

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

**Audited Financial Statements
June 30, 2019
(With Summarized Financial
Information June 30, 2018)**

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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, 2019 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 April 30, 2020, 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
April 30, 2020

CATHOLIC CHARITIES, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 76,440	\$ 3,424
Grants Receivable (Note 6)	886,839	1,194,537
Pledges Receivable, Current Portion (Note 3)	52,264	95,304
Designated Funds on Deposit in Catholic Diocese of Jackson		
CDJ Savings	32,818	-
D'Evereaux Hall/Saint Mary Asylum	31,541	30,917
Prepaid Expenses	11,425	37,500
Total Current Assets	1,091,327	1,361,682
Noncurrent Assets:		
Property and Equipment, at Cost		
Less Accumulated Depreciation of \$532,703 - 2019 and \$510,103 - 2018 (Note 4)	64,267	78,909
Pledges Receivable, Net of Discount, Allowance and Current Portion (Note 3)	9,558	32,922
Beneficial Interest In Perpetual Trusts- Permanently Restricted (Note 11)	610,602	597,674
Beneficial Interest In Perpetual Trusts- Board Designated (Note 11)	373,822	371,925
Reserve for Unemployment Claims (Note 14)	73,422	142,557
Total Noncurrent Assets	1,131,671	1,223,987
Total Assets	\$ 2,222,998	\$ 2,585,669
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Excess of Outstanding Checks Over Bank Balance	\$ -	\$ 139,023
Accounts Payable and Accrued Expenses	442,170	201,994
Accrued Salaries	43,490	44,650
Advance from Catholic Diocese of Jackson Deposit and Loan Fund	881,864	833,153
Total Current Liabilities	1,367,524	1,218,820
Net Assets:		
Without Donor Restrictions (Deficit)	(542,763)	(176,397)
Without Donor Restrictions - Board Designated (Note 9)	462,799	508,768
Total Without Donor Restrictions	(79,964)	332,371
With Donor Restrictions (Note 10)	935,438	1,034,478
Total Net Assets	855,474	1,366,849
Total Liabilities and Net Assets	\$ 2,222,998	\$ 2,585,669

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
Public Support and Revenue:				
Received Directly				
Contributions	\$ 850,887	\$ 165,768	\$ 1,016,655	\$ 1,268,432
Other Income	35,556	-	35,556	30,550
Donated Services	89,587	-	89,587	112,176
	<u>976,030</u>	<u>165,768</u>	<u>1,141,798</u>	<u>1,411,158</u>
Grants from Governmental Agencies and Private Foundations	<u>236,789</u>	<u>4,850,392</u>	<u>5,087,181</u>	<u>5,643,945</u>
Total Public Support	<u>1,212,819</u>	<u>5,016,160</u>	<u>6,228,979</u>	<u>7,055,103</u>
Revenue:				
Program Service Fees	1,194,895	8,915	1,203,810	1,388,732
Change in Value of Beneficial Interest in Perpetual Trusts	1,898	3,414	5,312	5,188
Investment Income	624	-	624	16,847
Total Revenue	<u>1,197,417</u>	<u>12,329</u>	<u>1,209,746</u>	<u>1,410,767</u>
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	<u>5,127,529</u>	<u>(5,127,529)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>7,537,765</u>	<u>(99,040)</u>	<u>7,438,725</u>	<u>8,465,870</u>
Expenses:				
Program Services:				
PACEM	240,167	-	240,167	254,617
Adoptions/Maternity/Foster Care	152,718	-	152,718	137,625
Solomon Counseling Center	252,097	-	252,097	308,176
Unaccompanied Refugee Minor	1,428,781	-	1,428,781	1,618,081
Domestic Violence Services	738,055	-	738,055	840,891
Rape Crisis Center	136,444	-	136,444	230,671
Guardian Shelter/ RCC	664,462	-	664,462	866,680
Natchez Services	77,701	-	77,701	96,014
Children's Mental Health Services	1,937,722	-	1,937,722	2,259,602
Alcohol/Drug Abuse Services	552,571	-	552,571	448,294
Disaster Services	45,109	-	45,109	101,524
Northeast Services	60,581	-	60,581	90,841
Veterans Services	328,959	-	328,959	401,163
Total Program Services	<u>6,615,367</u>	<u>-</u>	<u>6,615,367</u>	<u>7,654,179</u>
Supporting Services:				
Management and General	983,676	-	983,676	943,570
Fundraising	351,057	-	351,057	337,898
Total Supporting Services	<u>1,334,733</u>	<u>-</u>	<u>1,334,733</u>	<u>1,281,468</u>
Total Expenses	<u>7,950,100</u>	<u>-</u>	<u>7,950,100</u>	<u>8,935,647</u>
Change in Net Assets	<u>(412,335)</u>	<u>(99,040)</u>	<u>(511,375)</u>	<u>(469,777)</u>
Net Assets at Beginning of Year	<u>332,371</u>	<u>1,034,478</u>	<u>1,366,849</u>	<u>1,836,626</u>
Net Assets at End of Year	<u>\$ (79,964)</u>	<u>\$ 935,438</u>	<u>\$ 855,474</u>	<u>\$ 1,366,849</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals For 2018)

