

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

ANNUAL REPORT

June 30, 2019 and 2018

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

ANNUAL REPORT
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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, 2019 and 2018, 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.

(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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Program Support and Revenue and Expenses Without Donor Restrictions, 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 September 27, 2019, 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
September 27, 2019

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,630,705	\$ 1,148,537
Accounts receivable	255,102	210,314
Accounts receivable, related party	187,217	37,217
Pledges receivable	35,000	-
Prepaid expenses and other current assets	59,085	45,713
Investments	813,339	780,625
Equipment and improvements		
Building and leasehold improvements	898,436	886,302
Office furniture and equipment	394,628	405,152
Transportation equipment	160,301	138,153
Program equipment	<u>24,347</u>	<u>24,347</u>
Total	1,477,712	1,453,954
Accumulated depreciation	<u>(1,214,102)</u>	<u>(1,151,027)</u>
Net equipment and improvements	<u>263,610</u>	<u>302,927</u>
Total assets	<u>\$ 3,244,058</u>	<u>\$ 2,525,333</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 21,532	\$ 24,322
Accrued payroll	83,799	82,805
Accrued vacation	74,936	71,727
Accrued pension	93,134	97,648
Capital lease obligations	<u>-</u>	<u>14,875</u>
Total liabilities	273,401	291,377
Net assets		
Without donor restrictions		
Designated by Board for endowment	11,898	10,930
Other without donor restrictions	<u>1,557,977</u>	<u>1,601,178</u>
Total without donor restrictions	1,569,875	1,612,108
With donor restrictions	<u>1,400,782</u>	<u>621,848</u>
Total net assets	<u>2,970,657</u>	<u>2,233,956</u>
	<u>\$ 3,244,058</u>	<u>\$ 2,525,333</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions	\$ 385,275	\$ 1,340,583	\$ 1,725,858	\$ 772,866	\$ 551,147	\$ 1,324,013
Foundations and trusts	537,825	60,199	598,024	726,038	70,701	796,739
Diocese contributions and support	477,827	-	477,827	476,840	-	476,840
United Way grants						
United Way - Allen County	106,093	-	106,093	129,842	-	129,842
United Way - Dekalb County	17,875	-	17,875	22,690	-	22,690
United Way - Steuben County	1,200	-	1,200	1,200	-	1,200
United Way - St. Joseph County	50,789	-	50,789	39,680	-	39,680
United Way - Noble County	750	-	750	1,500	-	1,500
United Way - Elkhart County	488	-	488	544	-	544
Grants and fees	1,642,184	-	1,642,184	1,360,166	-	1,360,166
Program service fees	207,132	-	207,132	137,948	-	137,948
Investment returns	64,660	-	64,660	76,708	-	76,708
Net assets released from restriction	<u>621,848</u>	<u>(621,848)</u>	<u>-</u>	<u>165,241</u>	<u>(165,241)</u>	<u>-</u>
Total support and revenues	<u>4,113,946</u>	<u>778,934</u>	<u>4,892,880</u>	<u>3,911,263</u>	<u>456,607</u>	<u>4,367,870</u>
Expenses						
Pregnancy and adoption	32,922	-	32,922	53,906	-	53,906
Youth	69,761	-	69,761	99,871	-	99,871
Case management brief services	1,298,120	-	1,298,120	1,174,775	-	1,174,775
Refugee & immigration	1,273,824	-	1,273,824	1,183,193	-	1,183,193
Clinical services	247,447	-	247,447	171,345	-	171,345
Older adults	<u>741,661</u>	<u>-</u>	<u>741,661</u>	<u>745,919</u>	<u>-</u>	<u>745,919</u>
Total program expenses	3,663,735	-	3,663,735	3,429,009	-	3,429,009
Management and general	264,342	-	264,342	321,605	-	321,605
Public relations and fund raising	<u>228,102</u>	<u>-</u>	<u>228,102</u>	<u>243,788</u>	<u>-</u>	<u>243,788</u>
Total expenses	<u>4,156,179</u>	<u>-</u>	<u>4,156,179</u>	<u>3,994,402</u>	<u>-</u>	<u>3,994,402</u>
Changes in net assets	(42,233)	778,934	736,701	(83,139)	456,607	373,468
Net assets at beginning of year	<u>1,612,108</u>	<u>621,848</u>	<u>2,233,956</u>	<u>1,695,247</u>	<u>165,241</u>	<u>1,860,488</u>
Net assets at end of year	<u>\$ 1,569,875</u>	<u>\$ 1,400,782</u>	<u>\$ 2,970,657</u>	<u>\$ 1,612,108</u>	<u>\$ 621,848</u>	<u>\$ 2,233,956</u>

