

**CATHOLIC CHARITIES, INC.
JACKSON, MISSISSIPPI**

**Audited Financial Statements
Year Ended June 30, 2018**
(With Summarized Financial Information
For the Year Ended June 30, 2017)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities, Inc.
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Inc. (the Organization) (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was 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 applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Ridgeland, Mississippi
March 18, 2019

CATHOLIC CHARITIES, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 3,424	\$ 3,936
Grants receivable (Note 5)	1,194,537	1,179,142
Pledges receivable, current portion (Note 2)	95,304	64,688
Designated funds on deposit in Catholic Diocese of Jackson		
Deposit and Loan Fund	30,917	30,305
Prepaid expenses	37,500	47,266
Total Current Assets	<u>1,361,682</u>	<u>1,325,337</u>
Noncurrent assets		
Property and equipment, at cost		
less accumulated depreciation of \$510,103 - 2018	78,909	69,628
and \$488,704 - 2017 (Note 3)		
Pledges receivable, net of discount, allowance		
and current portion (Note 2)	32,922	83,941
Beneficial interest in perpetual trusts- permanently restricted (Note 9)	597,674	587,174
Beneficial interest in perpetual trusts- board designated (Note 9)	371,925	370,038
Reserve for unemployment claims (Note 12)	142,557	147,589
Total Noncurrent Assets	<u>1,223,987</u>	<u>1,258,370</u>
Total Assets	<u>\$ 2,585,669</u>	<u>\$ 2,583,707</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Excess of outstanding checks over bank balance	\$ 139,023	\$ 236,638
Accounts payable and accrued expenses	201,994	188,048
Accrued salaries	44,650	51,792
Advance from Catholic Diocese of Jackson Deposit and Loan Fund	833,153	270,603
Total Current Liabilities	<u>1,218,820</u>	<u>747,081</u>
Net Assets		
Unrestricted (Deficit)	(176,397)	(95,094)
Unrestricted - Board designated (Note 8)	508,768	654,892
Total unrestricted	<u>332,371</u>	<u>559,798</u>
Temporarily restricted (Note 8)	436,804	689,654
Permanently restricted (Note 8)	597,674	587,174
Total Net Assets	<u>1,366,849</u>	<u>1,836,626</u>
Total Liabilities and Net Assets	<u>\$ 2,585,669</u>	<u>\$ 2,583,707</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2018</u>	<u>2017</u>
Public Support and revenue					
Received directly					
Contributions	\$ 1,146,204	\$ 115,028	\$ 7,200	\$ 1,268,432	\$ 1,139,224
Other income	30,550	-	-	30,550	36,900
Donated services	112,176	-	-	112,176	131,592
	<u>1,288,930</u>	<u>115,028</u>	<u>7,200</u>	<u>1,411,158</u>	<u>1,307,716</u>
Grants from governmental agencies and private foundations	1,822,793	3,821,152	-	5,643,945	6,751,720
Total Public Support	<u>3,111,723</u>	<u>3,936,180</u>	<u>7,200</u>	<u>7,055,103</u>	<u>8,059,436</u>
Revenue					
Program service fees	1,373,075	15,657	-	1,388,732	1,098,516
Change in value of beneficial interest in perpetual trusts	1,888	-	3,300	5,188	5,092
Investment income	16,847	-	-	16,847	2,405
Total Revenue	<u>1,391,810</u>	<u>15,657</u>	<u>3,300</u>	<u>1,410,767</u>	<u>1,106,013</u>
Net assets released from restrictions/ satisfaction of program restrictions	<u>4,204,687</u>	<u>(4,204,687)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>8,708,220</u>	<u>(252,850)</u>	<u>10,500</u>	<u>8,465,870</u>	<u>9,165,449</u>
Expenses					
Program Services					
PACEM	254,617	-	-	254,617	305,951
Adoptions/Maternity/Foster Care	137,625	-	-	137,625	85,748
Solomon Counseling Center	308,176	-	-	308,176	459,828
Unaccompanied Refugee Minor	1,618,081	-	-	1,618,081	1,727,088
Domestic Violence Services	840,891	-	-	840,891	930,104
Rape Crisis Center	230,671	-	-	230,671	374,005
Guardian Shelter/ RCC	866,680	-	-	866,680	946,680
Natchez Services	96,014	-	-	96,014	88,519
Children's Mental Health Services	2,259,602	-	-	2,259,602	2,171,886
Alcohol/Drug Abuse Services	448,294	-	-	448,294	505,153
Disaster services	101,524	-	-	101,524	114,247
Northeast Services	90,841	-	-	90,841	57,566
Veterans Services	401,163	-	-	401,163	290,244
Total Program Services	<u>7,654,179</u>	<u>-</u>	<u>-</u>	<u>7,654,179</u>	<u>8,057,019</u>
Supporting Services					
Management and general	943,570	-	-	943,570	955,649
Fundraising	337,898	-	-	337,898	348,614
Total Supporting Services	<u>1,281,468</u>	<u>-</u>	<u>-</u>	<u>1,281,468</u>	<u>1,304,263</u>
Total Expenses	<u>8,935,647</u>	<u>-</u>	<u>-</u>	<u>8,935,647</u>	<u>9,361,282</u>
Change in Net Assets	(227,427)	(252,850)	10,500	(469,777)	(195,833)
Net Assets at Beginning of Year	<u>559,798</u>	<u>689,654</u>	<u>587,174</u>	<u>1,836,626</u>	<u>2,032,459</u>
Net Assets at End of Year	<u>\$ 332,371</u>	<u>\$ 436,804</u>	<u>\$ 597,674</u>	<u>\$ 1,366,849</u>	<u>\$ 1,836,626</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Years Ended June 30, 2018
(With Comparative Totals For 2017)

