

**CATHOLIC CHARITIES OF THE DIOCESE OF  
FORT WAYNE - SOUTH BEND, INC.**

**ANNUAL REPORT**  
June 30, 2018 and 2017

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.

Fort Wayne, Indiana

ANNUAL REPORT  
June 30, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Catholic Charities of the Diocese of Fort  
Wayne - South Bend, Inc.  
Fort Wayne, Indiana

**Report on the Financial Statements**

We have audited the financial statements of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. (Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Unrestricted Program Support and Revenue and Expenses, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 other 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.

## **Report on Other Legal and Regulatory Requirement**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

Indianapolis, Indiana  
October 3, 2018

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,148,537	\$ 669,877
Accounts receivable	210,314	161,249
Accounts receivable - related party	37,217	136,717
Prepaid expenses and other current assets	<u>45,713</u>	<u>45,529</u>
Total current assets	1,441,781	1,013,372
Equipment and improvements		
Building and leasehold improvements	886,302	886,302
Office furniture and equipment	405,152	397,152
Transportation equipment	138,153	138,153
Program equipment	<u>24,347</u>	<u>24,347</u>
Total	1,453,954	1,445,954
Accumulated depreciation	<u>(1,151,027)</u>	<u>(1,066,165)</u>
Net equipment and improvements	302,927	379,789
Other assets		
Investments	<u>780,625</u>	<u>719,209</u>
	<u>\$ 2,525,333</u>	<u>\$ 2,112,370</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 24,322	\$ 14,872
Accrued payroll	82,805	75,082
Accrued vacation	71,727	76,066
Accrued pension	97,648	64,187
Current maturities of capital lease obligations	<u>8,708</u>	<u>6,800</u>
Total current liabilities	285,210	237,007
Capital lease obligations, less current portion	<u>6,167</u>	<u>14,875</u>
Total liabilities	291,377	251,882
Net assets		
Unrestricted		
Designated by Board for endowment	10,930	10,619
Other unrestricted	<u>1,601,178</u>	<u>1,684,628</u>
Total unrestricted	1,612,108	1,695,247
Temporarily restricted	<u>621,848</u>	<u>165,241</u>
Total net assets	<u>2,233,956</u>	<u>1,860,488</u>
	<u>\$ 2,525,333</u>	<u>\$ 2,112,370</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2018 and 2017

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Support and revenues</b>				
Contributions	\$ 772,866	\$ 551,147	\$ 1,324,013	\$ -
Foundations and trusts	726,038	70,701	796,739	187,326
Diocese contributions and support	476,840	-	476,840	-
United Way grants				
United Way - Allen County	129,842	-	129,842	-
United Way - Dekalb County	22,690	-	22,690	-
United Way - Steuben County	1,200	-	1,200	-
United Way - St. Joseph County	39,680	-	39,680	-
United Way - Noble County	1,500	-	1,500	-
United Way - Elkhart County	544	-	544	-
Government grants and fees	1,360,166	-	1,360,166	-
Program service fees	137,948	-	137,948	-
Investment returns	76,708	-	76,708	-
Net assets released from restriction	165,241	(165,241)	-	(141,312)
Total support and revenues	3,911,263	456,607	4,367,870	46,014
			4,136,878	4,182,892
<b>Expenses</b>				
Pregnancy and adoption	273,575	-	273,575	-
Youth	99,871	-	99,871	-
Case management brief services	955,106	-	955,106	-
Refugee & immigration	1,183,193	-	1,183,193	-
Clinical services	171,345	-	171,345	-
Older adults	745,919	-	745,919	-
Total program expenses	3,429,009	-	3,429,009	-
Management and general	321,605	-	321,605	-
Public relations and fund raising	243,788	-	243,788	-
Total expenses	3,994,402	-	3,994,402	-
<b>Changes in net assets</b>				
Net assets at beginning of year	(83,139)	456,607	373,468	46,014
<b>Net assets at end of year</b>	1,695,247	165,241	1,860,488	119,227
	\$ 1,612,108	\$ 621,848	\$ 2,233,956	\$ 165,241
			\$ 1,695,247	\$ 1,860,488

