-	-	-	6,298,418
Total functional expenses	\$ 1,907,007	\$ 3,571,508	\$ 1,286,039	\$ 205,806	\$ 217,202	\$ 352,572	\$ 8,892,478	\$ 16,432,612	\$ 56,496	\$ 383,621	\$ 210,549	\$ 17,083,278
2014												
	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Child Abuse Prevention	Tennessee Office for Refugees	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Total salaries/benefits	\$ 813,497	\$ 2,045,826	\$ 818,261	\$ 6,511	\$ 169,068	\$ 204,079	\$ 614,013	\$ 4,671,255	\$ 564,077	\$ 209,930	\$ 127,004	\$ 5,572,266
Purchased services	161,807	255,511	180,374	964	14,453	25,678	2,902,606	3,541,393	181,175	237,644	48,648	4,008,860
Supplies and materials	36,246	93,514	25,570	660	12,135	4,024	18,303	190,452	131,665	17,865	20,993	360,975
Depreciation and amortization	595	-	-	-	-	-	261	856	23,615	5,430	-	29,901
Conferences	1,357	5,420	10,585	-	61	783	393	18,599	3,949	4,199	1,548	28,295
Rent / Occupancy	135,452	196,012	79,051	-	1,882	13,091	64,194	489,682	12,209	(86,480)	3,764	419,175
Miscellaneous	927	1,420	607	-	252	310	611	4,127	15,947	1,411	2,793	24,278
Administrative expenses	130,751	327,925	131,561	1,058	27,141	32,847	98,536	749,819	(803,924)	33,720	20,385	-
Subsidies/assistance	365,741	955,836	72,960	169,489	20,950	104,875	4,163,683	5,853,534	-	-	-	5,853,534
Total functional expenses	\$ 1,646,373	\$ 3,881,464	\$ 1,318,969	\$ 178,682	\$ 245,942	\$ 385,687	\$ 7,862,600	\$ 15,519,717	\$ 128,713	\$ 423,719	\$ 225,135	\$ 16,297,284

See accompanying notes to the financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 159,509	\$ 3,481,978
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,446	29,901
Loss on disposal of asset	-	3,680
Changes in assets and liabilities:		
Receivable from the State of Tennessee	113,562	(63,484)
Receivable from United States Catholic Conference of Bishops	(42,005)	240,434
Receivable from Office of Refugee Resettlement	(122,270)	85,439
Receivable from United Way	(847)	(158,602)
Miscellaneous accounts receivable, net of allowance	(51,919)	(92,227)
Prepaid expenses	13,460	(4,486)
Program advance, accounts payable and accrued liabilities	214,428	(113,398)
Deferred revenues	(13,546)	71,536
Net cash provided by operating activities	<u>286,818</u>	<u>3,480,771</u>
Cash flows from investing activities:		
Purchases of annual fund deposits with CCIL	-	(3,037,553)
Purchases of equipment and leasehold improvements	(62,638)	-
Net cash used by investing activities	<u>(62,638)</u>	<u>(3,037,553)</u>
Increase in cash and equivalents	224,180	443,218
Cash and cash equivalents at beginning of year	<u>683,127</u>	<u>239,909</u>
Cash and cash equivalents at end of year	<u><u>\$ 907,307</u></u>	<u><u>\$ 683,127</u></u>

See accompanying notes to the financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(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 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.

(b) Basis of Presentation

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

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

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

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

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

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

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

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

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

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

Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

(c) Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash, Cash Equivalents, and Annual 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 or the annual fund deposits with CCIL.

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 check and savings accounts on deposit with CCIL.

Annual fund deposits with CCIL have a one year maturity and pay 5.0% interest. At maturity, annual deposits automatically renew for another one-year term at the then current interest rate unless, prior to renewal, the Organization instructs CCIL to disburse the funds. Early withdrawal charges are also incurred on the annual deposits if the deposits are withdrawn before the term has ended. The early withdrawal penalty is equal to three months of interest.

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

(g) Functional Categories

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

(h) Income Taxes

Catholic Charities is exempt from federal and state income taxes; accordingly, no provision for income taxes has been made in the accompanying financial statements. 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, 2015 and 2014, 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 and is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended after June 30, 2011.

(i) Impairment of Long-lived Assets

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

(2) Fair Value Measurements

Financial Accounting Standards Board ("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 or annual fund deposits with CCIL, 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, 2015 or 2014.

(3) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 315,033	\$ 315,033
Furnishings	25,436	25,436
Vehicles	28,311	28,311
Leasehold improvements	<u>343,844</u>	<u>281,206</u>
	712,624	649,986
Less accumulated depreciation and amortization	<u>607,437</u>	<u>590,991</u>
Equipment and leasehold improvements, net	<u>\$ 105,187</u>	<u>\$ 58,995</u>

(4) Employee Benefit Plans

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

(a) Defined Benefit Pension Plan

Catholic Charities participates in a non-contributory defined benefit plan which is funded based on the required contribution each year as determined by the Diocesan Lay Retirement Board of Trust of the Diocese, and is calculated as a percentage of eligible employees' compensation. During 2015 and 2014, Catholic Charities contributed 5% of the eligible employees' compensation to the plan each year. Participants vest in all employer contributions to the plan as follows: after three years of service 20%, increasing 20% for each year of additional service until participants are fully vested after seven years of service.