	<u>PACEM</u>	<u>Adoption/ Maternity/ Foster Care</u>	<u>Solomon Counseling Center</u>	<u>Unaccompanied Refugee Minor</u>	<u>Domestic Violence Services</u>
Salaries	\$ 152,189	\$ 83,303	\$ 196,194	\$ 844,588	\$ 332,254
Payroll taxes	10,651	6,438	14,235	66,969	26,371
Employee benefits	21,168	20,099	53,489	186,073	134,636
Supplies and literature	11,753	954	2,608	13,867	8,113
Telephone	5,168	1,902	2,904	23,210	12,979
Conferences, conventions and meetings	7,816	1,841	-	12,302	472
Subsistence, housing, medical and related subsidies	4,811	-	-	270,519	174,445
Equipment purchases	365	-	-	4,414	-
Occupancy	13,493	15,240	31,824	139,003	83,013
Professional fees	5,740	1,998	4,180	16,165	8,889
Transportation and travel	12,941	2,219	810	29,052	13,506
Insurance	6,581	125	299	750	3,474
Repairs and maintenance		-	-	4,062	22,710
Printing	1,710	906	1,619	6,512	444
Promotion and public relations	-	2,188	14	595	-
Donated goods and services	-	-	-	-	19,442
Total expenses before depreciation	<u>254,386</u>	<u>137,213</u>	<u>308,176</u>	<u>1,618,081</u>	<u>840,748</u>
Depreciation of property and equipment	<u>231</u>	<u>412</u>	<u>-</u>	<u>-</u>	<u>143</u>
Totals	<u>\$ 254,617</u>	<u>\$ 137,625</u>	<u>\$ 308,176</u>	<u>\$ 1,618,081</u>	<u>\$ 840,891</u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Years Ended June 30, 2018
(With Comparative Totals For 2017)

	Rape Crisis Center	Guardian Shelter / RCC	Natchez Services	Children's Mental Health Services
Salaries	\$ 107,754	\$ 415,562	\$ 32,890	\$ 1,155,966
Payroll taxes	8,605	32,269	2,535	89,159
Employee benefits	18,229	121,804	10,439	272,369
Supplies and literature	1,659	25,193	503	32,384
Telephone	3,357	9,181	3,123	16,730
Conferences, conventions and meetings	150	1,829	217	29,659
Subsistence, housing, medical and related subsidies	-	139,675	40,737	294,350
Equipment purchases	-	1,478	-	1,977
Occupancy	15,192	52,996	1,638	128,927
Professional fees	1,169	6,584	510	121,798
Transportation and travel	8,410	8,897	-	67,370
Insurance	150	1,299	173	898
Repairs and maintenance	-	17,262	478	36,885
Printing	2,278	3,227	2,347	6,870
Promotion and public relations	-	171	171	10
Donated goods and services	63,718	29,016	-	-
Total expenses before depreciation	<u>230,671</u>	<u>866,443</u>	<u>95,761</u>	<u>2,255,352</u>
Depreciation of property and equipment	<u>-</u>	<u>237</u>	<u>253</u>	<u>4,250</u>
Totals	<u>\$ 230,671</u>	<u>\$ 866,680</u>	<u>\$ 96,014</u>	<u>\$ 2,259,602</u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Years Ended June 30, 2018
(With Comparative Totals For 2017)

