

**CATHOLIC CHARITIES
OF TENNESSEE, INC.**

**Financial Statements and
Supplementary Information**

June 30, 2010 and 2009

(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, 2010 and 2009, 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, 2010 and 2009, 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 4, 2010 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, PC

Brentwood, Tennessee
November 4, 2010

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Financial Position

June 30, 2010 and 2009

Assets	2010	2009
Cash	\$ 992,514	792,953
Receivable from the State of Tennessee	120,008	142,666
Receivable from United States Catholic Conference of Bishops	376,900	176,681
Receivable from Metropolitan Government of Nashville	19,863	45,739
Receivable from Office of Refugee Resettlement	666,674	425,110
Receivable from United Way, net	298,099	301,430
Miscellaneous program grants receivable	128,067	12,138
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$14,760 at June 30, 2010 and \$15,000 at June 30, 2009	58,587	172,651
Prepaid expenses	25,695	19,029
Equipment and leasehold improvements, net	94,828	115,611
Total assets	\$ 2,781,235	2,204,008
Liabilities and Net Assets		
Program advance	\$ 16,000	16,000
Accounts payable and accrued liabilities	929,648	518,217
Deferred revenues	58,400	120,827
Total liabilities	1,004,048	655,044
Net assets:		
Unrestricted:		
Designated for:		
Future operations	1,021,914	769,394
Physical plant equity	94,828	115,611
Renewal and replacement	107,247	107,247
Total unrestricted net assets	1,223,989	992,252
Temporarily restricted net assets	553,198	556,712
Total net assets	1,777,187	1,548,964
Total liabilities and net assets	\$ 2,781,235	2,204,008

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
State of Tennessee grants	\$ 565,534	-	565,534	549,275	-	549,275
Service fees	1,595,462	-	1,595,462	1,607,104	-	1,607,104
Diocesan contributions and grants	566,626	-	566,626	721,490	-	721,490
United States Catholic Conference of Bishops grants	1,329,794	-	1,329,794	964,694	-	964,694
Miscellaneous program grants	890,042	-	890,042	959,944	-	959,944
Metropolitan Government of Nashville grants	120,993	-	120,993	438,756	-	438,756
Office of Refugee Resettlement grants	8,172,331	-	8,172,331	5,275,005	-	5,275,005
Reimbursement of occupancy expenses	298,974	-	298,974	296,096	-	296,096
Contributions and bequests	623,129	-	623,129	362,972	-	362,972
United Way allocation and designations	134,761	297,477	432,238	107,148	301,430	408,578
Other	10,397	439	10,836	16,269	587	16,856
In-Kind Donations	1,313,210	-	1,313,210	767,695	-	767,695
Net assets released from restrictions	301,430	(301,430)	-	323,313	(323,313)	-
Total support and revenue	15,922,683	(3,514)	15,919,169	12,389,761	(21,296)	12,368,465
Expenses:						
Program expenses	15,210,126	-	15,210,126	11,613,764	-	11,613,764
Management and general	73,676	-	73,676	131,268	-	131,268
Auxiliary services	407,144	-	407,144	365,525	-	365,525
Total expenses	15,690,946	-	15,690,946	12,110,557	-	12,110,557
Increase (decrease) in net assets	231,737	(3,514)	228,223	279,204	(21,296)	257,908
Net assets at beginning of year	992,252	556,712	1,548,964	713,048	578,008	1,291,056
Net assets at end of year	\$ 1,223,989	553,198	1,777,187	992,252	556,712	1,548,964