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, 2019

Expense Category	Pregnancy and Adoption	Youth	Case Mgmt. Brief Services	Refugee & Immigration	Clinical Services	Older Adults	Management and General	Public Relations and Fund Raising	2019 Total
Salaries	\$ 16,556	\$ 26,248	\$ 502,626	\$ 523,877	\$ 149,745	\$ 567,466	\$ 135,001	\$ 63,467	\$ 1,984,986
Employee benefits	2,604	6,754	126,420	163,005	38,369	54,272	20,449	9,988	421,861
Payroll taxes	1,228	1,941	36,567	36,984	10,364	42,620	10,198	4,657	144,559
Legal and professional	1,775	24,905	18,061	14,002	2,867	16,704	9,356	97,155	184,825
Supplies	1,900	2,985	24,913	19,018	5,055	6,060	3,573	6,154	69,658
Telephone and fax	779	1,018	16,834	10,602	3,332	3,939	2,843	1,475	40,822
Postage and shipping	229	52	522	2,257	57	1,522	866	6,674	12,179
Land and building rent	2,160	2,760	97,600	91,524	23,570	34,924	14,077	13,502	280,117
General insurance	89	-	834	13	274	1,051	146	137	2,544
Utilities	643	874	11,264	1,358	1,836	2,417	1,010	944	20,346
Maintenance and supplies	126	18	1,791	4	272	45	95	161	2,512
Equipment rental/maintenance	419	82	6,223	4,519	1,699	1,513	(4,100)	999	11,354
Printing and art work	28	28	1,673	166	319	58	496	13,747	16,515
Subscriptions and publications	-	-	-	-	-	-	358	-	358
Advertising and marketing	1,912	138	4,299	1,306	2,723	1,002	267	1,075	12,722
Gas, oil and vehicle maintenance	6	6	3,209	20,389	85	111	2,333	2,932	29,071
Mileage and parking	265	456	13,249	6,421	3,625	1,932	414	525	26,887
Travel	53	842	6,622	2,505	368	575	1,384	389	12,738
Meetings and registrations	463	418	5,936	6,556	1,323	1,776	3,342	2,896	22,710
Specific assistance	-	-	407,125	365,805	-	69	262	1	773,262
Membership dues	131	131	4,413	1,787	262	862	735	753	9,074
Recognition	94	105	1,141	685	365	1,473	621	292	4,776
Interest expense	-	-	-	-	-	-	918	-	918
Bank fees	3	-	251	451	70	374	1,793	129	3,071
Other equipment related	1,459	-	1,215	590	867	896	162	50	5,239
	<u>32,922</u>	<u>69,761</u>	<u>1,292,788</u>	<u>1,273,824</u>	<u>247,447</u>	<u>741,661</u>	<u>206,599</u>	<u>228,102</u>	<u>4,093,104</u>
Depreciation	-	-	5,332	-	-	-	57,743	-	63,075
	<u>\$ 32,922</u>	<u>\$ 69,761</u>	<u>\$ 1,298,120</u>	<u>\$ 1,273,824</u>	<u>\$ 247,447</u>	<u>\$ 741,661</u>	<u>\$ 264,342</u>	<u>\$ 228,102</u>	<u>\$ 4,156,179</u>