	<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	\$ 136,831	\$ 91,258	\$ 151,868	\$ 702,921	\$ 278,160
Payroll Taxes	8,412	6,849	10,319	52,388	20,993
Employee Benefits	17,835	23,279	50,426	175,138	108,925
Supplies and Literature	4,662	3,958	3,261	11,285	7,552
Telephone	4,025	1,824	1,280	21,557	12,388
Conferences, Conventions and Meetings	7,164	320	864	11,969	330
Subsistence, Housing, Medical and Related Subsidies	11,095	3,240	160	255,898	123,707
Equipment Purchases	1,538	-	2,009	8,002	4,170
Occupancy	17,354	16,886	23,438	140,321	91,397
Professional Fees	4,013	522	4,861	9,937	12,742
Transportation and Travel	17,470	2,739	1,772	24,316	12,108
Insurance	8,289	127	305	1,145	2,656
Repairs and Maintenance	-	-	-	3,407	11,656
Printing	1,306	657	1,534	6,817	776
Promotion and Public Relations	-	682	-	3,680	-
Donated Goods and Services	-	-	-	-	50,376
Total Expenses Before Depreciation	<u>239,994</u>	<u>152,341</u>	<u>252,097</u>	<u>1,428,781</u>	<u>737,936</u>
Depreciation of Property and Equipment	173	377	-	-	119
Totals	<u>\$ 240,167</u>	<u>\$ 152,718</u>	<u>\$ 252,097</u>	<u>\$ 1,428,781</u>	<u>\$ 738,055</u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals For 2018)

	<u>Rape Crisis Center</u>	<u>Guardian Shelter / RCC</u>	<u>Natchez Services</u>	<u>Children's Mental Health Services</u>
Salaries	\$ 61,766	\$ 361,395	\$ 32,983	\$ 1,008,980
Payroll Taxes	4,657	26,397	2,213	74,301
Employee Benefits	18,592	104,285	9,255	268,350
Supplies and Literature	4,719	12,730	29	14,006
Telephone	3,071	10,379	3,292	19,905
Conferences, Conventions and Meetings	60	155	224	22,228
Subsistence, Housing, Medical and Related Subsidies	-	34,242	23,872	223,368
Equipment Purchases	4,170	9,119	-	653
Occupancy	16,119	43,686	1,528	153,955
Professional Fees	5,415	8,261	384	68,352
Transportation and Travel	7,333	10,578	82	60,585
Insurance	152	1,312	177	918
Repairs and Maintenance	-	10,143	370	6,023
Printing	194	2,532	3,109	7,443
Promotion and Public Relations	-	14	14	700
Donated Goods and Services	10,196	29,016	-	-
Total Expenses Before Depreciation	<u>136,444</u>	<u>664,244</u>	<u>77,532</u>	<u>1,929,767</u>
Depreciation of Property and Equipment	-	218	169	7,955
Totals	<u>\$ 136,444</u>	<u>\$ 664,462</u>	<u>\$ 77,701</u>	<u>\$ 1,937,722</u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals For 2018)