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Functional Expenses

Years Ended June 30, 2010 and 2009

	2010									
	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Community Healthcare Access	Child Abuse Prevention	Welfare to Work	Tennessee Office for Refugees	Total Program Expenses
									Management and General	Auxiliary Services
										Total
Total salaries/benefits	\$ 897,081	1,506,819	716,453	67,855	171,821	-	199,280	-	597,509	4,156,798
Purchased services	106,797	241,561	268,898	13,603	21,482	-	32,090	60	1,887,988	2,572,279
Supplies and materials	34,229	42,637	24,853	6,772	11,328	-	4,645	437	12,462	137,383
Depreciation and amortization	2,470	-	-	-	-	-	-	-	1,714	4,184
Conferees	2,378	13,135	17,496	-	235	-	1,399	-	10,430	45,073
Rent	62,744	10,350	4,015	-	-	-	10,011	-	37,835	124,955
Miscellaneous	216,526	1,314	1,119	171	449	-	80	-	3,954	86
Administrative expenses	22,378	214,906	163,122	9,969	52,929	-	28,677	-	5,699	686,129
Building occupancy	641,051	133,189	74,441	855	18,491	-	70,430	-	4,424,831	235,053
Subsidies/assistance	-	1,259,194	67,079	716,490	45,243	-	-	-	-	7,224,318
Fundraising	-	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 1,986,000	3,422,905	1,337,476	815,695	321,978	-	346,612	517	6,978,943	15,210,126
									73,676	407,144
									1,924	15,690,946
	2009									
	Catholic Social Services	Refugee Resettlement	Pregnancy Counseling and Adoptions	Other Social Service Programs	Services to Elderly	Community Healthcare Access	Child Abuse Prevention	Welfare to Work	Tennessee Office for Refugees	Total Program Expenses
									Management and General	Auxiliary Services
										Total
Total salaries/benefits	\$ 850,696	1,139,562	753,591	108,328	173,449	251,278	153,322	35,363	519,662	3,985,451
Purchased services	106,722	225,762	255,308	17,147	18,799	20,581	33,029	2,668	1,154,831	1,832,847
Supplies and materials	41,784	29,698	26,321	1,492	14,396	4,045	8,312	385	38,685	165,118
Depreciation and amortization	1,283	-	-	-	-	-	-	-	1,000	2,283
Conferees	1,951	13,070	20,894	79	170	250	860	-	13,285	50,559
Rent	57,670	10,400	2,780	8,000	-	500	8,163	-	37,404	124,917
Miscellaneous	891	1,190	4,032	67	75	33	284	-	1,762	8,336
Administrative expenses	211,406	143,331	162,804	15,456	45,140	23,178	27,443	2,354	-	631,112
Building occupancy	22,131	122,665	73,820	-	14,183	12,397	2,410	-	8,387	255,993
Subsidies/assistance	649,228	679,270	79,163	207,196	-	435	64,988	-	2,876,868	4,557,148
Fundraising	-	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 1,943,762	2,362,948	1,378,713	357,765	266,212	312,699	298,811	40,970	4,651,884	11,613,764
									131,268	365,525
									1,774	12,110,557

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 228,223	257,908
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,436	43,492
Changes in assets and liabilities:		
Receivable from the State of Tennessee	22,658	89,060
Receivable from United States Catholic Conference of Bishops	(200,219)	78,754
Receivable from Metropolitan Government of Nashville	25,876	125,830
Receivable from Office of Refugee Resettlement	(241,564)	(296,913)
Receivable from United Way, net	3,331	(1,593)
Miscellaneous program grants receivable	(115,929)	20,973
Miscellaneous accounts receivable, net of allowance	114,064	18,660
Prepaid expenses	(6,666)	3,346
Accounts payable and accrued liabilities	411,431	336,096
Payable to the Catholic Diocese of Nashville	-	(49,753)
Deferred revenues	(62,427)	55,070
Net cash provided by operating activities	<u>218,214</u>	<u>680,930</u>
Cash flows used in investing activities-		
purchase of equipment and leasehold improvements	<u>(18,653)</u>	<u>(78,149)</u>
Net increase in cash	199,561	602,781
Cash at beginning of year	<u>792,953</u>	<u>190,172</u>
Cash at end of year	\$ <u><u>992,514</u></u>	<u><u>792,953</u></u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(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, 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 ("TOR") was created as a program within Catholic Charities. 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) Accounting codification

On June 30, 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 is effective for periods ending after September 15, 2009 and makes the *FASB Accounting Standards Codification* ("ASC") the sole source of authoritative accounting technical literature for nongovernmental entities in the United States of America.