	Alcohol/ Drug Abuse Services	Disaster Services	Northeast Services	Veteran Services	Total Program Services
Salaries	\$ 225,188	\$ 38,391	\$ 43,830	\$ 103,549	\$ 3,731,658
Payroll taxes	18,109	2,966	3,202	8,237	289,746
Employee benefits	57,396	6,122	6,521	30,820	939,165
Supplies and literature	25,003	515	1,330	25,742	149,624
Telephone	5,898	-	1,605	3,426	89,483
Conferences, conventions and meetings	122	1,585	1,709	213	57,915
Subsistence, housing, medical and related subsidies	23,666	34,967	27,942	192,245	1,203,357
Equipment purchases	-	-	-	-	8,234
Occupancy	60,148	6,459	2,070	10,704	560,707
Professional fees	1,147	6,215	279	4,535	179,209
Transportation and travel	13,280	3,959	1,557	19,875	181,876
Insurance	202	345	102	50	14,448
Repairs and maintenance	1,112	-	694	-	83,203
Printing	2,577	-	-	1,767	30,257
Promotion and public relations	-	-	-	-	3,149
Donated goods and services	-	-	-	-	112,176
Total expenses before depreciation	<u>433,848</u>	<u>101,524</u>	<u>90,841</u>	<u>401,163</u>	<u>7,634,207</u>
Depreciation of property and equipment	<u>14,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,972</u>
Totals	<u>\$ 448,294</u>	<u>\$ 101,524</u>	<u>\$ 90,841</u>	<u>\$ 401,163</u>	<u>\$ 7,654,179</u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Years Ended June 30, 2018
(With Comparative Totals For 2017)

	Support Services		Total Expenses	
	Management and General	Fund Raising	2018	2017
Salaries	\$ 519,057	\$ 87,483	\$ 4,338,198	\$ 4,593,019
Payroll taxes	39,847	6,965	336,558	363,808
Employee benefits	130,724	17,523	1,087,412	1,029,894
Supplies and literature	9,703	13,302	172,629	285,754
Telephone	13,952	1,507	104,942	94,163
Conferences, conventions and meetings	6,028	173,916	237,859	273,018
Subsistence, housing, medical and related subsidies	-	-	1,203,357	1,106,016
Equipment purchases	3,637	-	11,871	27,734
Occupancy	86,881	9,594	657,182	671,115
Professional fees	98,754	5,178	283,141	337,969
Transportation and travel	4,100	693	186,669	207,940
Insurance	787	75	15,310	57,302
Repairs and maintenance	5,435	-	88,638	80,277
Printing	15,171	19,029	64,457	62,977
Promotion and public relations	8,234	2,466	13,849	25,635
Donated goods and services	-	-	112,176	132,839
Total expenses before depreciation	<u>942,310</u>	<u>337,731</u>	<u>8,914,248</u>	<u>9,349,460</u>
Depreciation of property and equipment	<u>1,260</u>	<u>167</u>	<u>21,399</u>	<u>11,822</u>
Totals	<u>\$ 943,570</u>	<u>\$337,898</u>	<u>\$ 8,935,647</u>	<u>\$ 9,361,282</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ (469,777)	\$ (195,833)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	21,399	11,822
Provision for uncollectible pledges	11,219	86,608
Amortization of discount on pledges	(14,818)	9,350
Contributions restricted for long-term purposes	(7,200)	(10,761)
Change in value of beneficial interest in perpetual trusts	(5,188)	(5,093)
Changes in assets and liabilities		
Grants receivable	(15,395)	(351,249)
Pledges receivable	24,002	(72,811)
Deposits and other assets	-	(598)
Prepaid expenses	9,767	8,791
Accounts payable and accrued expenses	13,946	1,011
Accrued salaries	(7,142)	14,028
Deferred income	-	(10,770)
Net cash used in operating activities	(439,187)	(515,505)
Cash Flows From Investing Activities		
Net savings fund withdrawals (deposits) from Catholic Diocese of Jackson Deposit and Loan Fund	(612)	265,803
Investment in perpetual trusts	(7,200)	(10,761)
Contributions restricted for long-term purposes	7,200	10,761
Purchase of property and equipment	(30,680)	(57,423)
Reserve for unemployment claims, net	5,032	3,011
Net cash provided by (used in) investing activities	(26,260)	211,391
Cash Flows From Financing Activities		
Outstanding checks in excess of bank balances	(97,615)	32,981
Advance from Catholic Diocese of Jackson Deposit and Loan Fund	562,550	270,603
Net cash provided by financing activities	464,935	303,584
Net decrease in cash and cash equivalents	(512)	(530)
Cash and Cash Equivalents, Beginning of Year	3,936	4,466
Cash and Cash Equivalents, End of Year	\$ 3,424	\$ 3,936

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Catholic Charities, Inc. (the Organization) is a Mississippi not-for-profit corporation established in 1963 as the social service agency of the Catholic Diocese of Jackson, Mississippi (Diocese). The mission of the Organization is multi-faceted and includes direct service, advocacy and public consciousness raising. Services are provided for all people regardless of religious affiliation, race, color or country of origin.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are funds that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are funds whose use by the Organization have been limited by donor stipulations that limit the use of the contributed assets to (a) later periods or after specific dates (time restrictions), (b) specific purposes (purpose restrictions) or (c) both.