	<u>Alcohol/ Drug Abuse Services</u>	<u>Disaster Services</u>	<u>Northeast Services</u>	<u>Veteran Services</u>	<u>Total Program Services</u>
Salaries	\$ 279,886	\$ 15,478	\$ 25,316	\$ 106,892	\$ 3,253,734
Payroll Taxes	20,992	1,087	1,949	7,899	238,456
Employee Benefits	63,987	2,342	1,950	22,400	866,764
Supplies and Literature	54,210	-	593	633	117,638
Telephone	5,694	-	1,280	3,864	88,559
Conferences, Conventions and Meetings	13,970	185	3,097	-	60,566
Subsistence, Housing, Medical and Related Subsidies	27,437	25,165	19,140	146,707	894,031
Equipment Purchases	-	-	-	-	29,661
Occupancy	52,000	776	2,331	11,887	571,678
Professional Fees	2,722	51	153	2,239	119,652
Transportation and Travel	15,847	-	3,820	26,284	182,934
Insurance	202	25	108	51	15,467
Repairs and Maintenance	336	-	744	-	32,679
Printing	2,817	-	-	103	27,288
Promotion and Public Relations	-	-	100	-	5,190
Donated Goods and Services	-	-	-	-	89,588
Total Expenses Before Depreciation	<u>540,100</u>	<u>45,109</u>	<u>60,581</u>	<u>328,959</u>	<u>6,593,885</u>
Depreciation of Property and Equipment	<u>12,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,482</u>
Totals	<u><u>\$ 552,571</u></u>	<u><u>\$ 45,109</u></u>	<u><u>\$ 60,581</u></u>	<u><u>\$ 328,959</u></u>	<u><u>\$ 6,615,367</u></u>

CATHOLIC CHARITIES, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals For 2018)

	Support Services		Total Expenses	
	Management and General	Fund Raising	2019	2018
Salaries	\$ 514,332	\$ 86,462	\$ 3,854,528	\$ 4,338,198
Payroll Taxes	37,030	6,613	282,099	336,558
Employee Benefits	130,064	19,755	1,016,583	1,087,412
Supplies and Literature	91,399	10,532	219,569	172,629
Telephone	9,924	1,189	99,672	104,942
Conferences, Conventions and Meetings	4,803	197,172	262,541	237,859
Subsistence, Housing, Medical and Related Subsidies	-	-	894,031	1,203,357
Equipment Purchases	2,226	-	31,887	11,871
Occupancy	97,921	10,336	679,935	657,182
Professional Fees	69,003	3,741	192,396	283,141
Transportation and Travel	4,794	2,610	190,338	186,669
Insurance	635	76	16,178	15,310
Repairs and Maintenance	5,774	-	38,453	88,638
Printing	11,692	7,826	46,806	64,457
Promotion and Public Relations	3,128	4,578	12,896	13,849
Donated Goods and Services	-	-	89,588	112,176
Total Expenses Before Depreciation	982,725	350,890	7,927,500	8,914,248
Depreciation of Property and Equipment	951	167	22,600	21,399
Totals	\$ 983,676	\$ 351,057	\$ 7,950,100	\$ 8,935,647

