

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Financial Statements and Supplementary Information**

**June 30, 2022 and 2021**

**(With Independent Auditors' Report Thereon)**



# CATHOLIC CHARITIES OF TENNESSEE, INC.

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Supplementary Information

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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.

*LBMC, PC*

Brentwood, Tennessee  
November 17, 2022

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Financial Position**

**June 30, 2022 and 2021**

<b>Assets</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Cash and cash equivalents	\$ 534,770	\$ 1,052,680
Annual fund deposits with CCIL	2,486,558	1,786,424
Receivable from the State of Tennessee	612,276	906,502
Receivable from United States Conference of Catholic Bishops	180,905	53,587
Receivable from Metropolitan Government of Nashville	21,561	30,920
Receivable from Office of Refugee Resettlement	1,464,417	654,048
Receivable from United Way	657,470	558,793
Miscellaneous accounts receivable, net of allowance for doubtful accounts of \$13,110 at June 30, 2022 and 2021	74,898	66,566
Prepaid expenses	70,985	22,573
Equipment and leasehold improvements, net	604,547	548,233
<b>Total assets</b>	<b>\$ 6,708,387</b>	<b>\$ 5,680,326</b>
<b>Liabilities and Net Assets</b>		
Program advance	\$ 116,889	\$ 116,889
Accounts payable and accrued liabilities	1,929,854	1,004,563
Deferred revenues	140,513	98,479
<b>Total liabilities</b>	<b>2,187,256</b>	<b>1,219,931</b>
<b>Net assets</b>		
Net assets without donor restrictions		
Designated for:		
Future operations	3,348,863	3,344,441
Physical plant equity	604,547	548,233
Renewal and replacement	87,221	87,221
<b>Total net assets without donor restrictions</b>	<b>4,040,631</b>	<b>3,979,895</b>
Net assets with donor restrictions	480,500	480,500
<b>Total net assets</b>	<b>4,521,131</b>	<b>4,460,395</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,708,387</b>	<b>\$ 5,680,326</b>

See accompanying notes to financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Activities**

**Years Ended June 30, 2022 and 2021**

	For year ended June 30, 2022			For year ended June 30, 2021		
	Assets without donor restrictions	Assets with donor restrictions	Total	Assets without donor restrictions	Assets with donor restrictions	Total
Support and revenue:						
State of Tennessee grants	\$ 3,680,580	\$ -	\$ 3,680,580	\$ 2,758,462	\$ -	\$ 2,758,462
Service fees	442,335	-	442,335	475,115	-	475,115
Diocesan contributions and grants	641,392	-	641,392	579,953	-	579,953
United States Conference of Catholic Bishops grants	2,734,864	-	2,734,864	399,602	-	399,602
Miscellaneous program grants	1,076,636	-	1,076,636	1,060,915	-	1,060,915
Metropolitan Government of Nashville grants	145,750	-	145,750	131,751	-	131,751
Office of Refugee Resettlement grants	7,066,435	-	7,066,435	4,105,038	-	4,105,038
Reimbursement of occupancy expenses	15,895	-	15,895	218,014	-	218,014
Contributions and bequests	1,140,416	-	1,140,416	946,617	-	946,617
United Way allocation and designations	1,161,801	480,500	1,642,301	1,121,923	480,500	1,602,423
Other	185,257	-	185,257	140,376	-	140,376
In-kind donations	759,234	-	759,234	402,861	-	402,861
Net assets released from restrictions	480,500	(480,500)	-	778,322	(778,322)	-
Total support and revenue	19,531,095	-	19,531,095	13,118,949	(297,822)	12,821,127
Expenses:						
Program expenses	17,751,546	-	17,751,546	11,667,125	-	11,667,125
Management and general	1,205,010	-	1,205,010	1,233,801	-	1,233,801
Auxiliary services	71,697	-	71,697	315,863	-	315,863
Fundraising	442,106	-	442,106	171,622	-	171,622
Total expenses	19,470,359	-	19,470,359	13,388,411	-	13,388,411
Increase (decrease) in net assets	60,736	-	60,736	(269,462)	(297,822)	(567,284)
Net assets at beginning of year	3,979,895	480,500	4,460,395	4,249,357	778,322	5,027,679
Net assets at end of year	<u>\$ 4,040,631</u>	<u>\$ 480,500</u>	<u>\$ 4,521,131</u>	<u>\$ 3,979,895</u>	<u>\$ 480,500</u>	<u>\$ 4,460,395</u>