(c) 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:

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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.

(d) 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(e) Cash Risk

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

(f) 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.

(g) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost or fair market value at date of gift if acquired by donation, net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets with no estimated salvage value. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the lease. The Organization's capitalization policy is to capitalize any expenditure 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 the change in net assets.

(h) 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.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(i) Income Taxes

Catholic Charities is exempt from federal and state income taxes and accordingly, no provision for income taxes has been made in the accompanying financial statements. As of June 30, 2010, Catholic Charities has 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, 2006.

(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, 2010 and November 4, 2010 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

A summary of equipment and leasehold improvements as of June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 261,837	\$ 252,252
Furnishings	23,179	23,179
Vehicles	28,311	28,311
Leasehold improvements	<u>214,653</u>	<u>205,585</u>
	527,980	509,327
Less accumulated depreciation and amortization	<u>433,152</u>	<u>393,716</u>
Equipment and leasehold improvements, net	<u>\$ 94,828</u>	<u>\$ 115,611</u>

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(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 2010 and 2009, Catholic Charities contributed 5% and 4%, respectively, of the eligible employees' compensation to the plan. 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Pension benefits: (in thousands)		
Benefit obligation	\$ (24,934)	\$ (22,815)
Plan assets at fair value	<u>24,044</u>	<u>19,700</u>
Funded Status	<u>\$ (890)</u>	<u>\$ (3,115)</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 \$259,544 and \$224,135 for the years ended June 30, 2010 and 2009, respectively.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2010 and 2009 are available for the following purposes or periods:

	<u>2010</u>	<u>2009</u>
Subsequent year operations - programmatic restrictions	\$ 297,477	\$ 301,430
Other restricted programmatic purposes	<u>255,721</u>	<u>255,282</u>
	<u>\$ 553,198</u>	<u>\$ 556,712</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>2010</u>	<u>2009</u>
Utilization of funds restricted to programs – current year	\$ 301,430	\$ 299,087
Utilized to satisfy donor-specified purpose	<u>-</u>	<u>24,226</u>
	<u>\$ 301,430</u>	<u>\$ 323,313</u>

(6) Leases

Catholic Charities utilized facilities under operating lease agreements during the fiscal years ended June 30, 2010 and 2009.

The Loaves and Fishes and various other programs operate from offices owned by Holy Name Catholic Church. Leases for these offices are currently on a month to month basis. Lease expense for 2010 and 2009 was \$47,730 and \$50,095, respectively.

The Refugee Resettlement programs lease warehouse space from East Nashville Cooperative Ministry on a month-to-month basis for \$750 per month for July 2009 through June 2010. Total rental payments were \$9,000 in 2010 and \$8,000 in 2009.

On July 1, 2008, the Hispanic Family Services program entered into a five year lease agreement with St. Edward Catholic Church for office space located on Nolensville Road for \$2,000 per month with 3% increases annually. Total rental payments were \$24,720 in 2010 and \$24,000 in 2009. Per the terms of the lease agreement, monthly rent increases 3% each anniversary date and was \$2,060 per month at June 30, 2010.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Effective July 1, 2008, the North Nashville Outreach program entered into a three year lease agreement with Buchanan Plaza Center for \$1,871 per month with 2% increases annually. Total rental payments were \$22,906 and \$22,563 for 2010 and 2009, respectively. Per the terms of the lease agreement, monthly rent increases 2% each anniversary date and was \$1,909 per month at June 30, 2010.

On August 15, 2008, Catholic Charities of Tennessee, Inc. 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 per year, Lease Year 4 and 5 to be \$33,648 per year. In addition to the lease payments, Catholic Charities of Tennessee, Inc. 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 \$42,185 in 2010 and \$40,554 in 2009.

