

**CATHOLIC CHARITIES
OF TENNESSEE, INC.**

**Financial Statements and
Supplementary Information**

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



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

CATHOLIC CHARITIES OF TENNESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Catholic Charities of Tennessee, Inc. (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Tennessee, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 audits 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.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
November 8, 2012

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2012 and 2011

Assets	June 30, 2012	June 30, 2011
Cash	\$ 424,985	1,018,795
Receivable from the State of Tennessee	55,366	109,078
Receivable from United States Catholic Conference of Bishops	492,427	230,807
Receivable from Metropolitan Government of Nashville	-	24,704
Receivable from Office of Refugee Resettlement	566,360	505,849
Receivable from United Way	287,449	298,023
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$14,760 at June 30, 2012 and June 30, 2011	138,678	107,687
Prepaid expenses	34,920	31,975
Equipment and leasehold improvements, net	128,753	123,378
Total assets	\$ 2,128,938	2,450,296
Liabilities and Net Assets		
Program advance	\$ 16,000	16,000
Accounts payable and accrued liabilities	640,765	537,818
Deferred revenues	5,187	55,536
Total liabilities	661,952	609,354
Net assets:		
Unrestricted:		
Designated for:		
Future operations	706,730	1,056,932
Physical plant equity	128,753	123,378
Renewal and replacement	87,221	107,247
Total unrestricted net assets	922,704	1,287,557
Temporarily restricted net assets	544,282	553,385
Total net assets	1,466,986	1,840,942
Total liabilities and net assets	\$ 2,128,938	2,450,296

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years Ended June 30, 2012 and 2011

	for the 12 Months ended June 30, 2012			for the 12 months ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
State of Tennessee grants	\$ 458,416	-	458,416	572,161	-	572,161
Service fees	1,550,450	-	1,550,450	1,511,970	-	1,511,970
Diocesan contributions and grants	573,380	-	573,380	563,311	-	563,311
United States Catholic Conference of Bishops grants	1,349,909	-	1,349,909	1,499,820	-	1,499,820
Miscellaneous program grants	451,279	-	451,279	682,056	-	682,056
Metropolitan Government of Nashville grants	50,114	-	50,114	213,447	-	213,447
Office of Refugee Resettlement grants	6,863,920	-	6,863,920	6,428,961	-	6,428,961
Reimbursement of occupancy expenses	364,836	-	364,836	299,324	-	299,324
Contributions and bequests	595,849	-	595,849	695,329	-	695,329
United Way allocation and designations	89,112	288,092	377,204	279,663	297,726	577,389
Other	32,919	531	33,450	29,399	444	29,843
In-Kind Donations	1,070,319	-	1,070,319	1,050,157	-	1,050,157
Net assets released from restrictions	297,726	(297,726)	-	297,983	(297,983)	-
Total support and revenue	13,748,229	(9,103)	13,739,126	14,123,581	187	14,123,768
Expenses:						
Program expenses	13,286,037	-	13,286,037	13,507,905	-	13,507,905
Management and general	139,461	-	139,461	145,040	-	145,040
Auxiliary services	490,885	-	490,885	383,777	-	383,777
Fundraising	196,699	-	196,699	23,291	-	23,291
Total expenses	14,113,082	-	14,113,082	14,060,013	-	14,060,013
Increase (decrease) in net assets	(364,853)	(9,103)	(373,956)	63,568	187	63,755
Net assets at beginning of year	1,287,557	553,385	1,840,942	1,223,989	553,198	1,777,187
Net assets at end of year	\$ 922,704	544,282	1,466,986	1,287,557	553,385	1,840,942

See accompanying notes to financial statements.

Statements of Functional Expenses

2012

Total functional expenses

Total functional expenses

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (373,956)	63,755
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	41,648	56,736
Changes in assets and liabilities:		
Receivable from the State of Tennessee	53,712	10,930
Receivable from United States Catholic Conference of Bishops	(261,620)	146,093
Receivable from Metropolitan Government of Nashville	24,704	(4,841)
Receivable from Office of Refugee Resettlement	(60,511)	160,825
Receivable from United Way	10,574	76
Miscellaneous program grants receivable	-	128,067
Miscellaneous accounts receivable, net of allowance	(30,991)	(49,100)
Prepaid expenses	(2,945)	(6,280)
Program advance, accounts payable and accrued liabilities	102,947	(425,521)
Deferred revenues	(50,349)	(2,864)
Net cash provided (used) by operating activities	<u>(546,787)</u>	<u>77,876</u>
Cash flows used in investing activities:		
Purchase of equipment and leasehold improvements	<u>(47,023)</u>	<u>(85,286)</u>
Net decrease in cash	(593,810)	(7,410)
Cash at beginning of year	<u>1,018,795</u>	<u>1,026,205</u>
Cash at end of year	<u>\$ 424,985</u>	<u>1,018,795</u>