See accompanying notes to financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Functional Expenses**

**Years Ended June 30, 2022 and 2021**

	2022										
	Social Services	Pregnancy Counseling and Adoptions	Workforce Development	Immigration and Refugee Services	Tennessee Office for Refugees	Tennessee Serves Neighbors	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Salaries and benefits	\$ 2,170,814	\$ 146,180	\$ 160,947	\$ 2,139,054	\$ 567,640	\$ 978,889	\$ 6,163,524	\$ 920,484	\$ 23,500	\$ 98,380	\$ 7,205,888
Purchased services	53,635	33,309	30,407	162,197	3,255,082	55,300	3,589,930	158,452	13,709	229,171	3,991,262
Travel	20,055	3,063	100	196,378	4,173	20,848	244,617	3,435	(3,327)	1,532	246,257
Supplies and materials	46,167	7,470	42,693	102,534	20,014	85,115	303,993	42,762	(969)	33,453	379,239
Conferences	10,603	1,199	-	2,074	1,390	2,759	18,025	1,476	-	-	19,501
Rent / occupancy	200,351	11,922	6,282	167,395	33,095	187,424	606,469	75,473	(28,436)	16,502	670,008
Subsidies and assistance	1,846,043	2,492	32,495	2,147,897	1,750,975	1,030,514	6,810,416	-	-	62,200	6,872,616
Other	4,988	-	200	802	156	162	6,308	2,092	92	868	9,360
Depreciation and amortization	8,264	-	-	-	-	-	8,264	836	67,128	-	76,228
Total functional expenses	\$ 4,360,920	\$ 205,635	\$ 273,124	\$ 4,918,331	\$ 5,632,525	\$ 2,361,011	\$ 17,751,546	\$ 1,205,010	\$ 71,697	\$ 442,106	\$ 19,470,359

	2021										
	Social Services	Pregnancy Counseling and Adoptions	Workforce Development	Immigration and Refugee Services	Tennessee Office for Refugees	Tennessee Serves Neighbors	Total Program Expenses	Management and General	Auxiliary Services	Fundraising	Total
Salaries and benefits	\$ 2,070,175	\$ 291,542	\$ 138,611	\$ 1,557,355	\$ 404,552	\$ 262,353	\$ 4,724,588	\$ 974,666	\$ 49,895	\$ 25,287	\$ 5,774,436
Purchased services	147,671	274,165	14,015	64,351	1,998,317	30,750	2,529,269	120,320	55,426	109,051	2,814,066
Travel	15,378	4,385	33	132,766	156	6,317	159,035	1,717	(13,480)	1,695	148,967
Supplies and materials	36,128	15,408	7,323	48,314	14,616	26,293	148,082	37,537	18,815	29,366	233,800
Conferences	8,096	-	-	1,015	1,912	70	11,093	557	-	50	11,700
Rent / occupancy	233,965	27,091	4,580	130,896	33,772	40,336	470,640	86,725	162,562	1,565	721,492
Subsidies and assistance	2,927,100	22,979	27,375	229,644	399,277	1,203	3,607,578	-	-	930	3,608,508
Other	1,792	5,974	-	775	-	35	8,576	574	150	3,678	12,978
Depreciation and amortization	8,264	-	-	-	-	-	8,264	11,705	42,495	-	62,464
Total functional expenses	\$ 5,448,569	\$ 641,544	\$ 191,937	\$ 2,165,116	\$ 2,852,602	\$ 367,357	\$ 11,667,125	\$ 1,233,801	\$ 315,863	\$ 171,622	\$ 13,388,411