The following table sets forth the benefit obligations, fair value of plan assets, and funded status (in thousands) of the noncontributory pension plan in which Catholic Charities is a participant as of January 1, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pension benefits (in thousands):		
Benefit obligation at end of plan year	\$ (37,970)	\$ (34,979)
Plan assets at fair value at end of plan year	<u>39,913</u>	<u>37,222</u>
Funded Status	<u>\$ 1,943</u>	<u>\$ 2,243</u>

Contributions to the defined benefit retirement plan were \$198,042 and \$199,558 for the years ended June 30, 2015 and 2014, respectively.

(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 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 \$94,516 and \$91,136 for the years ended June 30, 2015 and 2014, respectively.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Subsequent year operations - programmatic restrictions	\$ 449,089	\$ 446,589
Other restricted programmatic purposes	<u>-</u>	<u>258,783</u>
	<u>\$ 449,089</u>	<u>\$ 705,372</u>

During 2015 and 2014, net assets released from restrictions related to the utilization of funds restricted to programs.

(6) 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 \$533,508 and \$539,381 in 2015 and 2014, respectively. Certain lease agreements are with the Catholic Diocese of Nashville (the "Diocese") and affiliated entities. Rental expense to the Diocese and affiliated entities totaled \$261,132 and \$259,302, respectively, in 2015 and 2014.

A summary of total rental expenses to the Diocese and affiliated entities for fiscal years 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Catholic Diocese of Nashville	\$ 168,358	\$ 168,358
Holy Name Church	65,759	63,929
Our Lady of Guadalupe Church	<u>27,015</u>	<u>27,015</u>
	<u>\$ 261,132</u>	<u>\$ 259,302</u>

A summary of total net future minimum payments under these leases as of June 30, 2015 is as follows:

<u>Year</u>	<u>Total</u>
2016	\$ 234,257
2017	94,428
2018	30,585
2019	4,494
2020	<u>1,505</u>
	<u>\$ 365,269</u>

(7) Grants and Contracts

Expenditures related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. Catholic Charities does not anticipate that adjustments, if any, arising from such reviews will have a material effect on the statement of financial position.

(8) Transactions with the Catholic Diocese of Nashville

Catholic Charities purchases certain services from the Diocese, under separate operating agreements including human resources, software support and maintenance, and payroll services. Fees for these services totaled \$48,668 in 2015 and 2014 and are included in Purchased Services in the statements of functional expenses.

(9) 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.

(10) Commitments and Contingencies

Catholic Charities has one major 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 equivalent. The required match for fiscal year 2015 grant was \$235,019 with at least \$47,004 consisting of a cash or cash equivalent match. The required match for fiscal year 2014 was \$243,634, with at least \$48,713 consisting of a cash or cash equivalent match.

(11) Related Party Transactions

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.

(12) Subsequent Event

Effective July 1, 2015, the Organization assumed management responsibilities and obtained a voting majority control of St. Mary Villa, Inc. (the "Center"), a child care facility. Under the terms of the 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.

The Organization has evaluated events and transactions that occurred between June 30, 2015 and November 11, 2015 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 Grant Awards
Year Ended June 30, 2015

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2014	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2015
FEDERAL AWARDS						
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 Child Abuse Prevention Program - VOCA Total Program	Edison # 18825 Edison # 18825	\$ 14,561 -	\$ 14,561 69,751	\$ - 76,505	\$ - 6,754
			14,561	84,312	76,505	6,754
16.726	U.S. Dept. of Justice Pass-through from Catholic Charities USA National Mentoring Program National Mentoring Program Total Program	2012-JU-FX-0005 2012-JU-FX-0005	13,940 -	13,940 35,146	- 44,918	- 9,772
			13,940	49,086	44,918	9,772
19.510	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Reception & Placement - Nashville Reception & Placement - Nashville Safe Passage Total Program	USCCB USCCB USCCB	140,246 - 140,246 -	140,246 877,574 1,017,820 4,900	- 1,045,618 1,045,618 4,900	- 168,044 168,044 -
			140,246	1,022,720	1,050,518	168,044
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 21st Century Community Learning Centers Total Program	EDISON 30816 DG13-C000058	29,811 -	29,811 105,404	- 122,992	- 17,588
			29,811	135,215	122,992	17,588
93.505	U.S. Dept. of Health and Human Services: Affordable Care Act Pass-through from State of Tennessee Department of Health Maternal, Infant, and Early Childhood Home Visiting Program (MIHOW) Maternal, Infant, and Early Childhood Home Visiting Program (MIHOW) Total Program	EDISON 39087 EDISON 39087	137,109 -	137,109 272,754	- 318,341	- 45,587
			137,109	409,863	318,341	45,587
93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees Total Program	13/14 1401TNRSOC 14/15 1501TNRSOC	187,125 -	187,125 1,008,316	- 1,224,574	- 216,258
			187,125	1,195,441	1,224,574	216,258
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 Total Program	90RV0064-03-00 90RV0070-01	78,086 -	78,086 375,590	- 467,883	- 92,293
			78,086	453,676	467,883	92,293
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Total Program	90ZE0187 90ZE0187 90RX0272 90RX0272 90RL016 90RL016	55,687 - 15,022 - 16,448 -	55,687 190,444 15,022 90,037 16,448 97,204	- 246,201 - 111,508 - 117,087	- 55,757 - 21,471 - 19,883
			87,157	464,842	474,796	97,111
93.583	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Tennessee Office for Refugees Total Program	90RW0043 90RW0043 90RW0043 90RW0043 90RW0043 90RW0043 15A1TNRCSMA	208,006 - 10,048 - - 212,706 -	208,006 1,187,839 10,048 1,817,777 2,900,232 212,706 1,218,717	- 1,435,743 - 1,823,680 2,900,232 - 1,476,414	- 247,904 - 5,903 - - 257,697
			430,760	7,555,325	7,636,069	511,504
93.584	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees Total Program	13A1TNRTAG 14A1TNRTAG	91,210 -	91,210 446,673	- 540,323	- 93,650
			91,210	537,883	540,323	93,650

