

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

ANNUAL REPORT
June 30, 2023 and 2022

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

ANNUAL REPORT
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the financial statements of Catholic Charities of the Diocese of Fort Wayne – South Bend, Inc. (the “Organization”), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023 the Organization has adopted Accounting Standards Update (ASU) 2016-02 – *Leases (Topic 842)* for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 23, 2023

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 378,688 | \$ 3,281,392 |
| Accounts receivable | 500,307 | 403,296 |
| Accounts receivable, related party | 36,000 | 36,000 |
| Pledges receivable | - | 6,000 |
| Prepaid expenses and other current assets | <u>72,813</u> | <u>61,154</u> |
| Total current assets | 987,808 | 3,787,842 |
| Equipment and improvements | | |
| Building and leasehold improvements | 983,548 | 1,018,849 |
| Office furniture and equipment | 462,695 | 448,365 |
| Transportation equipment | 134,352 | 217,393 |
| Program equipment | <u>29,050</u> | <u>29,050</u> |
| Total equipment | 1,609,645 | 1,713,657 |
| Accumulated depreciation | <u>(1,345,583)</u> | <u>(1,371,067)</u> |
| Net equipment and improvements | 264,062 | 342,590 |
| Investments | 3,491,780 | 917,839 |
| Right-of-use assets | <u>678,655</u> | <u>-</u> |
| Total assets | <u>\$ 5,422,305</u> | <u>\$ 5,048,271</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 134,612 | \$ 63,782 |
| Accrued payroll | 112,851 | 87,517 |
| Accrued vacation | 116,196 | 96,045 |
| Accrued pension | 53,958 | 51,988 |
| Grant advance | 11,776 | - |
| Operating lease liability, current portion | <u>146,562</u> | <u>-</u> |
| Total current liabilities | 575,955 | 299,332 |
| Operating lease liability, long-term | <u>532,093</u> | <u>-</u> |
| Total liabilities | 1,108,048 | 299,332 |
| Net assets | | |
| Without donor restrictions | | |
| Designated by Board for endowment | 32,237 | 29,326 |
| Other without donor restrictions | <u>3,332,962</u> | <u>3,583,001</u> |
| Total without donor restrictions | 3,365,199 | 3,612,327 |
| With donor restrictions | <u>949,058</u> | <u>1,136,612</u> |
| Total net assets | <u>\$ 5,422,305</u> | <u>\$ 5,048,271</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, 2023 and 2022

| | 2023 | | | 2022 | | |
|--------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenues | | | | | | |
| Contributions | \$ 1,371,861 | \$ 36,527 | \$ 1,408,388 | \$ 2,340,980 | \$ (35,000) | \$ 2,305,980 |
| In-kind revenue | 571,825 | - | 571,825 | 478,810 | - | 478,810 |
| Net special event revenue | - | - | - | 365,819 | - | 365,819 |
| Foundations and trusts | 731,965 | 100,000 | 831,965 | 689,053 | 200,387 | 889,440 |
| Diocese contributions and support | 452,396 | - | 452,396 | 453,238 | - | 453,238 |
| United Way grants | | | | | | |
| United Way - Allen County | 97,044 | - | 97,044 | 143,812 | - | 143,812 |
| United Way - Dekalb County | 20,000 | - | 20,000 | 20,000 | - | 20,000 |
| United Way - Steuben County | - | - | - | 2,000 | - | 2,000 |
| United Way - St. Joseph County | 51,766 | - | 51,766 | 41,580 | - | 41,580 |
| United Way - Elkhart County | 1,000 | - | 1,000 | - | - | - |
| Grants and fees | 3,103,931 | - | 3,103,931 | 2,254,812 | - | 2,254,812 |
| Program service fees | 356,240 | - | 356,240 | 336,180 | - | 336,180 |
| Investment returns | 188,388 | - | 188,388 | (168,316) | - | (168,316) |
| Net assets released from restriction | 324,081 | (324,081) | - | 288,557 | (288,557) | - |
| Total support and revenues | <u>7,270,497</u> | <u>(187,554)</u> | <u>7,082,943</u> | <u>7,246,525</u> | <u>(123,170)</u> | <u>7,123,355</u> |
| Expenses | | | | | | |
| Pro-life services | 218,250 | - | 218,250 | 216,915 | - | 216,915 |
| Stability services | 2,495,075 | - | 2,495,075 | 2,093,003 | - | 2,093,003 |
| Migration services | 3,161,930 | - | 3,161,930 | 2,093,705 | - | 2,093,705 |
| Counseling services | 718,922 | - | 718,922 | 569,386 | - | 569,386 |
| Total program expenses | <u>6,594,177</u> | <u>-</u> | <u>6,594,177</u> | <u>4,973,009</u> | <u>-</u> | <u>4,973,009</u> |
| Management and general | 377,813 | - | 377,813 | 327,800 | - | 327,800 |
| Public relations and fund raising | 545,635 | - | 545,635 | 324,304 | - | 324,304 |
| Total expenses | <u>7,517,625</u> | <u>-</u> | <u>7,517,625</u> | <u>5,625,113</u> | <u>-</u> | <u>5,625,113</u> |
| Changes in net assets | (247,128) | (187,554) | (434,682) | 1,621,412 | (123,170) | 1,498,242 |
| Net assets at beginning of year | <u>3,612,327</u> | <u>1,136,612</u> | <u>4,748,939</u> | <u>1,990,915</u> | <u>1,259,782</u> | <u>3,250,697</u> |
| Net assets at end of year | <u>\$ 3,365,199</u> | <u>\$ 949,058</u> | <u>\$ 4,314,257</u> | <u>\$ 3,612,327</u> | <u>\$ 1,136,612</u> | <u>\$ 4,748,939</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, 2023