Permanently restricted net assets represent endowment funds which are subject to the restriction of donors that the principal be invested in perpetuity and only the income be utilized.

Summarized Financial Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with GAAP 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, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable represents amounts owed to the Organization for costs incurred under federal, state and private grant contracts which are reimbursable to the Organization. Grants receivable are reported at net realizable value. Due to the nature of grants receivable and because historical losses related to grants receivable have been insignificant, the direct write-off method is used to account for uncollectible amounts.

Pledges Receivable

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on these amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Unconditional promises to give are recorded as receivables and revenues. Conditional promises to give are not included as support until the conditions are substantially met. Due to the nature of the pledges receivable and management's experience on the collection of pledges receivables, an allowance for doubtful accounts has been established. On a continuing basis, receivables are analyzed and, when determined to be collectible, are written off through a charge against revenue.

Beneficial Interest in Perpetual Trusts

The Organization is an income beneficiary of certain irrevocable trusts held by The Catholic Foundation of the Diocese of Jackson, Mississippi, Inc. (the Foundation). The Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity. The Organization records an asset equal to the fair value of its beneficial interest in these trusts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are expensed in the period incurred; major renewals and betterments are capitalized. When items of property are sold or retired, the related costs are removed from the accounts and any gain or loss is included in income. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$21,399 and \$11,822 for the years ended June 30, 2018 and 2017, respectively.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Asset Impairments

In accordance with GAAP, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows is less than the carrying amount of the asset. No impairment losses were recognized in 2018 and 2017.

Net Assets

Restricted net assets are those which have been restricted by individuals or entities outside of the Organization. The restriction may be temporary or permanent, depending upon the terms of the funding source. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. The unrestricted net asset category contains assets and contributions or grants that are not restricted by donors or grantors or for which restrictions have expired. Board designated net assets are certain unrestricted net assets designated by the Board for future use by specific programs.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

The Organization reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are reported in the accompanying financial statements at the estimated fair value of the services received.

Certain federal and state grants are considered to be for the purchase of goods and services and, therefore, are deemed to be exchange transactions rather than contributions. Accordingly, such grant revenue is recognized as goods are provided or services are rendered.

Program service fees represent fees charged to clients and are recognized as services are rendered.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates developed by management.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

The Organization files Form 990, Return of Organization Exempt from Income Tax annually. As an exempt organization, no provision for income tax is recorded in the financial statements.

GAAP outlines the accounting for uncertainty in income taxes in a company's financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return.

Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the years ended June 30, 2018 and 2017.

The Organization's tax returns are still open to examination by taxing authorities for fiscal years 2015 through 2017.

NOTE 2 **PLEDGES RECEIVABLE**

As a result of the Journey of Hope, the Organization had pledges receivable at June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 95,304	\$ 64,688
Receivable in one to five years	109,670	187,247
Total pledges receivable	<u>204,974</u>	<u>251,935</u>
Less discounts to net present value at 6.89 percent		
Discount to net present value at 6.89%	(25,504)	(40,322)
Allowance for doubtful accounts	(51,244)	(62,984)
Net pledges receivable	<u>128,226</u>	<u>148,629</u>
Less current portion	(95,304)	(64,688)
Non current portion	<u>\$ 32,922</u>	<u>\$ 83,941</u>

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 3 **PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Building improvements	\$ 52,534	\$ 42,385
Vehicles	57,423	57,423
Furniture and equipment	479,055	458,524
	<u>589,012</u>	<u>558,332</u>
Less accumulated depreciation	(510,103)	(488,704)
Total	<u>\$ 78,909</u>	<u>\$ 69,628</u>

NOTE 4 **DONATED SERVICES**

During the years ended June 30, 2018 and 2017, the Organization received the use of facilities for which rent would have totaled \$29,016 each year. The Organization also received the services of rape crisis volunteers and volunteer grandparents who volunteered time along with individuals who donated miscellaneous goods to Domestic Violence Services, and the Rape Crisis Center totaling \$83,160 in 2018 and \$102,576 in 2017. The total of these amounts is reflected in the accompanying statements of activities as donated services revenue and in-kind expenses within the applicable program.

NOTE 5 **GRANTS FROM GOVERNMENTAL AGENICES AND PRIVATE FOUNDATIONS**

During the years ended June 30, 2018 and 2017, the Organization was the recipient of governmental and private grants totaling approximately \$5,640,000 and \$6,700,000, respectively, to fund twenty-one of its programs.