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2018

Expense Category	Pregnancy and Adoption	Youth	Case Mgmt. Brief Services	Refugee & Immigration	Clinical Services	Older Adults	Management and General	Public	
								Relations and Fund Raising	2018 Total
Salaries	\$ 164,080	\$ 35,245	\$ 263,363	\$ 499,245	\$ 99,922	\$ 572,198	\$ 153,050	\$ 58,900	\$ 1,846,003
Employee Benefits	41,315	11,917	65,079	173,540	24,844	58,619	25,868	17,854	419,036
Payroll Taxes	12,156	2,520	19,444	35,027	7,297	43,209	11,659	4,101	135,413
Legal & Professional	7,202	38,892	22,476	17,036	3,178	14,875	10,741	111,853	226,253
Supplies	3,889	4,655	8,685	15,684	3,009	7,834	3,061	6,366	53,183
Telephone and fax	3,666	911	10,791	11,423	2,705	3,553	4,359	1,037	38,445
Postage and Shipping	113	1	746	2,493	28	1,423	753	3,624	9,181
Land and building rent	20,468	2,700	69,666	97,380	18,163	25,322	13,545	10,418	257,662
General Insurance	326	-	716	13	241	1,069	58	45	2,468
Utilities	1,966	964	10,487	1,778	1,428	2,626	743	235	20,227
Maintenance and supplies	536	-	2,012	8	395	174	143	87	3,355
Equipment rental/maintenance	1,035	47	3,044	3,940	741	799	260	(143)	9,723
Printing and art work	1,589	358	1,207	1,045	657	327	755	20,873	26,811
Subscriptions and publications	5	-	9	9	-	3	438	2	466
Advertising and marketing	1,440	166	4,167	3,484	2,378	714	1,054	504	13,907
Vehicle Expense	26	232	4,552	16,792	650	157	3,172	1,715	27,296
Mileage and parking	8,102	220	5,394	7,739	2,293	929	536	401	25,614
Travel	489	124	1,668	2,312	320	302	2,733	682	8,630
Meetings and registrations	1,441	355	3,603	5,414	1,184	1,069	3,128	3,514	19,708
Specific Assistance	2,174	-	450,080	284,262	200	5,236	264	-	742,216
Membership dues	397	132	925	1,793	264	364	653	767	5,295
Recognition	448	326	1,121	1,208	285	2,383	627	229	6,627
Interest Expense	443	74	956	1,084	477	462	568	607	4,671
Bank Fees	220	32	331	376	101	454	2,126	84	3,724
Other equipment related	49	-	660	108	585	1,818	373	33	3,626
	273,575	99,871	951,182	1,183,193	171,345	745,919	240,667	243,788	3,909,540
Depreciation	-	-	3,924	-	-	-	80,938	-	84,862
	\$ 273,575	\$ 99,871	\$ 955,106	\$ 1,183,193	\$ 171,345	\$ 745,919	\$ 321,605	\$ 243,788	\$ 3,994,402

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2017

Expense Category	Pregnancy and Adoption	Youth	Case Mgmt. Brief Services	Refugee & Immigration	Clinical Services	Older Adults	Management and General	Public Relations and Fund Raising	2017 Total
Salaries	\$ 163,417	\$ 31,651	\$ 248,270	\$ 631,580	\$ 34,836	\$ 590,602	\$ 156,083	\$ 63,315	\$ 1,919,754
Employee benefits	36,866	10,085	52,714	204,425	10,340	52,305	24,524	16,031	407,290
Payroll taxes	11,854	2,236	17,938	44,784	2,021	44,291	11,467	4,453	139,044
Legal and professional	8,426	16,330	20,645	26,498	2,116	17,135	11,147	106,354	208,651
Supplies	5,524	3,771	8,464	27,324	1,184	12,534	3,175	7,043	69,019
Telephone and fax	2,919	626	8,403	13,251	1,150	2,728	3,792	830	33,699
Postage and shipping	260	2	853	3,910	26	1,861	459	3,049	10,420
Land and building rent	21,043	2,700	67,018	114,190	4,443	23,173	14,646	10,039	257,252
General insurance	344	-	639	158	188	1,069	70	25	2,493
Utilities	1,993	1,039	9,585	2,669	1,073	2,612	1,001	143	20,115
Maintenance and supplies	616	-	1,882	338	321	-	257	63	3,477
Equipment rental/maintenance	885	-	1,663	4,626	(110)	752	887	386	9,089
Printing and art work	678	38	448	1,406	33	148	463	9,515	12,729
Subscriptions and publications	-	-	-	-	-	-	414	-	414
Advertising and marketing	2,709	157	3,033	4,109	561	1,038	868	433	12,908
Gas, oil and vehicle maintenance	16	116	5,518	19,056	29	40	8,367	2,273	35,415
Mileage and parking	5,057	364	5,964	13,946	178	1,008	638	492	27,647
Travel	552	59	849	3,045	301	1,341	8,816	3,004	17,967
Meetings and registrations	1,390	293	1,886	5,629	429	1,334	3,104	6,752	20,817
Specific assistance	627	-	407,555	477,257	22	151	194	-	885,806
Membership dues	583	146	752	2,418	146	291	382	146	4,864
Recognition	110	210	449	430	22	1,480	758	557	4,016
Interest expense	863	121	1,434	1,609	473	586	620	458	6,164
Bank fees	47	-	3	392	76	339	3,685	168	4,710
Other equipment related	-	-	980	-	-	-	19,920	-	20,900
Depreciation	266,779	69,944	866,945	1,603,050	59,858	756,818	275,737	235,529	4,134,660
	-	-	4,836	-	-	1,296	98,844	-	104,976
	\$ 266,779	\$ 69,944	\$ 871,781	\$ 1,603,050	\$ 59,858	\$ 758,114	\$ 374,581	\$ 235,529	\$ 4,239,636