| <u>Expense Category</u> | <u>Pro-Life Services</u> | <u>Stability Services</u> | <u>Migration Services</u> | <u>Counseling Services</u> | <u>Management and General</u> | <u>Public Relations and Fund Raising</u> | <u>2023 Total</u> |
|--|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------------|--|-----------------------|
| Salaries | \$ 135,107 | \$ 1,255,665 | \$ 1,238,312 | \$ 429,270 | \$ 223,860 | \$ 293,583 | \$ 3,575,797 |
| Employee benefits | 29,472 | 188,363 | 243,555 | 88,348 | 25,529 | 40,269 | 615,536 |
| Payroll taxes | 9,982 | 93,822 | 91,469 | 31,619 | 15,831 | 21,715 | 264,438 |
| Legal & professional | 6,803 | 52,854 | 70,515 | 62,289 | 20,216 | 94,949 | 307,626 |
| Supplies | 4,487 | 23,873 | 78,536 | 15,484 | 2,210 | 26,314 | 150,904 |
| Telephone and fax | 2,893 | 23,487 | 24,408 | 9,205 | 1,331 | 3,029 | 64,353 |
| Postage and shipping | 205 | 2,879 | 5,145 | 1,007 | 1,233 | 6,785 | 17,254 |
| Land and building rent | 12,644 | 102,063 | 134,147 | 33,182 | 13,047 | 14,921 | 310,004 |
| General Insurance | 112 | 1,588 | 214 | 416 | 11 | 54 | 2,395 |
| Utilities | 865 | 16,340 | 22,189 | 3,845 | 379 | 291 | 43,909 |
| Maintenance and supplies | 847 | 3,101 | 9,221 | 1,732 | 350 | 504 | 15,755 |
| Equipment rental/maintenance | 1,040 | 4,472 | 9,528 | 2,309 | 675 | 912 | 18,936 |
| Printing and art work | 170 | 1,293 | 1,717 | 919 | 178 | 30,751 | 35,028 |
| Subscriptions and publications | 85 | 423 | 558 | 85 | 179 | 42 | 1,372 |
| Advertising and marketing | 9 | 2,560 | 2,985 | 4,984 | 353 | 2,991 | 13,882 |
| Vehicle expense | 2,177 | 10,284 | 29,962 | 127 | - | 1,620 | 44,170 |
| Mileage and parking | 3,458 | 7,755 | 7,319 | 7,784 | 559 | 1,886 | 28,761 |
| Travel | 231 | 1,839 | 6,626 | 6,115 | 8,637 | 577 | 24,025 |
| Meetings and registrations | 1,391 | 6,636 | 12,912 | 3,088 | 2,897 | 2,520 | 29,444 |
| Specific assistance | 453 | 676,997 | 1,058,224 | - | 380 | - | 1,736,054 |
| Membership dues | 255 | 1,877 | 2,257 | 255 | 716 | 128 | 5,488 |
| Recognition | 132 | 2,987 | 1,426 | 848 | 711 | 739 | 6,843 |
| Contribution of equipment and improvements | - | - | 88,011 | - | - | - | 88,011 |
| Bank fees | 61 | 8 | 495 | 2,053 | 2,619 | 140 | 5,376 |
| Other equipment related | 943 | 7,033 | 11,543 | 13,958 | 14,199 | 915 | 48,591 |
| | <u>213,822</u> | <u>2,488,199</u> | <u>3,151,274</u> | <u>718,922</u> | <u>336,100</u> | <u>545,635</u> | <u>7,453,952</u> |
| Depreciation | <u>4,428</u> | <u>6,876</u> | <u>10,656</u> | <u>-</u> | <u>41,713</u> | <u>-</u> | <u>63,673</u> |
| | <u>\$ 218,250</u> | <u>\$ 2,495,075</u> | <u>\$ 3,161,930</u> | <u>\$ 718,922</u> | <u>\$ 377,813</u> | <u>\$ 545,635</u> | <u>\$ 7,517,625</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, 2022