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

<u>Expense Category</u>	<u>Pregnancy and Adoption</u>	<u>Youth</u>	<u>Case Mgmt. Brief Services</u>	<u>Refugee & Immigration</u>	<u>Clinical Services</u>	<u>Older Adults</u>	<u>Management and General</u>	<u>Public Relations and Fund Raising</u>	<u>2018 Total</u>
Salaries	\$ 31,530	\$ 35,245	\$ 395,913	\$ 499,245	\$ 99,922	\$ 572,198	\$ 153,050	\$ 58,900	\$ 1,846,003
Employee benefits	7,375	11,917	99,019	173,540	24,844	58,619	25,868	17,854	419,036
Payroll taxes	2,555	2,520	29,045	35,027	7,297	43,209	11,659	4,101	135,413
Legal & professional	4,053	38,892	25,625	17,036	3,178	14,875	10,741	111,853	226,253
Supplies	1,552	4,655	11,022	15,684	3,009	7,834	3,061	6,366	53,183
Telephone and fax	824	911	13,633	11,423	2,705	3,553	4,359	1,037	38,445
Postage and shipping	50	1	809	2,493	28	1,423	753	3,624	9,181
Land and building rent	2,518	2,700	87,616	97,380	18,163	25,322	13,545	10,418	257,662
General Insurance	104	-	938	13	241	1,069	58	45	2,468
Utilities	617	964	11,836	1,778	1,428	2,626	743	235	20,227
Maintenance and supplies	185	-	2,363	8	395	174	143	87	3,355
Equipment rental/maintenance	211	47	3,868	3,940	741	799	260	(143)	9,723
Printing and art work	163	358	2,633	1,045	657	327	755	20,873	26,811
Subscriptions and publications	2	-	12	9	-	3	438	2	466
Advertising and marketing	574	166	5,033	3,484	2,378	714	1,054	504	13,907
Vehicle expense	4	232	4,574	16,792	650	157	3,172	1,715	27,296
Mileage and parking	365	220	13,131	7,739	2,293	929	536	401	25,614
Travel	169	124	1,988	2,312	320	302	2,733	682	8,630
Meetings and registrations	432	355	4,612	5,414	1,184	1,069	3,128	3,514	19,708
Specific assistance	-	-	452,254	284,262	200	5,236	264	-	742,216
Membership dues	133	132	1,189	1,793	264	364	653	767	5,295
Recognition	216	326	1,353	1,208	285	2,383	627	229	6,627
Interest expense	155	74	1,244	1,084	477	462	568	607	4,671
Bank fees	103	32	448	376	101	454	2,126	84	3,724
Other equipment related	16	-	693	108	585	1,818	373	33	3,626
	<u>53,906</u>	<u>99,871</u>	<u>1,170,851</u>	<u>1,183,193</u>	<u>171,345</u>	<u>745,919</u>	<u>240,667</u>	<u>243,788</u>	<u>3,909,540</u>
Depreciation	<u>-</u>	<u>-</u>	<u>3,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,938</u>	<u>-</u>	<u>84,862</u>
	<u>\$ 53,906</u>	<u>\$ 99,871</u>	<u>\$ 1,174,775</u>	<u>\$ 1,183,193</u>	<u>\$ 171,345</u>	<u>\$ 745,919</u>	<u>\$ 321,605</u>	<u>\$ 243,788</u>	<u>\$ 3,994,402</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 736,701	\$ 373,468
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	63,075	84,862
Unrealized and realized gains on investments	(32,714)	(61,416)
Change in assets and liabilities		
Accounts receivable	(44,788)	(49,065)
Accounts receivable - related party	(150,000)	99,500
Pledges receivable	(35,000)	-
Prepaid expenses and other current assets	(13,372)	(184)
Accounts payable and accrued expenses	(2,790)	9,450
Accrued payroll, vacation, and pension	(311)	36,845
Net cash from operating activities	520,801	493,460
Cash flows from investing activities		
Capital expenditures	(34,282)	(8,000)
Net cash from investing activities	(34,282)	(8,000)
Cash flows from financing activities		
Payments on capital lease	(4,351)	(6,800)
Net cash from financing activities	(4,351)	(6,800)
Net change in cash and cash equivalents	482,168	478,660
Cash and cash equivalents at beginning of year	1,148,537	669,877
Cash and cash equivalents at end of year	\$ 1,630,705	\$ 1,148,537
Supplemental disclosures of cash flow information		
Cash paid for during the year:		
Interest	\$ 918	\$ 4,672
Contributed goods and services	538,201	542,944
Supplemental disclosure of noncash investing and financing activity		
Capital lease obligation reduction	\$ (10,524)	\$ -