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Catholic Charities of Tennessee, Inc. (the "Organization" or "Catholic Charities") is a Tennessee not-for-profit corporation which operates charitable and social service programs throughout Tennessee, but primarily Middle Tennessee. Catholic Charities was incorporated in July 1962. The accompanying financial statements include programs that are supported by grants from the State of Tennessee, the Metropolitan Government of Nashville and Davidson County, 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 is the replacement designee for the state of Tennessee for the refugee resettlement program under the Office of Refugee Resettlement, a division of U.S. Department of Health and Human Services. Tennessee Office for Refugees was created as a program within Catholic Charities of Tennessee. This program administers Refugee Cash Assistance, Refugee Medical Assistance, Medical Screenings, Social Services, School Impact Grants and Targeted Assistance Grants to sub grantee agencies across the state.

(b) Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Cash Risk

Catholic Charities maintains funds on deposit with Catholic Community Investment and Loan, Inc. (“CCIL”). See also Note 9. Catholic Charities has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

(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 \$1,000 with a useful life greater than two years.

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

(g) Functional Categories

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

(h) Income Taxes

Catholic Charities is exempt from federal and state income taxes; accordingly, no provision for income taxes has been made in the accompanying financial statements. 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, 2012 and 2011, 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, 2008.

(i) Reclassifications

Certain reclassifications have been made to the 2011 presentation in order for them to conform to the 2012 presentation. These reclassifications have no effect on net assets or changes therein as previously reported.

(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) Events occurring after the reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2012 and November 8, 2012 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(2) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 315,033	\$ 299,427
Furnishings	25,436	24,336
Vehicles	28,311	28,311
Leasehold improvements	<u>291,508</u>	<u>261,191</u>
	660,288	613,265
Less accumulated depreciation and amortization	<u>531,535</u>	<u>489,887</u>
Equipment and leasehold improvements, net	<u>\$ 128,753</u>	<u>\$ 123,378</u>

(3) **Employee Benefit Plans**

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

(a) **Defined Benefit Pension Plan**

Catholic Charities participates in a non-contributory defined benefit plan which is funded based on the required contribution each year as determined by the Diocesan Lay Retirement Board of Trust of the Diocese, and is calculated as a percentage of eligible employees' compensation. During 2012 and 2011, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Pension benefits: (in thousands)		
Benefit obligation at end of plan year	\$ (29,620)	\$ (27,151)
Plan assets at fair value at end of plan year	<u>27,621</u>	<u>27,034</u>
Funded Status	<u>\$ (1,999)</u>	<u>\$ (117)</u>

(b) **Defined Contribution Benefit Plan**

Catholic Charities participates in a defined contribution plan as a supplement to the defined benefit pension plan. In order to participate in the plan, employees are required to contribute a minimum of 3% of eligible compensation. Catholic Charities contributes a 3% match to the accounts of the employees that are participating in the plan. Participants are 100% vested in their elective contributions and the employers' matching contributions.

Contributions to both retirement plans were \$283,958 and \$281,365 for the years ended June 30, 2012 and 2011, respectively.

(4) **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Subsequent year operations - programmatic restrictions	\$ 288,092	\$ 297,726
Other restricted programmatic purposes	<u>256,190</u>	<u>255,659</u>
	<u>\$ 544,282</u>	<u>\$ 553,385</u>

(5) **Utilization of Temporarily Restricted Net Assets**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2012</u>	<u>2011</u>
Utilization of funds restricted to programs – current year	\$ 297,726	\$ 297,477
Utilized to satisfy donor-specified purpose	<u>-</u>	<u>506</u>
	<u>\$ 297,726</u>	<u>\$ 297,983</u>

(6) **Leases**

Catholic Charities utilized facilities under operating lease agreements during the fiscal years ended June 30, 2012 and 2011.

The Refugee Resettlement programs leased warehouse space from East Nashville Cooperative Ministry on a month-to-month basis for \$750 per month for July, 2011 through June, 2012. Total rental payments were approximately \$9,000 in 2012 and \$9,000 in 2011.

On July 1, 2008, the Hispanic Family Services program entered into a five year lease agreement with St. Edward Catholic Church for office space located on Nolensville Road for \$2,000 per month with 3% increases annually. During 2011, ownership of the facility was changed to Our Lady of Guadalupe Catholic Church. Total rental payments were \$26,228 in 2012 and \$25,464 in 2011.