| <u>Expense Category</u> | <u>Pro-Life Services</u> | <u>Stability Services</u> | <u>Migration Services</u> | <u>Counseling Services</u> | <u>Management and General</u> | <u>Public Relations and Fund Raising</u> | <u>2022 Total</u> |
|--------------------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------------|--|-----------------------|
| Salaries | \$ 138,238 | \$ 1,062,147 | \$ 870,244 | \$ 381,310 | \$ 159,386 | \$ 134,561 | \$ 2,745,886 |
| Employee benefits | 32,484 | 158,853 | 177,627 | 73,569 | 21,149 | 25,890 | 489,572 |
| Payroll taxes | 10,348 | 79,239 | 64,247 | 27,166 | 9,762 | 9,892 | 200,654 |
| Legal & professional | 2,767 | 29,544 | 59,207 | 8,236 | 32,995 | 81,479 | 214,228 |
| Supplies | 5,019 | 35,195 | 54,080 | 9,052 | 4,507 | 10,997 | 118,850 |
| Telephone and fax | 2,026 | 15,300 | 12,521 | 6,237 | 1,447 | 1,271 | 38,802 |
| Postage and shipping | (249) | 1,609 | 2,109 | (129) | 816 | 7,733 | 11,889 |
| Land and building rent | 15,427 | 96,335 | 100,325 | 37,197 | 11,957 | 10,664 | 271,905 |
| General Insurance | 62 | 1,534 | 68 | 681 | 17 | 11 | 2,373 |
| Utilities | 797 | 15,918 | 25,121 | 5,766 | 688 | 260 | 48,550 |
| Maintenance and supplies | 247 | 3,068 | 28,520 | 1,558 | 676 | 118 | 34,187 |
| Equipment rental/maintenance | 804 | 4,113 | 4,804 | 2,330 | 593 | 607 | 13,251 |
| Printing and art work | 302 | 562 | 1,169 | 296 | 308 | 32,219 | 34,856 |
| Subscriptions and publications | - | - | - | - | 621 | - | 621 |
| Advertising and marketing | 482 | 7,085 | 8,957 | 3,217 | 525 | 3,459 | 23,725 |
| Vehicle expense | (2,562) | 9,872 | 35,685 | 52 | 1,392 | 1,238 | 45,677 |
| Mileage and parking | 3,076 | 4,032 | 7,648 | 3,886 | 269 | 649 | 19,560 |
| Travel | 3 | 202 | 1,721 | 3 | 10,188 | 3 | 12,120 |
| Meetings and registrations | 1,715 | 6,945 | 12,365 | 2,365 | 1,446 | 1,152 | 25,988 |
| Specific assistance | 737 | 546,152 | 616,256 | - | 840 | - | 1,163,985 |
| Membership dues | 338 | 1,126 | 1,917 | 338 | 574 | 497 | 4,790 |
| Recognition | 223 | 2,232 | 1,309 | 241 | 422 | (32) | 4,395 |
| Bank fees | 64 | 311 | 1,296 | 1,228 | 17,154 | 940 | 20,993 |
| Other equipment related | 137 | 6,198 | 1,302 | 4,787 | 6,444 | 696 | 19,564 |
| | <u>212,485</u> | <u>2,087,572</u> | <u>2,088,498</u> | <u>569,386</u> | <u>284,176</u> | <u>324,304</u> | <u>5,566,421</u> |
| Depreciation | 4,430 | 5,431 | 5,207 | - | 43,624 | - | 58,692 |
| | <u>\$ 216,915</u> | <u>\$ 2,093,003</u> | <u>\$ 2,093,705</u> | <u>\$ 569,386</u> | <u>\$ 327,800</u> | <u>\$ 324,304</u> | <u>\$ 5,625,113</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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (434,682) | \$ 1,498,242 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 63,673 | 58,692 |
| Unrealized and realized loss (gains) on investments | (131,756) | 201,872 |
| Contribution of equipment and improvements | 88,011 | - |
| Change in assets and liabilities | | |
| Accounts receivable | (97,011) | (114,290) |
| Accounts receivable - related party | - | 1,217 |
| Pledges receivable | 6,000 | 45,000 |
| Prepaid expenses and other current assets | (11,659) | 4,836 |
| Right-of-use assets | 130,997 | - |
| Accounts payable, accrued expenses and grant advance | 82,606 | 42,030 |
| Accrued payroll, vacation, and pension | 47,455 | (30,393) |
| Operating lease liability | (130,997) | - |
| Net cash from operating activities | <u>(387,363)</u> | <u>1,707,206</u> |
| Cash flows from investing activities | | |
| Capital expenditures | (73,157) | (175,655) |
| Purchases of investments | <u>(2,442,184)</u> | <u>-</u> |
| Net cash from investing activities | <u>(2,515,341)</u> | <u>(175,655)</u> |
| | | |
| Net change in cash and cash equivalents | (2,902,704) | 1,531,551 |
| Cash and cash equivalents at beginning of year | <u>3,281,392</u> | <u>1,749,841</u> |
| Cash and cash equivalents at end of year | <u>\$ 378,688</u> | <u>\$ 3,281,392</u> |
| | | |
| Supplemental disclosure of noncash investing and financing activity | | |
| Non-cash additions to right-of-use assets and operating lease liabilities | \$ 809,651 | \$ - |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, which 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, 2023 and 2022, 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.