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (511,375)	\$ (469,777)
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used In) Operating Activities:		
Depreciation	22,600	21,399
Provision for Uncollectible Pledges	36,449	11,219
Amortization of Discount On Pledges	(17,231)	(14,818)
Contributions Restricted for Long-Term Purposes	(9,513)	(7,200)
Change in Value of Beneficial Interest in Perpetual Trusts	(5,312)	(5,188)
Changes In Assets and Liabilities		
Grants Receivable	307,698	(15,395)
Pledges Receivable	47,186	24,002
Prepaid Expenses	26,075	9,767
Accounts Payable and Accrued Expenses	240,176	13,946
Accrued Salaries	(1,160)	(7,142)
Net Cash Provided By (Used In) Operating Activities	135,593	(439,187)
Cash Flows From Investing Activities:		
Net Savings Fund Withdrawals (Deposits) from Catholic Diocese of Jackson	(33,442)	(612)
Investment In Perpetual Trusts	(9,513)	(7,200)
Contributions Restricted for Long-Term Purposes	9,513	7,200
Purchase of Property and Equipment	(7,958)	(30,680)
Reserve for Unemployment Claims, Net	69,135	5,032
Net Cash Provided By (Used In) Investing Activities	27,735	(26,260)
Cash Flows From Financing Activities:		
Outstanding Checks in Excess of Bank Balances	(139,023)	(97,615)
Advance from Catholic Diocese of Jackson Deposit and Loan Fund	48,711	562,550
Net Cash Provided By (Used In) Financing Activities	(90,312)	464,935
Net Increase (Decrease) in Cash and Cash Equivalents	73,016	(512)
Cash and Cash Equivalents, Beginning of Year	3,424	3,936
Cash and Cash Equivalents, End of Year	\$ 76,440	\$ 3,424

See accompanying notes to financial statements.

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 **ORGANIZATION AND 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.

New Accounting Standard

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Organization has adopted the standard and retrospectively applied the changes to the 2018 classifications.

Reclassification

Certain items in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 financial statement presentation. These reclassifications had no effect on previously reported net assets.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 985): Presentation of Financial Statements of Not-for-Profit Entities*. The changes in this standard have been reflected in the financial statements for all years presented.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets are subject to donor-imposed stipulations that may expire or may be met either by actions of the Organization or the passage of time.

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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, 2018, 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 uncollectible, 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.

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 \$22,600 and \$21,399 for the years ended June 30, 2019 and 2018, respectively.

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 2019 and 2018.

Net Assets

Restricted net assets are those which have been restricted by individuals or entities outside of the Organization. The restriction may be with donor restrictions, time or purpose restricted or with donor restrictions and perpetual in nature, 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, time restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restriction. The without donor restricted 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 without donor restricted 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 support without donor restrictions 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

June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND 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, 2019 and 2018.

The Organization's tax returns are still open to examination by taxing authorities for fiscal years 2016 through 2018.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

At June 30, 2019 The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 76,440
Grants Receivable	886,839
Pledge Receivable, Current Portion	52,264
CDJ Savings - on Deposit with Catholic Diocese of Jackson	32,818
D'Everaux Hall/Saint Mary Asylum- on Deposit with Catholic Diocese of Jackson	31,541
	<u>\$ 1,079,902</u>

At June 30, 2019, in addition to cash, grants receivable and pledge receivables the Organization has designated funds on deposit with the Catholic Diocese of Jackson of \$32,818 and \$31,541. None of the financial assets are subject to donor or other contractual restrictions. In addition, the Organization maintains a line of credit of \$500,000 with the Catholic Diocese of Jackson that is drawn upon as needed during the year to manage cash flow.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from the grant reimbursement requests, billings of program fees and general donations.

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 3 PLEDGES RECEIVABLE

As a result of the Journey of Hope fundraising event, the Organization had pledges receivable at June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Receivable in Less Than One Year	\$ 52,264	\$ 95,304
Receivable in One to Five Years	40,479	109,670
Total Pledges Receivable	92,743	204,974
Less Discounts to Net Present Value at 6.89 Percent		
Discount to Net Present Value at 6.89%	(7,854)	(25,504)
Allowance for Doubtful Accounts	(23,067)	(51,244)
Net Pledges Receivable	61,822	128,226
Less Current Portion	(52,264)	(95,304)
Non Current Portion	<u>\$ 9,558</u>	<u>\$ 32,922</u>