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, 2019 and 2018

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 without donor restrictions and with donor restrictions and are detailed as follows:

Net assets without donor restrictions represent the part of the net assets of the Organization that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions 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. This class also includes 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, 2019 and 2018, the Organization had no such donor-restricted net assets of a permanent nature.

Within net assets without donor restrictions, 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 a substantial portion 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.

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.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

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

Contributions: Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence of donor restrictions and the nature of such restrictions, if they exist. Catholic Charities has adopted the policy that all contributions with donor restrictions for which the restriction is met in the same year, be recorded as without restrictions 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 conditional based on Catholic Charities providing program and financial reports and attending performance meetings. Catholic Charities met the conditions and recorded revenue of \$180,000 in 2019 and \$185,000 in 2018.

In-kind Contributions: For the year ended June 30, 2019 and 2018, Catholic Charities recorded \$538,201 and \$542,944 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. Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditures and cost allocations methodologies including time and space usage of programs benefited.

Advertising: The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$12,722 and \$13,907.

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 2019 or 2018.

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.

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, 2019 or 2018.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2019 and 2018

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

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, 2019 and 2018, 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.

Gifts of long-lived assets such as land, buildings and equipment are reported as support without donor restrictions 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 support with donor restrictions. 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.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

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

Recently Adopted Accounting Guidance: On August 18, 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented this guidance for the year ended June 30, 2019 and has adjusted the presentation of these financial statements accordingly, including retrospective adjustment to the June 30, 2018 financial statements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through September 27, 2019, 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 \$801,441 and \$769,022 as of June 30, 2019 and 2018. Fair values of the Organization's portion of the Catholic Community Foundation of Northeast Indiana's investment pool were \$11,898 and \$11,603 as of June 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 31,946	\$ 15,292
Unrealized/realized gains	<u>32,714</u>	<u>61,416</u>
 Total investment return	 <u>\$ 64,660</u>	 <u>\$ 76,708</u>

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, 2019 are as follows:

2020	\$	45,860
2021		40,603
2022		37,699
2023		<u>11,712</u>
	 <u>\$</u>	 <u>135,874</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 \$295,758 and \$272,413 for the years ended June 30, 2019 and 2018, respectively.

(Continued)

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 as of December 31, 2012. 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, 2019 and 2018 was \$93,134 and \$96,572, 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 full-time 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 \$21,488 and \$15,978 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization received \$477,837 and \$476,840 of support from the Diocese of Fort Wayne - South Bend during the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, the Organization's accounts receivable from the Diocese totaled \$187,217 and \$37,217.

The Organization leases building space from the Diocese. The rent expense for these facilities totaled \$252,215 and \$230,663 for the years ended June 30, 2019 and 2018, respectively.

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

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, 2019 and 2018, the balance of this endowment is \$2,123,352 and \$2,070,523. Distributions from the endowment fund are recorded as revenue when received by the Organization. During 2019, distributions of \$150,000 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:

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 Years ended June 30, 2019 and 2018

NOTE 7 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,630,705	\$ 1,148,537
Accounts receivable	255,102	210,314
Accounts receivable, related party	187,217	37,217
Pledges receivable	35,000	-
Investments	<u>813,339</u>	<u>780,625</u>
Total financial assets	2,921,363	2,176,693
Less amounts not available to be used within one year:		
Investments restricted for board-designated endowments	11,898	10,930
Donor-restricted net assets	1,400,782	621,848
Pledges receivable, non-current	<u>25,000</u>	<u>-</u>
Financial assets not available to be used within one year	<u>1,437,680</u>	<u>632,778</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,483,683</u>	<u>\$ 1,543,915</u>