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. Conditional promises to give with a right of return and a barrier are recognized only when the conditions on which they depend are substantially met. Payments received in advance of the Organization satisfying the related conditions are recorded as grant advance liabilities in the statement of financial position. 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 2021, Catholic Charities received a three-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 \$175,000 in 2023 and 2022, respectively.

(Continued)

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

In-kind Contributions: For the year ended June 30, 2023 and 2022, Catholic Charities recorded \$571,825 and \$478,810 for contributions of discounted rent, donated goods and services. These items were used in relation to Catholic Charities' programs and operations. 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.

In-kind contributions from discounted rent is determined by comparing the Organization's discounted rental rate per the lease agreement to the prevailing market rental rates of similar types of office space in their geographic location. In-kind contributions from donated goods and services is determined by current market rates to purchase the goods or services. In-kind contributions are used for the Organization's programs and operations.

Revenue Recognition: The Organization receives a substantial portion of its grant revenue from Federal and State agencies. The grants are generally conditional contributions, and revenue is not recognized until the related conditions are substantially met, such as incurring allowable expenses or providing allowable services. The Organization recognizes grant revenue, up to the awarded amount, from its grants to the extent of allowable services provided and/or allowable expenses incurred. Revenue recognition depends upon the provisions within the agreements. The duration of allowable program services is short-term as services are generally rendered within one day.