The receivables from the grants related to the program services were as follows at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Born Free/New Beginnings	\$ 42,970	\$ 67,864
Domestic Violence Services	376,073	210,045
Guardian Shelter and Rape Crisis Center	138,937	237,806
Hope Haven Residential	36,947	43,512
Hope Haven Home Based	27,604	50,059
Solomon Counseling Center	14,692	42,347
Therapeutic Foster Care	126,134	125,620
Unaccompanied Refugee Minors	425,371	351,932
Veteran's Services	-	46,977
Management and General	5,809	2,980
	<u>\$ 1,194,537</u>	<u>\$ 1,179,142</u>

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 5 **GRANTS FROM GOVERNMENTAL AGENICES AND PRIVATE FOUNDATIONS (CONTINUED)**

Because the above grants offer valuable program services, it is the intention of the Organization's management, subject to the availability of governmental and private funds, to participate in similar grants in the future.

NOTE 6 **LEASES**

The Organization leases buildings and equipment under operating leases that expire at various dates through 2023. The leases require the Organization to pay maintenance, insurance, taxes and other expenses, in addition to the minimum rental payments. Rent expense under both cancelable and noncancelable operating leases, including donated rental facilities, totaled \$585,927 in 2018 and \$603,031 in 2017.

At June 30, 2018, the aggregate annual rental payments due under noncancelable operating leases, with initial or remaining terms of one year or more, were as follows:

	<u>Amount</u>
2019	\$ 426,652
2020	364,886
2021	357,873
2022	323,948
2023	<u>136,074</u>
Total	<u>\$ 1,609,433</u>

NOTE 7 **RETIREMENT PLAN**

The Organization participates with the Diocese in the Pension Plan for Employees of the Catholic Diocese of Jackson (the Plan), which is a multi-employer defined benefit plan. The Plan is an insured non-contributory plan that covers lay employees who have attained the age of 21 and completed one year of service. Effective June 30, 2014, the Diocese closed the Plan to new participants and froze the benefit accruals of all participants. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If an employer chooses to stop participating in some of its multi-employer plans, the employer may be required to pay those plans an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 7 RETIREMENT PLAN (CONTINUED)

The following information was derived from an actuarial valuation of the plan as of July 1, 2017.:

Employees are fully vested after seven years of service based on a graduated vesting schedule and the normal retirement age is defined as the employee's 65th birthday, but the Plan also provides for early retirement, disability and death benefits. Benefits are provided through an insurance contract and are based on years of service and average monthly earnings. Funding is accomplished through annual actuarially determined employer contributions based on the anticipated funding of employees' pension benefits spread over the period from their dates of employment to their dates of retirement.

The Plan had total assets of \$6,884,521 and an accumulated benefit obligation of \$12,368,202 for the year ended June 30, 2017, which is the most current information available. Contributions of \$304,809 and \$278,379 were paid by the Organization during the fiscal years ended June 30, 2018 and 2017, respectively. The contributions for the entire plan for the year ended June 30, 2017 were \$328,375. Future plan contributions will be expensed as paid. Benefits paid for the entire plan for the year ended June 30, 2017 were \$548,208. The financial health of the multiemployer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the Plan as certified by the Plan's actuary. Plans in the red zone are less than 65 percent funded, the yellow zone are between 65 percent and 80 percent funded and the green zone are at least 80 percent funded. The current zone for the Organization is red. Because the Plan is a church plan and is not subject to ERISA requirements, a funding improvement plan is not required. Also, the Plan is not audited as there is no audit requirement.

Effective July 1, 2014, the Organization established a defined contribution 401(k) plan (the 401(k) Plan). The 401(k) Plan covers all full-time employees except Relief Staff. The Organization matches 100% of the elective contributions not to exceed 4% of compensation received during the plan year. In addition, the Organization makes an employer base contribution equal to 2% of compensation for the plan year. Participants must be at least 21-years of age and must have completed one year of service or at least 501 hours of service within that twelve-month period to receive employer base contributions and employer matching contributions. The 401(k) Plan offers both pre-tax and Roth options. For the years ended June 30, 2018 and 2017, employer contributions of \$116,656 and \$125,579, respectively, were made to the 401(k) Plan.