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

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2014	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2015
93.590	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Children's Services Child Abuse Prevention Service's Child Abuse Prevention Service's	EDISON 31711 EDISON 39404	582 -	582 43,979	- 50,000	- 6,021
			582	44,561	50,000	6,021
	Child Abuse Prevention Program-Davidson Co. Child Abuse Prevention Program-Davidson Co.	EDISON 31632 EDISON 39388	657 -	657 25,916	- 30,900	- 4,984
			657	26,573	30,900	4,984
	Child Abuse Prevention Services Child Abuse Prevention Services	EDISON 31759 EDISON 39481	6,760 -	6,760 34,074	- 40,000	- 5,926
			6,760	40,834	40,000	5,926
	Child Abuse Prevention Services Child Abuse Prevention Services	EDISON 31635 EDISON 39387	1,702 -	1,702 26,264	- 30,900	- 4,636
			1,702	27,966	30,900	4,636
	Total Program		9,701	139,934	151,800	21,567
93.652	U.S. Dept. of Health and Human Services - Administration for Children and Families Adoption Opportunities Pass through from Harmony Adoptions of Tennessee, Inc. Administration for Children and Families Adoption Opportunities Administration for Children and Families Adoption Opportunities	EDISON 36901 EDISON 36901	145,603 -	145,603 567,725	- 703,973	- 136,248
	Total Program		145,603	713,328	703,973	136,248
97.010	U.S. Department of Homeland Security Pass through from Nashville Adult Literacy Council Citizenship and Integration Direct Services Grant Program Citizenship and Integration Direct Services Grant Program	2012-CS-010-000020 2012-CS-010-000026	7,590 -	7,590 9,735	- 15,510	- 5,775
	Total Program		7,590	17,325	15,510	5,775
	Sub-total Federal Awards		1,372,899	12,778,950	12,828,202	1,422,151
STATE AWARDS						
N/A	State of Tennessee Department of Education Lottery for Education: Afterschool Program (LEAP) Lottery for Education: Afterschool Program (LEAP)	EDISON 25406 EDISON 30816	24,782 -	24,782 50,967	- 61,870	- 10,903
	Total Program		24,782	75,749	61,870	10,903
N/A	State of Tennessee Department of Children's Services Pass through from Harmony Adoptions of Tennessee, Inc. Pass through from Harmony Adoptions of Tennessee, Inc.	GR-1235051 EDISON 36901	9,777 -	9,777 51,433	- 61,819	- 10,386
	Total Program		9,777	61,210	61,819	10,386
	Sub-total State Awards		34,559	136,959	123,689	21,289
	Grand total Federal and State Awards		\$ 1,407,458	\$ 12,915,909	\$ 12,951,891	\$ 1,443,440

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

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

Year ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state grant activity of Catholic Charities of Tennessee, Inc. (the "Organization"). The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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

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

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

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

We have audited, 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 are comprised of the statement of financial position as of June 30, 2015, 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 11, 2015.

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.

Brentwood, Tennessee
November 11, 2015

LBMC, PC

Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "L B M C, PC". The signature is written in a cursive, stylized font. The letters "L", "B", "M", and "C" are large and prominent, with the "P" and "C" following in a smaller, more fluid script. There is a long, thin vertical stroke extending downwards from the bottom of the "C".

Brentwood, Tennessee
November 11, 2015

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(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 OMB Circular A-133. 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 under Section 510(a) of OMB Circular A-133.
- (g) The programs tested as major programs included:

CFDA#	Grantor	Program
93.567	U.S. Department of Health and Human Services	Refugee Assistance
93.583	U.S. Department of Health and Human Services	Refugee Resettlement Social Service

- (h) The threshold used to distinguish between Type A and Type B programs was \$384,846.
- (i) The Organization qualified as a low-risk auditee.

(2) Findings - Financial Statement Audit

None

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

None