Revenue recognition from program services occurs at the point in time which the service is rendered or eligible expense incurred. Payment from our customers and grantors is due at invoicing. Revenue recognized reflects the consideration the Organization expects to receive as payment for the allowable services rendered. The Organization had no costs that were capitalized to obtain or fulfill a contract.

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.

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 allocation 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, 2023 and 2022 were \$13,882 and \$24,938, respectively.

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. Management believes that no such impairment exists for 2023 or 2022.

(Continued)

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

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, 2023 or 2022.

Cash and cash equivalents: 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, 2023 and 2022, management estimated that no allowance was needed.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on changes in net assets or net assets.

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. Investment income, inclusive of interest and dividend income, is recorded when earned.

(Continued)

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

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.

Recently Adopted Accounting Pronouncement: In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-12, Leases (Topic 842), which requires lease assets and lease liabilities to be recorded to the statement of financial position. The Organization adopted this ASU as of July 1, 2022 (the "Adoption Date") under the modified retrospective approach, applying the standard to all active leases as of the Adoption Date. The Organization elected the package of practical expedients provided under the new standard and did not re-assess classification of its existing leases. There were no initial direct costs that needed to be reassessed during transition. Due to the implementation of the new standard, the Organization has recorded a ROU asset and operating lease liability of approximately \$713,000 as of July 1, 2022.

Right-of-Use Lease Asset and Lease Liability: The Organization recognizes a right-of-use ("ROU") asset and lease liability on the statement of financial position for all leases with a term longer than 12-months. Leases are classified as operating or finance, with the classification affecting the pattern and classification of expense recognition in the income statement. Certain leases include one or more options to renew. Management includes renewal periods in the lease term when it is reasonably certain that a renewal option will be exercised. As most leases do not provide an implicit rate, the Organization elected the practical expedient to utilize a risk-free rate over a similar remaining term of the lease as the discount rate.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through October 23, 2023, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Organization's investments include 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 \$992,908 and \$888,513 as of June 30, 2023 and 2022. Substantially all of the Diocese investment pool consists of investments in the Catholic Endowment Fund LP, which invests in a diversified portfolio of holdings. The invested funds are available for the Organization's withdrawal as needed. Fair values of the Organization's portion of the Catholic Community Foundation of Northeast Indiana's investment pool were \$14,555 and \$13,137 as of June 30, 2023 and 2022. Fair value of the Organization's portion of the Community Foundation Dekalb County

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2 – INVESTMENTS (Continued)

investment pool was \$17,682 and \$16,189 as of June 30, 2023 and 2022. During 2023, the Organization purchased US Treasury bonds for \$2,442,184. The fair value of the US Treasury bonds at June 30, 2023 is \$2,466,635.

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

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------------|---------------------|
| Interest and dividends, net | \$ 56,632 | \$ 33,556 |
| Unrealized/realized gains (losses) | <u>131,756</u> | <u>(201,872)</u> |
| Total investment return | <u>\$ 188,388</u> | <u>\$ (168,316)</u> |

NOTE 3 - LEASE COMMITMENTS

The Organization has various operating lease obligations for equipment, vehicles and office space. 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 \$335,138 and \$293,306 for the years ended June 30, 2023 and 2021, respectively.

As of June 30, 2023, remaining maturities of lease liabilities, the weighted-average remaining lease term and the weighted-average discount rate used in calculating the right-of-use asset are as follows:

| | <u>2023</u> |
|---|-------------------|
| Weighted average remaining lease term (in years) | 4.62 |
| Weighted average discount rate used in calculated ROU asset | 3.13% |
| 2024 | \$ 165,641 |
| 2025 | 165,823 |
| 2026 | 145,184 |
| 2027 | 132,683 |
| 2028 | <u>119,446</u> |
| | 728,777 |
| Less interest | <u>(50,122)</u> |
| Present value of lease liabilities | <u>\$ 678,655</u> |

(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, 2023 and 2022 was \$53,958 and \$51,988, respectively. The funded status of the Plan has not been disclosed as the information cannot be obtained by the Organization without undue cost or effort.

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 40 (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 \$99,051 and \$71,220 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization received \$452,396 and \$453,238 of support from the Diocese of Fort Wayne - South Bend during the years ended June 30, 2023 and 2022, respectively.