NOTE 8 RESTRICTIONS ON NET ASSETS

The Organization's Board of Directors has the authority to designate certain unrestricted net assets for specific programs. The designation can be lifted at any time by the Board and thus do not represent any type of temporary restriction. The following were board designated net assets for the years ended June 30, 2018 and 2017:

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 8 RESTRICTIONS ON NET ASSETS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Hope Haven Home Based	\$ 82,692	\$ 202,541
Shelter for Battered Families	4,736	7,596
Natchez Office	-	12,500
Northeast Office	19,931	1,872
Parish Social Ministries	2,925	8,901
Parish Health Ministry	26,559	27,018
Immigration Services	-	20,289
Veterans Services	-	4,137
Catholic Charities Trust	63,220	62,906
Catholic Charities Victims of Abuse Trust	7,623	7,547
Catholic Charities Northeast Office Trust	5,829	5,800
Associated Charities Trust	295,253	293,785
	<u>\$ 508,768</u>	<u>\$ 654,892</u>

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Alcohol and Drug Abuse Services	\$ 24,245	\$ 34,458
D'Evereaux Hall and St. Mary's Orphan Asylum	30,917	30,305
Emergency Assistance	29,374	25,376
Disaster Assistance	25,715	53,268
Disaster Preparedness	-	6,608
Immigration Services	38,581	3,294
Journey of Hope	137,848	188,951
Northeast Office	10,008	44,229
Parish Based Ministry	19,515	16,617
Services to Children	117,098	241,240
Services to Families	-	15,636
Domestic Violence Services	5,031	14,884
Unaccompanied Refugee Minor Program	(1,528)	14,788
	<u>\$ 436,804</u>	<u>\$ 689,654</u>

Permanently restricted net assets consist of endowment funds established for the purpose of assisting the Organization with general and program operations. Permanently restricted net assets are classified and reported based on the existence or absence of donor restricted funds. The invested funds associated with permanently restricted net assets are on deposit with the Foundation and the Foundation allocates the interest based on its investment policy. The Foundation's investment policy is to allocate the total interest earned to each trust based on the balance in that trust. The Organization has not experienced any losses on these deposits in the past and management does not believe that it is exposed to any significant credit risk. As allowed by donor restriction, interest income is allocated between corpus and general operations as directed by the Organization.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 8 RESTRICTIONS ON NET ASSETS (CONTINUED)

The Organization is subject to the state of Mississippi’s enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization interprets the current state law regarding the treatment of endowments as the preservation of purchasing power and prudent expenditure of endowment funds and related appreciation.

NOTE 9 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization has a beneficial interest in perpetual trusts held by the Foundation. The Foundation was granted no variance power to redirect the use of the assets to another beneficiary. On an annual basis, the Foundation distributes net income from these funds to the Organization as determined by the Foundation’s spending policy. As of June 30, 2018 and 2017, the trusts had fair values totaling \$969,599 and \$957,212, respectively, which are included in the accompanying statements of financial position as beneficial interest in perpetual trusts as follows:

	2018	2017
Beneficial interest in perpetual trusts - permanently restricted	\$ 597,674	\$ 587,174
Beneficial interest in perpetual trusts - board designated	371,925	370,038
	\$ 969,599	\$ 957,212

NOTE 10 FAIR VALUE MEASUREMENT

GAAP establishes a 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 three levels of the fair value hierarchy under GAAP are described below:

Level 1 Inputs are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 Inputs are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Beneficial interest in perpetual trusts: Measured at fair value based upon underlying assets.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 10 FAIR VALUE MEASUREMENT (CONTINUED)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Assets at Fair Value as of June 30, 2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in perpetual trusts	\$ -	\$ 969,599	\$ -

	Assets at Fair Value as of June 30, 2017		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in perpetual trusts	\$ -	\$ 957,212	\$ -

NOTE 11 RELATED PARTY TRANSACTIONS

The Organization has a relationship with the Diocese in which it receives a direct subsidy from the Catholic Service Appeal. The Catholic Service Appeal is the annual giving campaign of the Diocese, which provides support to the Organization. The Organization received \$400,000 and \$380,000 for 2018 and 2017, respectively.

In addition, the Organization received from the Diocese, subsidies of \$30,000 for the Solomon Counseling Center program, \$5,000 for the Northeast Office program, \$25,714 for the Born Free program and \$10,000 for the Migrant Support Services program for the year ended June 30, 2017.

The Organization also received \$30,000 for the Solomon Counseling Center program, \$10,000 for the Northeast Office program for the year ended June 30, 2018.

The Organization receives advances from the Diocese Deposit and Loan Fund to provide working capital for operations when needed. At June 30, 2018 and 2017, the advance payable to the Diocese was \$833,153 and \$270,603, respectively. The advance was unsecured.

By a Board of Directors resolution as of May 17, 2018 of Catholic Charities, Inc. it was resolved that \$800,000 of the advance from the Diocese become a loan to be paid back in 48 monthly installments at an annual interest rate of .25%. Payments have not been made in accordance with the agreement, therefore the entire balance has been shown as current.

By the same resolution, a credit line of \$500,000, beginning July 1, 2018, was authorized to the Organization from the Diocese.

The sweep bank account between the Organization and the Diocese was also eliminated by this resolution effective July 1, 2018.