The other Catholic Charities' operations leased facilities at Saint Mary Villa under annual lease agreements with the Diocese. Catholic Charities manages the Saint Mary Villa facility for the Diocese under a separate agreement. The annual amount paid is based on reimbursement of occupancy expense for the percentage of building space actually used by the various programs. For the years ended June 30, 2010 and 2009, Catholic Charities' portion of the occupancy expense totaled \$138,349 and \$136,422, respectively. Total occupancy revenues received from related entities (Saint Mary Villa Child Daycare Center, Mary Queen of Angels, and several Diocesan offices) were \$298,974 and \$296,096 in 2010 and 2009, respectively.

As Managing Agent for the Saint Mary Villa facility for the Diocese, Catholic Charities remits monthly payments collected from the tenants for repair and replacement to the Diocese. Those amounts in fiscal years 2010 and 2009 were \$101,257 and \$100,252, respectively.

In addition to the above leased facilities, Catholic Charities also has several leased automobiles and office equipment. Total lease payments in fiscal years 2010 and 2009 for automobiles and office equipment were \$162,543 and \$141,733, respectively. The amount of lease expense also includes expense from automobile rentals.

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Future minimum commitments under non-cancelable leases as of June 30, 2010 are approximately:

	<u>Amount</u>
2011	\$ 347,000
2012	152,000
2013	98,000
2014	<u>18,000</u>
	<u>\$ 615,000</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 Governance and Service Offices of the Diocese

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

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

At June 30, 2010, cash consisted primarily of funds on deposit with the Catholic Community Investment & 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. The funds on deposit with CCIL are not secured.

(10) In-Kind Donations

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

CATHOLIC CHARITIES OF TENNESSEE, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(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 based upon a calendar year and is subject to a 50% match requirement, 20% of which must be cash or cash equivalents. The required match for the 2010 and 2009 grants was \$204,000 with at least \$51,000 consisting of a cash or cash equivalent match.

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

(12) Related party transactions

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

CATHOLIC CHARITIES OF TENNESSEE, INC.
Schedule of Expenditures of Federal and State Grant Awards

Year Ended June 30, 2010

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2009	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2010
FEDERAL AWARDS						
14.257	U.S. Dept of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency ("MDHA") Homelessness Prevention and Rapid Re-Housing Program - HPRP Total Program	None	\$ -	101,130	120,993	19,863
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	23,129 23,129	23,129 98,643	- 85,933	- 10,419
16.803	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration Child Abuse Prevention Program - Justice Assistance Grant Total Program	Edison # 3654	-	23,057	27,778	4,721
84.184	US Dept of Education - Safe and Drug-Free Schools and Communities Refugee Youth Mentoring Program Refugee Youth Mentoring Program Total Program	Q184B070127-08 Q184B070127-08	12,139 12,139	12,139 108,795	- 112,223	- 15,567
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	GR-08-22353-00 GR-08-22353-00	57,217 -	57,217 156,937	- 200,000	- 43,063
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	-	117,432	117,432	-
93.566	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 Tennessee Office for Refugees Total Program	GR - 09A1TNCMAR GR - 10A1TNCMAR GR - 09A1TNCMAR GR - 10A1TNCMAR GR - 10A1TNCMAR GR - 09A1TNCMAR GR - 10A1TNCMAR G - 09A1TNRSS G - 10A1TNRSS	99,671 - 9,903 - - 88,945 - 125,531 -	318,857 661,164 421,796 1,225,890 2,771,188 294,704 580,516 332,305 549,201	219,186 683,922 411,893 1,241,618 2,771,320 205,759 781,401 206,774 670,460	- 22,758 - 15,728 132 - 200,885 - 121,259
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	70,786 -	70,786 381,920	- 492,766	- 110,846
93.576	U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance-Discretionary Grants Tennessee Office for Refugees Tennessee Office for Refugees Reception & Placement Reception & Placement Safe Passage U.S. Dept. of Health and Human Services - Refugee and Entrant Assistance Administration for Children and Families Individual Development Accounts Program Individual Development Accounts Program Total Program	90ZE0106-01 90ZE0106-02 USCC USCC USCC	44,073 - 106,255 150,328 -	70,806 196,691 106,255 567,604 941,356 1,740	26,733 219,500 - 833,412 1,079,645 2,015	- 22,809 - 265,808 288,617 275
93.584	U.S. Dept. of Health and Human Services: Refugee Resettlement Social Service Tennessee Office for Refugees Tennessee Office for Refugees Total Program	08A1TNRRTA 09A1TNRRTA	34,285 -	34,285 313,522	- 367,202	- 53,680
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-08-21361-00 GR-10-29382-00 GR-08-21281-00 GR-10-29127-00	13,242 - 13,242 4,119 -	13,242 40,458 53,700 4,119 40,402	- 46,714 46,714 48,883 48,883	6,256 6,256 - 8,481 8,481
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-08-22257-00 GR-09-25594-00	9,686 -	9,686 39,992	- 49,658	- 9,666