See accompanying notes to financial statements



**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2022 and 2021**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 60,736	\$ (567,284)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	76,228	62,464
Changes in assets and liabilities:		
Receivable from the State of Tennessee	294,226	(764,813)
Receivable from United States Conference of Catholic Bishops	(127,318)	16,019
Receivable from Metropolitan Government of Nashville	9,359	5,222
Receivable from Office of Refugee Resettlement	(810,369)	(290,230)
Receivable from United Way	(98,677)	(7,325)
Miscellaneous accounts receivable, net of allowance	(8,332)	(32,664)
Prepaid expenses	(48,412)	(4,563)
Program advance, accounts payable and accrued liabilities	925,291	383,329
Deferred revenues	42,034	61,146
Net cash provided (used) by operating activities	<u>314,766</u>	<u>(1,138,699)</u>
Cash flows from investing activity -		
(Purchases) receipts of annual fund deposits with CCIL, net	(700,134)	478,961
Purchases of equipment and leasehold improvements	<u>(132,542)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(832,676)</u>	<u>478,961</u>
Net decrease in cash and equivalents	(517,910)	(659,738)
Cash and cash equivalents at beginning of year	<u>1,052,680</u>	<u>1,712,418</u>
Cash and cash equivalents at end of year	<u>\$ 534,770</u>	<u>\$ 1,052,680</u>

See accompanying notes to the financial statements

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

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

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

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

Prior to July 1, 2021, the Organization had a majority voting control and management responsibilities for St. Mary Villa, Inc. (the "Center"), a childcare facility. Under the terms of a management agreement, the Organization was responsible for providing financial and administrative oversight of the Center. Additionally, the Organization had a seat on the board of trustees of the Center, the voting interest of which was equal to one more vote than all other trustees. However, management had determined that the Organization did not have an economic interest in the Center that would require consolidation of the Center with the Organization under generally accepted accounting principles in the United States of America. Effective July 1, 2021, the sub-use agreement between the Organization and the Center expired and was not renewed. Therefore, on the effective date, the Organization ceased to have any voting control or management responsibilities for the Center.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### (b) Newly adopted accounting standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU No. 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an organization's programs and other activities. The Organization adopted the new guidance effective July 1, 2021. Adoption of this guidance did not have a material impact on the Organization's financial statements.

### (c) Net Assets

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

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

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

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

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

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

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

### (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, 2022 and 2021**

### **(e) Cash, Cash Equivalents, and Annual Fund Deposits with CCIL**

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

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

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

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

### **(h) Grant and Contributions Revenue**

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

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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

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

**(i) Revenue From Contracts with Customers**

The Organization identifies a contract with a customer as an agreement which both parties have approved, creates enforceable rights and obligations, has commercial substance, and where payment terms are identified, and collectability is probable. Once the entity has entered a contract, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration, such as discounts.

The Organization's primary source of revenue from contracts with customers are from service fees relating to counseling. Service fees are paid and recognized at the point in time the services occur. Counselees enter into an individual contract for each session and rates vary based upon the duration of the counseling sessions.

**(j) Functional Categories**

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

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

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### **(k) Income Taxes**

Catholic Charities is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3); 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, 2022 and 2021, Catholic Charities had accrued no interest and no penalties related to uncertain tax positions. It is Catholic Charities' policy to recognize interest and/or penalties related to income tax matters in income tax expense. Catholic Charities files U.S. Federal information tax returns. Catholic Charities is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### **(l) 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.

### **(m) New Accounting Standards, Not Yet Adopted**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 will generally require recognition in the statement of financial position for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of activities). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. This standard is effective for fiscal years beginning after December 15, 2021 and will be adopted by the Organization for fiscal year 2023. The adoption of ASU 2016-02 will increase total assets and total liabilities. The Organization is currently evaluating the effect of adoption on the Organization's financial statements.

# CATHOLIC CHARITIES OF TENNESSEE, INC.

## Notes to Financial Statements

June 30, 2022 and 2021

### (2) Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash	\$ 534,770	\$ 1,052,680
Annual fund deposit	2,486,558	1,786,424
Accounts and grants receivable	2,936,629	2,203,850
Miscellaneous accounts receivable	74,898	66,566
Financial assets at end of year	6,032,855	5,109,520
Less assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	480,500	480,500
Net assets without donor restrictions designated for future operations	3,348,863	3,344,441
Net assets without donor restrictions designated for renewal and replacement	87,221	87,221
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,116,271</u>	<u>\$ 1,197,358</u>

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

### (3) Events Occurring After the Report Date

The Organization has evaluated events and transactions that occurred between June 30, 2022 and November 17, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

### (4) Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair values of cash and highly liquid investments, included in cash and cash equivalents, are determined based upon their quoted redemption prices and recent transaction prices of \$1.00 per share (Level 2 inputs), with no discounts for credit quality or liquidity restriction. The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2022 or 2021.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