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 373,468	\$ (56,744)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	84,862	104,976
Unrealized and realized gains on investments	(61,416)	(82,429)
Change in assets and liabilities		
Accounts receivable	(49,065)	112,801
Accounts receivable - related party	99,500	(98,986)
Prepaid expenses and other current assets	(184)	(6,269)
Accounts payable and accrued expenses	9,450	8,359
Accrued payroll, vacation, and pension	36,845	(1,446)
Net cash from operating activities	493,460	(19,738)
<b>Cash flows from investing activities</b>		
Capital expenditures	(8,000)	(94,760)
Net cash from investing activities	(8,000)	(94,760)
<b>Cash flows from financing activities</b>		
Payments on capital lease	(6,800)	(5,310)
Net cash from financing activities	(6,800)	(5,310)
Net change in cash and cash equivalents	478,660	(119,808)
Cash and cash equivalents at beginning of year	669,877	789,685
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,148,537</b>	<b>\$ 669,877</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for during the year:		
Interest	\$ 4,672	\$ 6,164
Contributed goods and services	542,944	585,706

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities: Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. (the Organization) is a not-for-profit charitable corporation organized under the Roman Catholic Church, Diocese of Fort Wayne - South Bend to provide nonsectarian services to meet human needs in fourteen counties in and around Fort Wayne, South Bend and Elkhart, Indiana.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Presentation of Financial Statements: The financial statements have been prepared in accordance with GAAP. GAAP requires, among other things, that the financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. At June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Within unrestricted net assets, the Board of Directors has designated funds for the following purpose:

Endowment - Represents funds that are being invested with the intent that the principal is continually reinvested to support the long-term needs of individuals receiving services through the Organization.

Use of 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. Areas where significant estimates are used in the accompanying financial statements include the allowance for doubtful accounts, depreciable lives of fixed assets, valuation of investments and functional expense allocations.

Revenue Recognition: The Organization receives substantially all of its grant and contract fees revenue from Federal and State agencies. The Organization recognizes contract fees revenue, up to the contract ceiling, from its contracts to the extent of services provided or expenses incurred. Revenue recognition depends upon the provisions within the contract. Revenue from program services is recorded as revenue in the period earned. Investment income is recorded when earned.

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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Program Service Fees: Under the terms of certain government reimbursed programs, providers of these services are subject to regulation by the program intermediaries. For many programs, payment for the services rendered is based upon "allowable cost" as defined by each program's regulations, and is subject to financial audit by the program intermediary.

Contributions: Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist. Catholic Charities has adopted the policy that all temporarily restricted contributions for which the restriction is met in the same year, be recorded as unrestricted on the Statement of Activities. In the fiscal year 2017, Catholic Charities received a four year grant which was determined to be conditional. The grant is to be paid in installments of \$190,000 in 2017, \$185,000 in 2018, \$180,000 in 2019 and \$175,000 in 2020 and is related to operating support. The grant is conditional based on Catholic Charities providing program and financial reports and attending performance meetings. Catholic Charities met the conditions and recorded revenue of \$185,000 in 2018 and \$190,000 in 2017.