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Building Improvements	\$ 52,534	\$ 52,534
Vehicles	57,423	57,423
Furniture and Equipment	487,013	479,055
	596,970	589,012
Less Accumulated Depreciation	(532,703)	(510,103)
Total	<u>\$ 64,267</u>	<u>\$ 78,909</u>

NOTE 5 DONATED SERVICES

During the years ended June 30, 2019 and 2018, 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 \$60,571 in 2019 and \$83,160 in 2018. 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 6 GRANTS FROM GOVERNMENTAL AGENICES AND PRIVATE FOUNDATIONS

During the years ended June 30, 2019 and 2018, the Organization was the recipient of governmental and private grants totaling approximately \$5,087,000 and \$5,640,000, respectively, to fund twenty-one of its programs.

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 6 GRANTS FROM GOVERNMENTAL AGENICES AND PRIVATE FOUNDATIONS
(CONTINUED)

The receivables from the grants related to the program services were as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Born Free/New Beginnings	\$ 72,276	\$ 42,970
Domestic Violence Services	231,172	376,073
Guardian Shelter and Rape Crisis Center	174,133	138,937
Hope Haven Residential	12,360	36,947
Hope Haven Home Based	74,649	27,604
Solomon Counseling Center	21,050	14,692
Therapeutic Foster Care	75,276	126,134
Unaccompanied Refugee Minors	224,519	425,371
Management and General	1,404	5,809
	<u>\$ 886,839</u>	<u>\$ 1,194,537</u>

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 7 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 \$553,122 in 2019 and \$585,927 in 2018.

At June 30, 2019, 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>
2020	\$ 361,939
2021	301,103
2022	292,703
2023	139,829
2024	2,504
Total	<u>\$ 1,098,078</u>

NOTE 8 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:

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 8 RETIREMENT PLAN (CONTINUED)

- 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.

The following information was derived from an actuarial valuation of the plan as of July 1, 2018:

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 \$6,681,907 and an accumulated benefit obligation of \$12,160,994 for the year ended June 30, 2018, which is the most current information available. Contributions of \$308,676 and \$304,809 were paid by the Organization during the fiscal years ended June 30, 2019 and 2018, respectively. The contributions for the entire plan for the year ended June 30, 2018 were \$379,809. Future plan contributions will be expensed as paid. Benefits paid for the entire plan for the year ended June 30, 2018 were \$802,971. 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, 2019 and 2018, employer contributions of \$108,139 and \$116,656, respectively, were made to the 401(k) Plan.

NOTE 9 BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors has the authority to designate certain net assets without donor restrictions for specific programs. The designation can be lifted at any time by the Board and thus do not represent any type of donor restriction. The following were board designated net assets for the years ended June 30, 2019 and 2018:

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 9 BOARD DESIGNATED NET ASSETS (CONTINUED)

	2019	2018
Hope Haven Home Based	\$ 85,824	\$ 82,692
Shelter for Battered Families	2,613	4,736
Northeast Office	-	19,931
Parish Social Ministries	540	2,925
Parish Health Ministry	-	26,559
Catholic Charities Trust	63,536	63,220
Catholic Charities Victims of Abuse Trust	7,699	7,623
Catholic Charities Northeast Office Trust	5,858	5,829
Associated Charities Trust	296,729	295,253
	\$ 462,799	\$ 508,768

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2019 and 2018:

	2019	2018
Alcohol and Drug Abuse Services	\$ 62,485	\$ 24,245
D'Evereaux Hall and St. Mary's Orphan Asylum	31,541	30,917
Emergency Assistance	27,020	29,374
Disaster Assistance	18,500	25,715
Immigration Services	14,446	38,581
Journey of Hope	70,549	137,848
Northeast Office	36,237	10,008
Parish Based Ministry	25,308	19,515
Services to Children	16,232	117,098
Services to Families	(2,415)	-
Domestic Violence Services	22,242	5,031
Unaccompanied Refugee Minor Program	2,691	(1,528)
Total Purpose Restrictions	324,836	436,804
Perpetual in Nature	610,602	597,674
	\$ 935,438	\$ 1,034,478