As part of the Organization's liquidity management, the Organization invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SUPPLEMENTARY INFORMATION

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF PROGRAM SUPPORT AND REVENUE AND EXPENSES
WITHOUT DONOR RESTRICTIONS
Year ended June 30, 2019

	<u>Support and Revenue</u>	<u>Expenses</u>
Pregnancy and Adoption		
Adoptions	<u>\$ 32,922</u>	<u>\$ 32,922</u>
Youth		
Youth Mentoring	<u>\$ 69,761</u>	<u>\$ 69,761</u>
Case Management Brief Services	<u>\$ 1,146,486</u>	<u>\$ 1,298,120</u>
Clinical Services	<u>\$ 272,447</u>	<u>\$ 247,447</u>
Refugee & Immigration	<u>\$ 1,292,724</u>	<u>\$ 1,273,824</u>
Older Adults		
Retired Senior Volunteer Program	<u>\$ 162,328</u>	<u>\$ 162,328</u>
SCSEP	<u>579,333</u>	<u>579,333</u>
	<u>\$ 741,661</u>	<u>\$ 741,661</u>

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF PROGRAM SUPPORT AND REVENUE AND EXPENSES
 WITHOUT DONOR RESTRICTIONS
 Year ended June 30, 2018

	Support and <u>Revenue</u>	<u>Expenses</u>
Pregnancy and Adoption		
Adoptions	<u>\$ 53,906</u>	<u>\$ 53,906</u>
Youth		
Youth Mentoring	<u>\$ 99,871</u>	<u>\$ 99,871</u>
Case Management Brief Services	<u>\$ 1,167,417</u>	<u>\$ 1,174,775</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	<u>\$ 161,477</u>	<u>\$ 173,977</u>
SCSEP	<u>571,942</u>	<u>571,942</u>
	<u>\$ 733,419</u>	<u>\$ 745,919</u>

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2019

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
<i>Pass through Catholic Charities of the USA</i>			
<u>U.S. Department of Justice</u>			
CCUSA Youth Mentoring	16.726	None	\$ 22,440
<i>Pass through Senior Service America</i>			
<u>U.S. Department of Labor</u>			
Senior Community Service Employment Program	17.235	42185	509,680
<i>Pass through United States Catholic Conference of Bishops</i>			
<u>U.S. Department of State</u>			
U.S. Refugee Admission Program	19.510	None	159,220
USCCB R & P Direct Client Assistance	19.510	None	199,406
			<u>358,626</u>
<u>U.S. Department of Health and Human Services</u>			
* Refugee and Entrant Assistance Voluntary Agency Programs - Matching Grant			
	93.567	None	183,129
<i>Pass through State of Indiana</i>			
<u>U.S. Department of Health and Human Services</u>			
* Refugee and Entrant Assistance - State Administered Programs			
	93.566	None	199,900
* Refugee Preventative Health			
	93.576	HPR778-1	25,559
<i>Pass through United Way of Allen County</i>			
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter Program	97.024	262200-004	25,981
Emergency Food and Shelter Program	97.024	277600-005	10,641
Emergency Food and Shelter Program	97.024	265400-017	5,625
Emergency Food and Shelter Program	97.024	274800-018	1,131
Emergency Food and Shelter Program	97.024	274800-011	1,882
			<u>45,260</u>
<i>Other Federal Awards</i>			
<u>Corporation for National and Community Service</u>			
Retired Senior and Volunteer Program	94.002	16SR187718	82,048
Total expenditures of Federal Awards			<u>\$ 1,426,642</u>

* Total for U.S. Department of Health and Human Services is \$408,588

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, 2019

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, 2019 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, 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 September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

(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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 27, 2019

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, 2019. 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.

(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, 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 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

Crowe LLP

Indianapolis, Indiana
September 27, 2019

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2019

SECTION 1 - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes _____ X None Reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes _____ X 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 _____ X No

Identification of major programs

CFDA Numbers(s)	<u>Name of Federal Program or Cluster</u>
17.235	Senior Community Service Employment Program

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

**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