In-kind Contributions: For the year ended June 30, 2018 and 2017, Catholic Charities recorded \$542,944 and \$585,706 of donated goods and services. The amounts are reported with contributions on the statement of activities. The value of donated volunteer services is not reflected in the accompanying financial statements since these services do not meet the requirement to be recorded under GAAP. However, a substantial number of volunteers have donated significant amounts of their time to various fund-raising events and contacts with individuals receiving services at Catholic Charities.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2018 and 2017 were \$13,905 and \$12,908.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows. No such impairment exists for 2018 or 2017.

Income Taxes: The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

The Organization is subject to accounting guidance related to accounting for uncertainty in income taxes. This guidance requires the Organization to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions.

The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2018 or 2017.

Cash Flows: For the purpose of the statement of cash flows, cash includes cash and cash equivalents with original maturities of 90 days or less.

Concentration of Credit Risk: The Organization has cash on deposit with one financial institution which, at times, may be in excess of federally insured limits.

Accounts Receivable: The accounts receivable balance represents the unpaid amounts billed to residents and third-party payors less an allowance for doubtful accounts. Interest is not charged on unpaid receivables.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. At June 30, 2018 and 2017, management estimated that no allowance was needed.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted market prices or dealer quotes. These investments are initially recorded at cost if they were purchased or at their fair value on the date of the gift if they were received as a donation. Alternative investments are included in the investment pool in which the Organization is invested and are valued based upon the financial reporting and valuation procedures of the Diocese of Fort Wayne-South Bend, as independent market valuations are not available. The Organization believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market value for such investments existed. Unrealized gains and losses are included in the Statement of Activities. Interest and dividend income is recorded when earned.

Land, Buildings and Equipment: Property and equipment with an acquisition cost of \$1,000 or more are capitalized at cost or, if donated to the Organization, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. Leasehold improvements are depreciated over the lesser of the useful life or lease term of the asset. The estimated useful lives are generally five to thirty years for the various asset classes.

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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Gifts of long-lived assets such as land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Reclassification: Certain amounts in the prior year's financial statements and notes to the financial statements have been reclassified to conform to current year presentation. These reclassifications had no effect on changes in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through October 3, 2018, the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

The Organization's investments are part of investment pools that contains funds from the Diocese of Fort Wayne-South Bend and the Catholic Community Foundation of Northeast Indiana. Investment returns are allocated based on the Organization's average balance as a percentage of the pool. Fair values of the Organization's portion of the Diocese investment pool were \$769,022 and \$708,590 as of June 30, 2018 and 2017. Fair values of the Organization's portion of the Catholic Community Foundation of Northeast Indiana's investment pool were \$11,603 and \$10,619 as of June 30, 2018 and 2017.

The following schedule summarizes investment returns for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 15,292	\$ 12,230
Unrealized/realized gains	<u>61,416</u>	<u>82,429</u>
Total investment return	<u>\$ 76,708</u>	<u>\$ 94,659</u>

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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 3 - LEASE COMMITMENTS**

The Organization has various operating lease obligations for equipment, vehicles and office space. Future minimum lease payments under noncancelable leases as of June 30, 2018 are as follows:

2019	43,076
2020	38,445
2021	34,893
2022	34,368
2023	<u>11,712</u>
	<u>\$ 162,494</u>

As disclosed in Note 5, the Organization has cancelable operating leases, subject to renewal annually, for office space with a related party. Total rent expense was \$272,413 and \$279,780 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 4 – RETIREMENT PLANS**

The Organization participated in a defined benefit, multiemployer pension plan administered by the Diocese of Fort Wayne - South Bend, Inc. The Diocese of Fort Wayne-South Bend Retirement Plan for Lay Teachers and Lay Employees (Plan) previously covered those employees of the Diocese and its related organizations with one year or more of service and that have reached the age of 21. The Plan has been frozen. The Organization's policy is to charge operations during the year in which pension costs were incurred. The Organization's pension expense for the years ended June 30, 2018 and 2017 was \$96,572 and \$60,954, respectively.