The Organization's net assets that are perpetual in nature consist of beneficial interests in perpetual trusts (Note 11) established for the purpose of assisting the Organization with general and program operations. The trust net assets are classified and reported based on the existence or absence of donor restricted funds. The invested funds associated with trust 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

June 30, 2019 and 2018

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (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 11 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, 2019 and 2018, the trusts had fair values totaling \$984,424 and \$969,599, respectively, which are included in the accompanying statements of financial position as beneficial interest in perpetual trusts as follows:

	<u>2019</u>	<u>2018</u>
Beneficial Interest In Perpetual Trusts -		
Permanently Restricted	\$ 610,602	\$ 597,674
Beneficial Interest In Perpetual Trusts -		
Board Designated	<u>373,822</u>	<u>371,925</u>
	<u>\$ 984,424</u>	<u>\$ 969,599</u>

NOTE 12 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, 2019 and 2018.

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

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 12 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, 2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Perpetual Trusts	\$ -	\$ 984,424	\$ -

	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	\$ -

NOTE 13 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 \$359,403 for 2019 and 2018, respectively.

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

The Organization also received \$30,000 for the Northeast Office program for the year ended June 30, 2019

The Organization receives advances from the Diocese Deposit and Loan Fund to provide working capital for operations when needed. At June 30, 2019 and 2018, the advance payable to the Diocese was \$881,864 and \$833,153, respectively. The advances are unsecured.

By a Board of Directors resolution as of October 25, 2018 of Catholic Charities, Inc. it was resolved that \$800,000 of the advance from the Diocese become a loan to be paid as the organization is able. 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.

NOTE 14 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

CATHOLIC CHARITIES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 14 RESERVE FOR UNEMPLOYMENT CLAIMS (CONTINUED)

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, 2019 and 2018, the total reserve account balance was \$73,422 and \$142,557, respectively, including an overfunded portion of \$64,018, for 2018.

NOTE 15 SUBSEQUENT EVENTS

The Organization did have subsequent events through April 30, 2020, which is the date the financial statements were available to be issued.

On March 30, 2020 the Organization received a notice of intent to sue from a former client. A lawsuit has yet to be filed.

There is also an additional threat of litigation from a parent involving an issue with a minor child. No lawsuit has been filed or demand letter issued.

In either of these cases, if a lawsuit is filed the Organization plans to vigorously defend itself against any claim.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's missions, contributors, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations are uncertain.

Because of this pandemic the Federal government has provided various funding opportunities to business, including nonprofit organizations to assist in the financial downturn. The Organization applied for and received \$907,637 through the Small Business Administration, Payroll Protection Program.