Effective June 1, 2011, the North Nashville Outreach program entered into a three year lease agreement with Buchanan Plaza Center for \$2,147 per month. Total rental payments were \$25,964 and \$23,364, for 2012 and 2011, respectively.

On August 15, 2008, Catholic Charities entered into an agreement with Post Square Shopping Center, GP for a five and one-half year lease for office space located at 21 White Bridge Road for the TOR and child abuse prevention programs. The lease

payments are broken down by year with Lease Year 1 through Lease Year 3 being \$30,844, and Lease Year 4 and 5 to be \$33,648. In addition to the lease payments, Catholic Charities will also be responsible for the proportionate share of taxes, insurance premiums, and all common area maintenance costs for the preceding calendar year. Total rental payments were \$48,688 in 2012 and \$45,227 in 2011.

In April, 2011, Catholic Charities entered into an agreement with 29 Hermitage Company, Robert Lipman Trustee, to lease space for a new Job Training Center on Lea Avenue. The term of the lease is for one year, plus fifteen days commencing on April 15, 2011 for \$2,800 per month. Total rental payments were \$28,000 for 2012 and \$7,000 for 2011. The lease expired April 30, 2012.

In April, 2012, Catholic Charities entered into an agreement with Crossman Realty to lease space for the Job Training Center (formerly at Lea Avenue). The term of the lease is for two years, for a total of \$72,090, commencing on May 1, 2012. The terms of the lease stipulate the monthly amount is \$2,948 per month for the period of May 1, 2012 through April 30, 2013 and then, \$3,060 for the period of May 1, 2013 through April 30, 2014. Total rental payments for the two months in 2012 were \$5,895.

The other Catholic Charities' operations leased facilities at Saint Mary Villa under a one year lease agreement with the Diocese for \$168,357. The total rental payment for 2012 was \$168,357 and \$153,368 for 2011.

Catholic Charities manages the Saint Mary Villa facility for the Diocese under a separate agreement.

In addition to the above leased facilities, Catholic Charities also has several leased automobiles and office equipment. Total lease payments in fiscal years 2012 and 2011 for automobiles and office equipment were \$164,439 and \$179,531, respectively. The amount of lease expense also includes expense from automobile rentals.

Approximate future minimum commitments under non-cancelable leases as of June 30, 2012 are:

	<u>Amount</u>
2013	\$ 252,000
2014	149,000
2015	28,000
2016	11,000
	<u>\$ 440,000</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 2012 and 2011 and are included in Purchased Services in the statements of functional expenses.

(9) **Funds on deposit with CCIL**

At June 30, 2012, cash consisted primarily of funds on deposit with 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.

(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 Accounting Standards Codification 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 major program that is subject to grant matching requirements, the Match Grant/Free Case Resettlement program.

The Match Grant/Free Case Resettlement program is subject to a 50% match requirement, 20% of which must be cash or cash equivalent. The required match for fiscal year 2012 grant was \$358,642 with at least \$71,728 consisting of a cash or cash equivalent match. The required match for fiscal year 2011 was \$268,345, with at least \$53,669 consisting of a cash or cash equivalent match.

Catholic Charities is involved in various legal actions arising in the normal course of business. In the opinion of management, after consultation with legal counsel, such matters will not have a material adverse effect on the Organization's statement of financial position.

(12) Related party transactions

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

CATHOLIC CHARITIES OF TENNESSEE, INC.
Schedule of Expenditures of Federal and State Grant Awards
Year Ended June 30, 2012