The Organization participates in an Internal Revenue Code 403 (b) retirement savings plan administered by the Diocese of Fort Wayne – South Bend, Inc. (the “403 (b) Plan”). The 403 (b) Plan covers substantially all employees of the Diocese. Contributions to the 403 (b) Plan are made by the employee through salary deferrals. The 403 (b) Plan also provides for contributions by the Organization of 2% to 3% of employee wages. Contributions to the 403(b) Plan by the Organization amounted to \$15,978 and \$16,631 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Organization received \$476,840 and \$460,658 of support from the Diocese of Fort Wayne - South Bend during the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the Organization's accounts receivable from the Diocese totaled \$37,217 and \$136,717.

The Organization leases building space from the Diocese. The rent expense for these facilities totaled \$230,663 and \$230,252 for the years ended June 30, 2018 and 2017, respectively.

The Organization's investment portfolio is held in a pooled fund of the Diocese, as disclosed in Note 2.

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(Continued)

**NOTE 5 - RELATED PARTY TRANSACTIONS** (Continued)

The Catholic Community Foundation of Northeast Indiana (Foundation) holds an endowment fund from the Legacy of Faith campaign for the benefit of the Organization. The Foundation has variance power over the funds. Accordingly, an asset has not been recorded on the Statement of Financial Position. At June 30, 2018 and 2017, the balance of this endowment is \$2,070,523 and \$1,994,840. Distributions from the endowment fund are recorded as revenue when received by the Organization. During 2017, distributions of \$100,000 were taken by the Organization and recorded as revenue. There were no distributions taken by the Organization during 2018.

**NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of investments that are readily marketable, such as securities, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates. (Level 2 input).

The Organization holds investments at the Diocese of Fort Wayne - South Bend and the Catholic Community Foundation of Northeast, as disclosed in Note 2. These investments are part of respective investment pools. The investment pool contains Level 1, 2, and 3 investments. The Organization does not hold specific investments in the pool, only a share of the total pool. As such, all of the Organization's investments are valued at net asset value, and are excluded from the valuation hierarchy. Pooled investment valuations, which are at fair value based on net asset value using the market value approach, are provided by the Diocese and its fund managers. Catholic Charities' management and Finance Committee review the valuations and returns in comparison to industry benchmarks and other information provided by the Diocese. The Organization does not have a specific redemption policy with the Diocese and there are no unfunded commitments.

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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2018 and 2017

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**NOTE 7 - CAPITAL LEASE OBLIGATIONS**

The Organization has entered into a capital lease for office equipment. Cost associated with assets acquired under the capital lease was \$33,234 as of June 30, 2018 and 2017. Accumulated depreciation associated with assets acquired under the capital lease was \$22,710 and \$16,063 as of June 30, 2018 and 2017, respectively.

Minimum annual lease payments under the capital lease is as follows at June 30, 2018:

2019	11,472
2020	<u>6,692</u>
	18,164
Less amounts representing interest	<u>(3,289)</u>
Present value of net minimum lease payments	14,875
Less current maturities	<u>(8,708)</u>
Capital lease obligation, less current maturities	<u><u>\$ 6,167</u></u>

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(Continued)

**SUPPLEMENTARY INFORMATION**

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
SCHEDULE OF UNRESTRICTED PROGRAM SUPPORT AND REVENUE AND EXPENSES  
Year ended June 30, 2018

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	<u>Support and Revenue</u>	<u>Expenses</u>
Pregnancy and Adoption		
Adoptions	\$ 53,904	\$ 53,904
Pregnancy services	<u>219,671</u>	<u>219,671</u>
	<u>\$ 273,575</u>	<u>\$ 273,575</u>
Youth		
Youth Mentoring	<u>\$ 99,871</u>	<u>\$ 99,871</u>
Case Management Brief Services	<u>\$ 947,746</u>	<u>\$ 955,106</u>
Clinical Services	<u>\$ 169,483</u>	<u>\$ 171,345</u>
Refugee Immigration	<u>\$ 1,106,452</u>	<u>\$ 1,183,193</u>
Older Adults		
Retired Senior Volunteer Program	\$ 161,477	\$ 173,977
SCSEP	<u>571,942</u>	<u>571,942</u>
	<u>\$ 733,419</u>	<u>\$ 745,919</u>

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CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
 SCHEDULE OF UNRESTRICTED PROGRAM SUPPORT AND REVENUE AND EXPENSES  
 Year ended June 30, 2017