**(5) Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following:

	<u>2022</u>	<u>2021</u>
Furnishings	\$ 21,766	\$ 21,766
Furniture/Equipment	82,569	66,426
Vehicles	15,944	15,944
Leasehold improvements	<u>895,911</u>	<u>818,052</u>
	1,016,190	922,188
Less accumulated depreciation and amortization	<u>411,643</u>	<u>373,955</u>
Equipment and leasehold improvements, net	<u>\$ 604,547</u>	<u>\$ 548,233</u>

**(6) Employee Benefit Plans**

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

**(a) Defined Benefit Pension Plan**

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

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

The following table sets forth the benefit obligations, fair value of plan assets, funded status (in thousands) of the Diocese of Nashville Lay Pension Plan as of January 1, 2022 and 2021 in which Catholic Charities is a participant:



**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Pension benefits (in thousands):		
Benefit obligation at end of plan year	\$ (60,319)	\$ (56,721)
Plan assets at fair value at end of plan year	<u>76,392</u>	<u>65,829</u>
Funded Status	<u>\$ 16,073</u>	<u>\$ 9,108</u>

As a multi-employer plan, only the expenses associated with Catholic Charities' employees are reflected in the accompanying financial statements. During 2022 and 2021, Catholic Charities contributed 5% of the eligible employees' compensation to the plan each year which totaled \$263,577 and \$202,870, respectively. The Organization currently has no intention of withdrawing from this multi-employer pension plan.

**(b) Defined Contribution Benefit Plan**

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

Contributions to the defined contribution plan were \$138,900 and \$107,092 for the years ended June 30, 2022 and 2021, respectively.

**(7) Net assets with donor restrictions**

As of June 30, 2022 and 2021, donor restricted net assets of \$480,500 were available for subsequent year operations subject to certain programmatic restrictions.

During 2022 and 2021, net assets released from restrictions related to the utilization of funds restricted to programs.

**(8) Lease Commitments**

The Organization leases certain real property and equipment under arrangements classified as operating leases. Total rent expense under operating leases paid to lessors amounted to \$689,393 and \$735,473 in 2022 and 2021, respectively. Certain lease agreements are with the Diocese and affiliated entities. During 2021, the Organization subleased certain property to a related party, St. Mary Villa, Inc., and earned approximately \$218,000 of sublease income.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

A summary of total rental expenses to the Diocese and affiliated entities for fiscal years 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Catholic Diocese of Nashville	\$ 378,000	\$ 366,000
Holy Name Church	17,625	24,135
St. Vincent de Paul Church	<u>-</u>	<u>172,990</u>
	<u>\$ 395,625</u>	<u>\$ 563,805</u>

A summary of approximate net future minimum payments under operating leases as of June 30, 2022 is as follows:

<u>Year</u>	<u>Total</u>
2023	\$ 614,000
2024	556,000
2025	476,000
2026	<u>5,000</u>
	<u>\$ 1,651,000</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2022.

**(9) Grants and Contracts**

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

**(10) Transactions with Related Parties**

Catholic Charities purchases certain services from the Diocese, under separate operating agreements including human resources, software support and maintenance, and payroll services. Fees for these services totaled \$48,668 in 2022 and 2021 and are included in purchased services in the statements of functional expenses.

The Organization received management fees from the Center of \$36,000 in 2021 and are included in service fees in the statements of activities.

# **CATHOLIC CHARITIES OF TENNESSEE, INC.**

## **Notes to Financial Statements**

**June 30, 2022 and 2021**

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

### **(11) In-Kind Donations**

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

The Organization also received certain donated goods and program space from donors. These donations are recognized in the financial statements at fair market value when received. Donated goods consist primarily of clothing, furniture and household items which are valued based on similar goods, such as thrift or other resale values. Donated program space is valued based on estimated rental rates for space of comparable size, location and purpose. The Organization does not monetize in-kind donations but consumes those donations for use in providing the Organization's charitable services and are generally restricted to specific programs.

### **(12) Commitments and Contingencies**

Catholic Charities has one program that is subject to grant matching requirements, the Match Grant/Free Case Resettlement program. This program is eligible for a 50% matching requirement, 20% of which must be cash or cash equivalents. The required match for fiscal year 2022 grant was approximately \$61,000. There was no required match for fiscal year 2021, as it was suspended through December 31, 2022 due to the coronavirus.