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2011	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2012
FEDERAL AWARDS						
14.257	U.S. Dept. of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency ("MDHA") American Recovery and Reinvestment Act of 2009 (ARRA) Funded Homelessness Prevention and Rapid Re-Housing Program - HPRP Homelessness Prevention and Rapid Re-Housing Program - HPRP Total Program	None None	\$ 24,704 -	\$ 24,704 50,114	\$ - 50,114	\$ - -
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 # 4018 Edison # 4018	11,148 -	11,148 77,922	- 87,320	- 9,398
16.803	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration American Recovery and Reinvestment Act of 2009 (ARRA) Funded Child Abuse Prevention Program - Justice Assistance Grant Total Program	Edison # 3654	3,977 3,977	3,977 3,977	- -	- -
84.287	US Dept. of Education-Office of Elementary and Secondary Education Pass-through from State of Tennessee Department of Education 21st Century Community Learning Centers 21st Century Community Learning Centers Total Program	Edison # 2847R Edison # 2847R	20,611 -	20,611 114,423	- 130,279	- 15,856
93.254	U.S. Dept. of Health and Human Services - Administration for Children and Families Infant Adoption Awareness Training Pass through from Harmony Adoptions of Tennessee, Inc. Total Program	90-CG-265901 90-CG-266701	7,310 -	7,310 72,345	- 72,345	- -
93.566	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Total Program	11A1TNRSS 12A1TNRSS	167,935 -	167,935 981,020	- 1,121,159	- 140,139
* 93.567	U.S. Dept. of Health and Human Services: Refugee Assistance Pass-through from United States Catholic Conference: Match Grant/Free Case Resettlement Match Grant/Free Case Resettlement Total Program	USCC USCC	114,138 -	114,138 407,058	- 717,283	- 310,225
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 Reception & Placement Reception & Placement Total Program	90ZE0141/01 90ZE0141/02 90RX0213/01 90RT0159/01 USCCB USCCB	54,309 - - - 115,224 -	54,309 337,925 67,126 3,003 115,224 443,935	- 374,630 83,211 3,016 - 624,487	- 36,705 16,085 13 - 180,552
* 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 Tennessee Office for Refugees Total Program	90RW0043-01 90RW0043-01/02 90RW0043-01 90RW0043-01/02 90RW0043-01 90RW0043-01/02 90RW0043-01 90RW0043-01/02 90RW0043-01/02	108,217 - 2,600 - 119 - 108,368 - -	108,217 969,537 2,600 948,561 119 1,761,209 108,368 778,103 -	- 1,044,554 - 953,123 - 1,761,209 - 1,011,586 -	- 75,017 - 4,562 - - - 233,483 -
93.584	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees Total Program	10A1TNRRTA 11A1TNRRTA	64,303 -	64,303 451,077	- 523,163	- 72,086
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 Child Abuse Prevention Program-Davidson Co. Child Abuse Prevention Program-Davidson Co. Total Program	GR-10-29382-00 GR-10-29382-00 GR-10-29127-00 GR-10-29127-00	12,402 - 12,402 7,378 -	12,402 46,245 58,647 7,378 46,784	- 50,000 50,000 - 50,000	- 3,755 3,755 - 3,216
			19,780	112,809	100,000	6,971

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2011	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2012
93.643	U.S. Department of Health and Human Services: Child Abuse and Neglect State Grants Pass-through from State of Tennessee Department of Children's Services Chap Plus Chap Plus Total Program	GR-09-25594-00 GR-09-25594-00	8,414 - 8,414	8,414 47,115 55,529	- 49,658 49,658	- 2,543 2,543
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 Pass through from Harmony Adoptions of Tennessee, Inc. Pass through from Harmony Adoptions of Tennessee, Inc. Total Program	GR1133061 GR1235051 90-CG-265901 90-CG-265901	55,899 - 55,899 2,550 - 2,550	55,899 471,057 526,956 2,550 4,935 7,485	- 585,552 585,552 - 4,935 4,935	- 114,495 114,495 - - -
	Sub-total Federal Awards		889,606	8,969,100	9,297,624	1,218,130
STATE AWARDS						
93.558	State of Tennessee Department of Education Youth Empowerment Initiative Total Program	GR1134078	27,175 27,175	27,175 27,175	- -	- -
N/A	State of Tennessee Department of Education Lottery for Education: Afterschool Program (LEAP) Lottery for Education: Afterschool Program (LEAP) - Food Program Total Program	Z-08-23333-00 EDISON 25406	17,973 - 17,973	17,973 70,562 88,535	- 91,159 91,159	- 20,597 20,597
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. Total Program	GR1133061 GR-1235051	4,729 - 4,729	4,729 44,277 49,006	- 53,036 53,036	- 8,759 8,759
	Sub-total State Awards		49,877	164,716	144,195	29,356
	Grand total Federal and State Awards		\$ 939,483	\$ 9,133,816	\$ 9,441,819	\$ 1,247,486

CATHOLIC CHARITIES OF TENNESSEE, INC.

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

Year ended June 30, 2012

(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.



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

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

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

We have audited the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Cattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
November 8, 2012



**Independent Auditors' Report on Compliance with Requirements
that could have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

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

Compliance and Other Matters

We have audited the compliance of Catholic Charities of Tennessee, Inc. (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
November 8, 2012

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The independent auditors' report expressed an unqualified opinion on the financial statements.
- (b) No significant deficiencies relating to the audit of the financial statements are reported in the 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 Internal Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. No material weaknesses are reported.
- (e) The independent auditor's report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all the major federal programs.
- (f) There are no audit findings relative to the federal award programs for the Organization which are required to be reported under Section 510(a) of OMB Circular A-133.
- (g) The programs tested as major programs included:

<u>CFDA#</u>	<u>Grantor</u>	<u>Program</u>
93.567	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 \$300,000.
- (i) The Organization qualified as a low-risk auditee.

(2) Findings - Financial Statement Audit

None

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

None