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	<u>Support and Revenue</u>	<u>Expenses</u>
Pregnancy and Adoption		
Adoptions	\$ 45,214	\$ 45,214
Pregnancy services	<u>231,565</u>	<u>221,565</u>
	<u>\$ 276,779</u>	<u>\$ 266,779</u>
Youth		
Youth Mentoring	<u>\$ 69,944</u>	<u>\$ 69,944</u>
Case Management Brief Services	<u>\$ 893,055</u>	<u>\$ 871,781</u>
Clinical Services	<u>\$ 61,720</u>	<u>\$ 59,858</u>
Refugee & Immigration	<u>\$ 1,618,591</u>	<u>\$ 1,603,050</u>
Older Adults		
Retired Senior Volunteer Program	\$ 156,717	\$ 165,513
SCSEP	<u>592,601</u>	<u>592,601</u>
	<u>\$ 749,318</u>	<u>\$ 758,114</u>

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CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2018

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
<b><i>Pass through Catholic Charities of the USA</i></b>			
<u>U.S. Department of Justice</u>			
CCUSA Youth Mentoring	16.726	None	\$ 43,521
<b><i>Pass through Senior Service America</i></b>			
<u>U.S. Department of Labor</u>			
Senior Community Service Employment Program	17.235	42185	519,460
<b><i>Pass through United States Catholic Conference of Bishops</i></b>			
<u>U.S. Department of State</u>			
U.S. Refugee Admission Program	19.510	None	98,481
USCCB R & P Direct Client Assistance	19.510	None	123,687
			<u>222,168</u>
<u>U.S. Department of Health and Human Services</u>			
* Refugee and Entrant Assistance Voluntary			
Agency Programs - Matching Grant	93.567	None	124,755
<b><i>Pass through State of Indiana</i></b>			
<u>U.S. Department of Health and Human Services</u>			
* Refugee and Entrant Assistance - State			
Administered Programs	93.566	None	281,105
* Refugee Preventative Health	93.576	HPR778-1	24,980
<b><i>Pass through United Way of Allen County</i></b>			
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter Program	97.024	262200-004	29,690
Emergency Food and Shelter Program	97.024	277600-005	5,000
Emergency Food and Shelter Program	97.024	265400-017	5,203
Emergency Food and Shelter Program	97.024	274800-018	881
Emergency Food and Shelter Program	97.024	274800-011	1,000
			<u>41,774</u>
<b><i>Other Federal Awards</i></b>			
<u>Corporation for National and Community Service</u>			
Retired Senior and Volunteer Program	94.002	16SR187718	82,048
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant Program	14.218	None	<u>16,163</u>
<b>Total expenditures of Federal Awards</b>			<b><u>\$ 1,355,974</u></b>

\* Total for U.S. Department of Health and Human Services is \$430,840

See note to Schedule of Expenditures of Federal Awards.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2018

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities of the Diocese of Fort Wayne-South Bend, Inc. for the year ended June 30, 2018 and is presented in conformity with accounting principles generally accepted in the United States of America on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Catholic Charities of the Diocese of Fort Wayne-South Bend, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S 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 of the Diocese of Fort  
Wayne - South Bend, Inc.  
Fort Wayne, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. (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 October 3, 2018.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Indianapolis, Indiana  
October 3, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors  
Catholic Charities of the Diocese of Fort  
Wayne - South Bend, Inc.  
Fort Wayne, Indiana

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

We have audited Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s (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, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

### **Opinion on Each 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, 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 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. 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 that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Indianapolis, Indiana  
October 3, 2018

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2018

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS:**

***Financial Statements***

Type of auditors report issued	Unmodified		
Internal control over financial reporting			
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____ None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____ No

***Federal Awards***

Internal control over major programs			
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____ None Reported
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	Yes	_____ <u>X</u> _____ No

Identification of major programs

CFDA Numbers(s) 17.235	<u>Name of Federal Program or Cluster</u> Senior Community Service Employment Program
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Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee?	_____ <u>X</u> _____	Yes	_____ _____	No
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(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2018

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**SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO  
BE REPORTED IN ACCORDANCE WITH GAGAS.**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT  
FINDINGS AS DEFINED IN 2CFR 200.516(a).**

None

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2018

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No findings or questioned costs for federal awards were reported in the prior audit period.