**CATHOLIC CHARITIES OF TENNESSEE, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

ALN	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2021	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2022
<b>FEDERAL AWARDS</b>							
14.218	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Community Development Block Grant Community Development Block Grant <b>Total Program</b>	MDHA MDHA	\$ - -	\$ 8,827 -	\$ 8,827 10,454	\$ - 25,318	\$ - 14,864
			-	8,827	19,281	25,318	14,864
14.231	U.S. Department of Housing and Urban Development Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant Emergency Solutions Grant  Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant Emergency Solutions Grant  Pass-through from Metropolitan Development and Housing Agency Emergency Solutions Grant Emergency Solutions Grant <b>Total Program</b>	MDHA MDHA  MDHA MDHA  MDHA MDHA	- -  - -  - -	634 -  18,333 -  3,126 -	634 6,190  18,333 65,985  3,126 41,560	- 9,047  - 68,710  - 42,676	- 2,857  - 2,725  - 1,116
			-	22,093	135,828	120,433	6,698
16.321	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration Antiterrorism and Emergency Assistance Program (AEAP) <b>Total Program</b>	Edison # 76235	- -	- -	- -	56,054 56,054	56,054 56,054
16.575	U.S. Dept. of Justice: Crime Victim Assistance Pass-through from State of Tennessee Department of Finance and Administration Victims of Crime Program - VOCA Victims of Crime Program - VOCA  Victims of Crime Program - Refugee VOCA  Victims of Crime Program - VOCA - Nashville Bombing Victims of Crime Program - VOCA - Nashville Bombing <b>Total Program</b>	Edison # 35784 Edison # 35784  Edison # 43173 Edison # 43173	- -  - -	25,947 -  374,539 632,390	25,947 241,856  374,539 632,390	- 268,077  - 632,390	- 26,221  - -
			-	400,486	1,301,952	934,138	32,672
16.726	U.S. Dept. of Justice Pass-through from Catholic Charities USA Multi-State Mentoring Program Multi-State Mentoring Program <b>Total Program</b>	2018-JU-FX-0018 15PJDP-21-GG-03594-MENT	- -	16,539 -	16,539 63,680	- 75,061	- 11,381
			-	16,539	80,219	75,061	11,381
17.258	Tennessee Department of Labor and Workforce Development Northern Middle TN Workforce Board <b>Total Program</b>	NM-04-McG-CC	- -	- -	8,246 8,246	11,264 11,264	3,018 3,018
19.510	U.S. Dept. of State, Bureau of Population, Refugees, and Migration Pass-through from United States Catholic Conference of Bishops Reception & Placement - Nashville Reception & Placement - Nashville  Pass-through from United States Catholic Conference of Bishops 2021 Afghan Placement and Assistance Program <b>Total Program</b>	S-PRMCO-20 and 21-CA-3001 S-PRMCO-21-CA-3001  S-PRMCO-21 and 21-CA-3291	- -  -	37,246 -  -	37,246 391,512  851,829	- 417,758  859,156	- 26,246  7,327
			-	37,246	1,280,587	1,276,914	33,573
21.019	U.S. Department of the Treasury State of Tennessee CARES Act Fund <b>Total Program</b>		- -	(1,263) (1,263)	(1,263) (1,263)	- -	- -
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 <b>Total Program</b>	33109-03318 33109-03318	- -	155,918 -	155,918 235,067	- 240,160	- 5,093
			-	155,918	390,985	240,160	5,093

See accompanying independent auditors' report

**CATHOLIC CHARITIES OF TENNESSEE, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

[illegible]