CFDA#	Grant Description	Grant Number	Receivable Balance June 30, 2009	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2010
93.652	U.S. Dept. of Health and Human Services - Administration for Children and Families					
	Adoption Opportunities					
	Pass through from Harmony Adoptions of Tennessee, Inc.	GR07183200	130,621	130,621	-	-
	Administration for Children and Families Adoption Opportunities	359-40-113-09	-	598,227	649,228	51,001
	Administration for Children and Families Adoption Opportunities		130,621	728,848	649,228	51,001
	Pass through from Harmony Adoptions of Tennessee, Inc.	90-CG-265901	-	29,805	33,676	3,871
			-	29,805	33,676	3,871
			130,621	758,653	682,904	54,872
	Total Program					
97.024	Federal Emergency Management Agency: Emergency Food and Shelter					
	Pass-through from United Way of Middle Tennessee	765200-015	-	18,597	18,597	-
	Emergency Food and Shelter		-	18,597	18,597	-
	Total Program					
			852,304	10,647,432	11,011,639	1,216,511
	Sub-total Federal Awards					
STATE AWARDS						
N/A	State of Tennessee Commission on Aging and Disability					
	Tennessee Tenn Care	H445082	2,200	2,200	-	-
	Tennessee Tenn Care	RFS#2010-61	-	6,938	8,015	1,077
	Total Program		2,200	9,138	8,015	1,077
N/A	Tennessee Department of Education					
	Lottery for Education: Afterschool Program (LEAP)	Z-08-23333-00	21,728	21,728	-	-
	Lottery for Education: Afterschool Program (LEAP) - Food Program	33119-00710	-	62,229	98,553	36,324
	Total Program		21,728	83,957	98,553	36,324
	Test Prep Lottery for Education: Afterschool Program (LEAP)	Z-07-034314-00	8,347	8,347	-	-
	Total Program		8,347	8,347	-	-
N/A	State of Tennessee Department of Children's Services					
N/A	Adoption Home Recruitment (from Harmony Adoptions)	GR-07-18492	8,675	8,675	-	-
	Adoption Home Recruitment (from Harmony Adoptions)	359-40-117-10	-	57,404	60,552	3,148
	Total Program		8,675	66,079	60,552	3,148
	Sub-total State Awards		40,950	167,521	167,120	40,549
	Grand total Federal and State Awards		893,254	10,814,953	11,178,759	1,257,060

CATHOLIC CHARITIES OF TENNESSEE, INC.

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

Year ended June 30, 2010

(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.

**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, 2010, and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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

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.

Lattinon Black Mayan + Co., PC

Brentwood, Tennessee
November 4, 2010

**Independent 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**

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

Compliance

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, 2010. 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, 2010.

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.

Lathinore Black Morgan + Co., PC

Brentwood, Tennessee
November 4, 2010

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(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*.
- (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.
- (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> |
|--------------|--|--|
| 14.257 | U.S. Department of Housing and Urban Development (pass-through from the Metropolitan Development and Housing Agency) | Homelessness Prevention and Rapid Re-Housing Program |
| 93.566 | U.S. Department of Health and Human Services | Refugee Resettlement Social Service |
| 93.584 | 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 \$329,300.
- (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