CATHOLIC CHARITIES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Granting Agency/ Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Grant Award as of 06/30/19	Federal Expenditures
Development				
MS007864G001600	14.235	05/01/2017-04/30/2018	236,766	\$ 3,094
MS0058L4G001602	14.235	07/01/2017-09/30/2018	200,580	2,747
Total Direct Programs				<u>5,841</u>
Pass-through from City of Jackson				
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	4,101
B-14-MC-28-0003	14.218	10/01/2018-09/30/2019	19,635	15,498
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	2,085
B-14-MC-28-0003	14.218	10/01/2018-09/30/2019	19,635	28,774
B-14-MC-28-0003	14.218	10/01/2017-09/30/2018	19,635	5,548
B-14-MC-28-0003	14.218	10/01/2018-09/30/2019	19,635	2,846
				<u>58,852</u>
Pass-through from Mississippi Home Corp.				
1727-ESG-GSBF-17	14.321	10/01/2017-09/30/2019	89,420	17,258
1728-ESG-GSBF-18	14.321	09/15/2018-09/14/2019	150,000	94,891
				<u>112,149</u>
Total Pass-Through Programs				<u>171,001</u>
Total U. S. Department of Housing and Urban Development				<u>176,842</u>
U. S. Department of Veteran's Affairs				
14-MS-234	64.033	10/01/2017-09/30/2018	349,730	77,776
14-MS-234	64.033	10/01/2018-09/30/2019	316,245	247,584
Total U.S. Dept. of Veteran's Affairs Direct Programs				<u>325,360</u>
U. S. Department of Justice Programs				
2016-WH-AX-0064	16.736	10/01/2016-09/30/2018	350,000	126,598
Total U.S. Dept. of Justice Direct Programs				<u>126,598</u>
Pass-through from Mississippi Department of Health				
2017-KF-AX-0049	16.017	07/01/2018-06/30/2019	28,346	21,390
2017-KF-AX-0049	16.017	07/01/2018-06/30/2019	28,517	13,732
				<u>35,122</u>
2015-VA-GX-4038	16.575	07/01/2018-06/30/2019	364,732	294,801
2015-VA-GX-4038	16.575	07/01/2018-06/30/2019	523,555	342,686
				<u>637,487</u>
2017-WF-AX-0047	16.588	07/01/2018-06/30/2019	24,371	11,668
				<u>11,668</u>
Total Pass-Through Programs				<u>684,277</u>
Total U. S. Department of Justice				<u>810,875</u>
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	02/01/2018-01/31/2019	15,000	4,536
LRO ID: 508902-011	97.024	10/01/2017-01/31/2019	14,266	12,000
LRO ID: 525600-011	97.024	02/01/2018-01/31/2019	8,500	8,500
Total U.S. Department of Homeland Security - Direct Programs				<u>38,536</u>

CATHOLIC CHARITIES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Granting Agency/ Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Grant Award as of 06/30/19	Federal Expenditures
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	207,499
Therapeutic Foster Home	93.658	03/01/2016-09/30/2018	1,639,180	495,150
				<u>702,649</u>
6013151	93.596	09/01/2017-08/31/2018	82,864	1,099
6014412	93.596	09/01/2018-08/31/2019	82,864	45,951
				<u>47,050</u>
6013861/6013862	93.566	10/01/2017-09/30/2018	1,865,179	435,762
6013861/6013862	93.566	10/01/2017-09/30/2018	1,683,424	1,055,947
				<u>1,491,709</u>
Pass-through from Dept. of Mental Health				
8424-CYS-23-09-MAP-19	93.958	07/01/2018-06/30/2019	55,348	55,348
8409-CMHS-CYS-23-18	93.958	07/01/2018-06/30/2019	50,000	46,927
				<u>102,275</u>
Pass-through from Dept. of Mental Health				
7770-18-FFS-CC-01	93.959	07/01/2018-06/30/2019	338,696	338,696
				<u>338,696</u>
G-1701MSFVPS	93.671	07/01/2018-06/30/2019	68,733	33,148
G-1701MSFVPS	93.671	07/01/2018-06/30/2019	53,200	50,531
				<u>83,679</u>
7180-17STOP-CC	93.788	08/01/2018-04/30/2019	150,000	123,206
7200-SORE19-CC-mCORR	93.788	01/01/2019-09/29/2019	100,000	2,706
				<u>125,912</u>
				<u>2,891,970</u>
Total U.S. Department of Health and Human Services				
U. S. Department of Agriculture				
Pass-through from Mississippi Department of Education				
V0000717810	10.558	10/01/2017-09/30/2018	15,998	1,853
V0000717810	10.558	10/01/2018-09/30/2019	9,400	4,989
				<u>6,842</u>
Total U.S. Department of Agriculture				
Total All Programs				<u>\$ 4,250,425</u>

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

CATHOLIC CHARITIES, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019. 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 minimus 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, 2019, 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 April 30, 2020.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-1 and 2019-2, that we consider to be significant deficiencies.



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*.

Catholic Charities, Inc.'s Response to Findings

Catholic Charities' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 black ink that reads "Anantham Soole Puc". The signature is written in a cursive style.

Ridgeland, Mississippi
April 30, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE 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 the 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 program for the year ended June 30, 2019. The Organization's major federal program is 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 program for the year ended June 30, 2019.