CATHOLIC CHARITIES, INC.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

NOTE 12 **RESERVE FOR UNEMPLOYMENT CLAIMS**

The Organization has a cash reserve with Unemployment Securities Trust (UST) to be used for unemployment claims filed with the State of Mississippi (The State). This reserve is held in lieu of paying State unemployment taxes. UST pays the unemployment claims and provides claims monitoring services. Any unemployment claims charged to the Organization will be paid to the State on the Organization's behalf from the reserve account. Earnings on the balance in the reserve account is credited to the Organization. UST makes an annual determination of the Organization's required reserve balance. If the reserve account is determined to be overfunded, the Organization has the option of using the excess funds to apply to future deposits or requesting a refund of that amount. If the Organization decides to leave the program, all funds in the account (after any outstanding claims are settled) will be returned to the Organization. As of June 30, 2018 and 2017, the total reserve account balance was \$142,557 and \$147,589, including an overfunded portion of \$64,018 and \$70,960, respectively.

NOTE 13 **SUBSEQUENT EVENTS**

The Organization has subsequent events, as reflected below for the year ended June 30, 2018, through March 18, 2019, which is the date the financial statements were available to be issued.

Also, on October 24, 2018, a former employee filed a suit against the Organization for an incident that occurred on the premises. On December 3, 2018, the plaintiff agreed to an order dismissing all claims against the Organization.

CATHOLIC CHARITIES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Granting Agency/ Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Grant Award as of 06/30/18	Federal Expenditures
U. S. Department of Housing and Urban Development				
MS003714G001504	14.235	09/01/2016-08/31/2017	\$ 63,842	\$ 1,121
MS007864G001600	14.235	05/01/2017-04/30/2018	236,766	209,018
MS007864G001602	14.235	07/01/2017-09/30/2018	200,580	121,897
Total Direct Programs				<u>332,036</u>
Pass through from City of Jackson				
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	15,538
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	17,550
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	14,087
				<u>47,175</u>
Pass through from Mississippi Home Corp.				
1727-ESG-GSBF-16	14.321	09/01/2016-08/31/2017	100,000	10,136
1727-ESG-GSBF-17	14.321	10/01/2016-09/30/2018	89,420	69,590
				<u>79,726</u>
Total Pass-Through Programs				<u>126,901</u>
Total U. S. Department of Housing and Urban Development				
				<u>458,937</u>
U. S. Department of Veteran's Affairs				
14-MS-234	64.033	10/01/2016-09/30/2017	335,360	121,938
14-MS-234	64.033	10/01/2017-09/30/2018	349,730	271,569
Total U.S. Department of Veteran's Affairs				
				<u>393,507</u>
U. S. Department of Justice Programs				
2016-WH-AX-0064	16.736	10/01/2016-09/30/2018	350,000	153,267
Total Direct Programs				<u>153,267</u>
Pass through from Mississippi Department of Public Safety				
2015-KF-AX-0055	16.017	08/01/2016-07/31/2017	23,245	2,709
2015-KF-AX-0055	16.017	08/01/2016-07/31/2017	28,517	636
				<u>3,345</u>
Pass through from Mississippi Department of Health				
2016-KF-AX-0038	16.017	08/01/2016-07/31/2017	25,996	22,952
2016-VA-GX-0043	16.575	07/01/2017-06/30/2018	320,472	199,664
2016-VA-GX-0043	16.575	07/01/2017-06/30/2018	299,720	250,109
				<u>449,773</u>
2016-WF-AX-0043	16.588	07/01/2017-06/30/2018	24,338	-
2016-WF-AX-0043	16.588	07/01/2017-06/30/2018	28,346	20,361
				<u>20,361</u>
Total Pass-Through Programs				<u>496,431</u>
Total U. S. Department of Justice				
				<u>649,698</u>