See accompanying independent auditors' report

**CATHOLIC CHARITIES OF TENNESSEE, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

ALN	Grant Description	Grant Number	Passed Through to Subrecipients	Receivable Balance June 30, 2021	Receipts and Other Reductions	Expenditures	Receivable Balance June 30, 2022
93.590	U.S. Dept. of Justice: Crime Victim Assistance						
	Pass-through from State of Tennessee Department of Children's Services						
	Child Abuse Prevention Services	EDISON 57673	-	434	434	-	-
	Child Abuse Prevention Services	EDISON 57673	-	-	7,954	20,159	12,205
	Total Program		-	434	8,388	20,159	12,205
93.598	U.S. Committee for Refugees and Immigrants						
	Trafficking Victim Assistance Program	90ZV0137-01-00	-	451	451	-	-
	Trafficking Victim Assistance Program	90ZV0137-01-00	-	-	592	1,142	550
	Total Program		-	451	1,043	1,142	550
93.658	U.S. Dept. of Health and Human Services - Administration for Children and Families						
	Pass through from State of Tennessee						
	Home Study Services	EDISON 49046	-	29,599	29,599	-	-
	Home Study Services	EDISON 49046	-	-	45,511	45,511	-
	Total Program		-	29,599	75,110	45,511	-
93.676	U.S. Federal Government - Corporation for National and Community Service						
	Pass-through from United States Catholic Conference:						
	Safe Passages	SP11-21-13	-	16,824	16,824	-	-
	Safe Passages	SP11-21-13	-	-	53,362	59,064	5,702
	Pass through from Lutheran Immigration and Refugee Service						
	Safe Release Support Services	90ZU0318	-	33,024	33,024	-	-
	Safe Release Support Services	90ZU0318	-	-	55,383	95,679	40,296
	Safe Release Support Services	90ZU0394-01-00	-	-	16,166	19,515	3,349
	Safe Release Support Services	90ZU0394-01-00	-	-	-	1,320	1,320
	Safe Release Support Services	90ZU0394-01-00	-	-	-	220	220
	Total Program		-	49,848	174,759	175,798	50,887
97.024	U.S. Department of Homeland Security						
	Emergency Food and Shelter National Board Program						
	Emergency Food and Shelter Program		-	-	1,181	1,181	-
	Emergency Food and Shelter Program		-	-	20,000	20,000	-
	Emergency Food and Shelter Program		-	-	48,049	48,049	-
	Emergency Food and Shelter Program		-	-	10,100	10,100	-
	Emergency Food and Shelter Program		-	-	15,460	15,460	-
	Emergency Food and Shelter Program		-	-	16,242	16,242	-
	Emergency Food and Shelter Program		-	-	22,722	22,722	-
	Total Program		-	-	133,754	133,754	-
	Sub-total Federal Awards			3,100,565	1,770,266	14,936,087	2,511,367

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Notes to the Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2022**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Catholic Charities of Tennessee, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**(2) Summary of Significant Accounting Policies**

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

**(3) Indirect Cost Rate**

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

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Schedule of Board of Trustees and Management**

**Year ended June 30, 2022**

**Board of Trustees**

**Gina Emmanuel, President**

**Greg Pope, Vice President**

**John Brew, Secretary**

**Michael Ratino, Treasurer**

**Brian Bialak**

**Heidi Bundren**

**Sherry Cummings**

**Deanna Dibin**

**Renee Drake**

**Tony Dunning**

**William Farmer**

**John Garr Hamrick**

**Deacon Bill Hill**

**Father Mark Hunt**

**Catherine Kelly**

**Mark Lenihan**

**Bill McGugin**

**Jim McIntyre**

**Lissa Renk**

**Patrick Sheehy**

**Leo Silva**

**Drew Tyrer**

**Members of Management**

**Judy Orr, Executive Director**

**Debby Morrow, Financial Services and Contract Compliance Director**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of Tennessee, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 17, 2022.

**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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

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

*LBMC, PC*

Brentwood, Tennessee  
November 17, 2022

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Catholic Charities of Tennessee, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Organization's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*LBMCP, PC*

Brentwood, Tennessee  
November 17, 2022

CATHOLIC CHARITIES OF TENNESSEE, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_yes   x  no  
Significant deficiency(ies) identified? \_\_\_yes   x  none reported

Noncompliance material to financial statements noted? \_\_\_yes   x  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_yes   x  no  
Significant deficiency(ies) identified? \_\_\_yes   x  none reported

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

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

Identification of major programs for the Organization for the fiscal year ended June 30, 2022 are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
19.510	U.S. Dept. of State, Bureau of Population, Refugees, and Migration
93.558	U.S. Dept. of Health and Human Services - Administration for Children and Families
93.567	U.S. Dept. of Health and Human Services: Refugee Assistance

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

Auditee qualified as low-risk auditee?   x  yes \_\_\_no

**FINANCIAL STATEMENT FINDINGS**

None noted

**FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS**

None noted

**CATHOLIC CHARITIES OF TENNESSEE, INC.**

**Summary Schedule of Prior Audit Findings**

**June 30, 2022**

**Financial Statement Findings**

**There were no prior findings reported**

**Federal Award Findings and Questioned Costs**

**There were no prior findings reported**