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.

A handwritten signature in black ink, appearing to read "Grantham Poole Puc". The signature is written in a cursive, flowing style.

Ridgeland, Mississippi
April 30, 2020

CATHOLIC CHARITIES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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 |
| | Significant deficiencies identified | Yes |
| 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 | | | | |
| | Significant deficiencies identified | None | | | | |
| 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 program tested as a major programs was: | | | | | |
| | <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>CFDA Numbers</u></td> <td style="text-align: center;"><u>Name of Federal Program</u></td> </tr> <tr> <td style="text-align: center;">CFDA 93.556</td> <td style="text-align: center;">Unaccompanied Refugee Minor Program</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program</u> | CFDA 93.556 | Unaccompanied Refugee Minor Program | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> | | | | | |
| CFDA 93.556 | Unaccompanied Refugee Minor 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

See Schedule of findings and Questioned Costs on the following page.

Section III - Federal Award Findings and Questioned Costs

There were no Federal Award Findings for the year ended June 30, 2019.

CATHOLIC CHARITIES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II: Financial Statement Findings

Significant Deficiencies not considered to be Material Weaknesses

2019-1 Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting. Internal control should allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements.

Condition - The external auditors noted there was a lack of segregation of duties. The Director of Finance performed many of the duties due to a limitation of accounting staff.

Effect – The lack of segregation of duties puts Catholic Charities at risk for misstatements due to error or fraud. In addition, this resulted in a delay in the preparation of the year end audit.

Cause – Lack of sufficient accounting staff.

Recommendation – Catholic Charities should consider hiring more accounting staff. We believe that due to the size and complexity of the organization, the Director of Finance would benefit, allowing the ability to delegate more routine duties and concentrate on more complex issues. This would improve segregation of duties and internal control.

Views of Responsible Officials and Planned Corrective Action – Catholic Charities posted the Sr. Accountant position on February 12, 2020 and we are currently interviewing to fill the position by no later than June 30, 2020.

2019-2 Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting. Internal control should allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements.

Condition - The external auditors noted there was a lack of internal control related to the posting of patient billing in the MedEz billing software.

Effect – The lack of internal controls allowed for patient visits to go unbilled, be over-billed or under-billed. In addition, some payments received by insurance weren't posted to the billing system resulting in inaccurate patient balances.

Cause – Catholic Charities was using an older version of the billing system that was no longer being supported by the vendor. In addition, because insurance payments were not consistently applied to patient accounts, the did not have the capabilities of printing accurate reports for unprocessed billing or patient account balances. Therefore, there were bills not generated and payments received were not reconciled to payments posted to the billing system.

Recommendation – Catholic Charities should consider upgrading to a current version of the billing system. Also consider having patient notes entered directly to the system to allow for printing of reports to show status of patient visit notes, approvals, and billings generated. In addition, design a system to review those statuses, pending billings without payments posted, and to reconcile payments received to those posted in the billing system in a timely manner and follow up on any pending matters.

CATHOLIC CHARITIES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II: Financial Statement Findings (Continued)

2019-2 Views of Responsible Officials and Planned Corrective Action – Catholic Charities brought in a consultant on November 14, 2019 that holds a Certified Professional Coder certification and Master of Health Administration to review billing processes which led to identification of billing errors referenced in the audit report. Catholic Charities has upgraded the MedEz system to version 8 as of February 13, 2020. In addition, all clinical and billing staff were trained in the upgraded software. A new Billing Specialist was hired who holds a Certified Professional Coder (CPC-A) designation. The payment receipt process has been completely revised to have the Billing Specialist post payments received in the MedEz software and a payment report is given to accounting to post the payment in the accounting system. In addition, with the new process, reports are run weekly to provide clinician billing/productivity each week, invoices are produced for patient account balances, and payments posted in MedEz and the accounting software are reconciled monthly.

CATHOLIC CHARITIES, INC.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Findings	Status
NONE		