CATHOLIC CHARITIES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Granting Agency/ Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Grant Award as of 06/30/18	Federal Expenditures
U.S. Department of Homeland Security				
LRO ID: 508902-042	97.024	10/01/2016-01/31/2018	13,500	13,500
LRO ID: 508902-026	97.024	10/01/2016-01/31/2018	15,000	15,000
LRO ID: 508902-026	97.024	02/01/2018-03/31/2019	15,000	4,189
LRO ID: 508902-011	97.024	02/01/2016-03/31/2018	14,266	14,266
LRO ID: 525600-011	97.024	10/01/2015-01/31/2018	10,000	10,000
Total U. S. Department of Homeland Security				56,955
U. S. Department of Health and Human Services				
Pass through from Mississippi Department of Human Services				
Therapeutic Foster Home	93.658	03/01/2016-02/28/2017	1,106,301	128,249
Therapeutic Foster Home	93.658	03/01/2016-09/30/2018	1,639,180	738,242
				866,491
G160IMSFPS	93.556	10/01/2016-09/30/2017	147,860	21,904
6010963	93.590	10/01/2016-09/30/2017	100,000	21,078
6013151	93.596	09/01/2017-08/31/2018	82,864	52,913
6008835	93.596	10/01/2016-08/31/2017	165,727	15,620
				68,533
1701MSCRA	93.566	10/01/2016-09/30/2017	1,791,193	383,507
1701MSCRA	93.566	10/01/2016-09/30/2017	312,330	73,282
601386/60113862	93.566	10/01/2017-09/30/2018	1,549,108	1,051,261
601386/60113862	93.566	10/01/2017-09/30/2018	316,071	237,656
				1,745,706
Pass through from Dept. of Mental Health				
8424-CYS-23-09-MAP-18	93.958	07/01/2017-06/30/2018	65,348	65,348
8409-CMHS-CYS-23-17	93.958	07/01/2017-06/30/2018	102,565	19,271
				84,619
Pass through from Dept. of Mental Health				
7659-17SABG-SWPHH-PG-59-24	93.959	07/01/2017-06/30/2018	223,571	223,571
7568-16SABG-SWP3QTRPG-59-23	93.959	07/01/2016-06/30/2017	153,500	2,478
7568-17SABG-SWP3QTRPG-59-24	93.959	07/01/2017-06/30/2018	115,125	115,125
7568-15SABG-HIV-SWP3QTR-PG-59-22	93.959	07/01/2017-06/30/2018	153,500	4,322
7571-16SABG-HIV-EIS-59-16	93.959	07/01/2017-06/30/2018	55,577	7,100
7571-17SABG-HIV-EIX-59-17	93.959	07/01/2017-06/30/2018	40,108	2,715
				355,311
5SNUF2CE002426-04-00	93.136	02/01/2017-07/31/2018	23,974	13,546
G-1701MSFVPS	93.671	07/01/2017-06/30/2018	53,200	51,554
G-1701MSFVPS	93.671	07/01/2017-06/30/2018	78,200	66,315
				117,869

CATHOLIC CHARITIES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Granting Agency/ Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Grant Award as of 06/30/18	Federal Expenditures
1NB010T009104-01-00	93.758	07/01/2017-06/30/2018	8,600	6,897
1NB010T009104-01-00	93.758	07/01/2017-06/30/2018	8,600	-
				<u>6,897</u>
Total U.S. Department of Health and Human Services				<u>3,301,954</u>
U. S. Department of Agriculture				
Pass through from Mississippi Department of Education				
V0000717810	10.558	10/01/2016-09/30/2017	15,600	2,287
V0000717810	10.558	10/01/2017-09/30/2018	15,998	4,798
Total U.S. Department of Agriculture				<u>7,085</u>
Total All Programs				<u>\$ 4,868,136</u>

N/A - The expenditures are based on a per diem rate per foster child. Accordingly, a specified contract award balance is not applicable.

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Catholic Charities, Inc. under programs of the federal government for the year ended June 30, 2018. 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 Catholic Charities, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities, Inc.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Expenditures reported on the Schedule are reported 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 available or are limited as to reimbursement.

Pass-through Entity Identifying Numbers - Pass-through entity identifying numbers are presented when available.

NOTE C INDIRECT COST RATE

Catholic Charities, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**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**

Board of Directors
Catholic Charities, Inc.
Jackson, Mississippi

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, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Grantham Poole Puc".

Ridgeland, Mississippi
March 18, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Catholic Charities, Inc.
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs. for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Ridgeland, Mississippi
March 18, 2019

CATHOLIC CHARITIES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

- | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | Material weakness(es) identified | None |
| | Reportable condition identified not considered to be material weaknesses | None Reported |
| 3. | Noncompliance material to financial statements which would be required to be reported in accordance with <i>Government Auditing Standards</i> | None |

Federal Awards

- | | | |
|----|--------------------------------------------------------------------------|---------------|
| 4. | Internal Control over major programs: | |
| | Material weakness identified | None |
| | Reportable condition identified not considered to be material weaknesses | None Reported |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. | Audit findings as required by 2 CFR section 200.516(a) | None |
| 7. | The programs tested as major programs were: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program</u> | |
| | CFDA 16.575 VOCA Victim Assistance | |
| | CFDA 93.658 Therapeutic Foster Home - State Administered Program | |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | \$ 750,000 |
| 9. | Auditee qualified as low-risk auditee | Yes |

Section II - Financial Statements Findings

There were no Financial Statement Findings for the year ended June 30, 2018.

Section III - Federal Award Findings and Questioned Costs

There were no Federal Award Findings or Questioned Costs for the year ended June 30, 2018.