At June 30, 2023 and 2022, the Organization's accounts receivable from the Diocese totaled \$36,000 and \$36,000.

The Organization leases building space from the Diocese. The rent expense for these facilities totaled \$273,301 and \$241,589 for the years ended June 30, 2023 and 2022, respectively, of which a portion is recorded as an in-kind contribution.

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, 2023 and 2022, the balance of this endowment is \$2,075,540 and \$1,968,127. Distributions from the endowment fund are recorded as contributions on the statements of activities when received by the Organization. During 2023 and 2022, distributions of \$108,500 and \$241,000 were taken by the Organization and recorded as revenue.

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:

(Continued)

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.

The fair values of US Treasury bonds are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023 and 2022

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>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 378,688 | \$ 3,281,392 |
| Accounts receivable | 500,307 | 403,296 |
| Accounts receivable, related party | 36,000 | 36,000 |
| Pledges receivables | - | 6,000 |
| Investments | <u>3,491,780</u> | <u>917,839</u> |
| Total financial assets | 4,406,775 | 4,644,527 |
| Less amounts not available to be used within one year: | | |
| Investments restricted for board-designated endowments | 32,237 | 29,326 |
| Donor-restricted net assets | <u>949,058</u> | <u>1,136,612</u> |
| Financial assets not available to be used within one year | <u>981,295</u> | <u>1,165,938</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 3,425,480</u> | <u>\$ 3,478,589</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.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 are as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------|-------------------|---------------------|
| Pro-life | \$ 806,233 | \$ 925,333 |
| COVID-19 Relief | - | 14,476 |
| Other | <u>142,825</u> | <u>196,803</u> |
| | <u>\$ 949,058</u> | <u>\$ 1,136,612</u> |

Purpose restrictions accomplished:

| | <u>2023</u> | <u>2022</u> |
|-----------------|-------------------|-------------------|
| Pro-life | \$ 119,100 | \$ 129,750 |
| COVID-19 Relief | 14,476 | 42,528 |
| Other | <u>190,505</u> | <u>116,279</u> |
| | <u>\$ 324,081</u> | <u>\$ 288,557</u> |

(Continued)

NOTE 9 – NET SPECIAL EVENT REVENUE

In April 2022, the Organization held its 100th anniversary gala, a special fundraising event to celebrate its 100 years of service to the communities of the Fort Wayne – South Bend Diocese. Total contributions received from the event were \$448,979. Total direct expenditures of \$83,160 have been recognized net, as part of net special event revenue on the statements of activities for the year ended June 30, 2022. There was no special event revenue recognized for the year ended June 30, 2023.

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, 2023

| | Support and <u>Revenue</u> | <u>Expenses</u> |
|---------------------|-------------------------------|-----------------|
| Pro-Life Services | \$ 139,722 | \$ 218,250 |
| Stability Services | \$ 2,458,374 | \$ 2,495,075 |
| Migration Services | \$ 3,117,906 | \$ 3,161,930 |
| Counseling Services | \$ 697,921 | \$ 718,922 |

See accompanying Independent Auditor's Report.

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, 2022

| | Support and <u>Revenue</u> | <u>Expenses</u> |
|---------------------|-------------------------------|-----------------|
| Pro-Life Services | \$ 88,235 | \$ 216,915 |
| Stability Services | \$ 2,085,002 | \$ 2,093,003 |
| Migration Services | \$ 2,223,611 | \$ 2,093,705 |
| Counseling Services | \$ 559,361 | \$ 569,386 |

See accompanying Independent Auditor's Report.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

| <u>Program Title</u> | <u>Federal Assistance Listing 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 | \$ 13,428 |
| <i>Pass through Senior Service America</i> | | | |
| <u>U.S. Department of Labor</u> | | | |
| Senior Community Service Employment Program | 17.235 | 42185 | 511,442 |
| <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 | 343,554 |
| U.S. Refugee Admission Program USCCB R & P Direct Client Assistance | 19.510 | None | <u>459,819</u> |
| | | | 803,373 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| * Refugee and Entrant Assistance Voluntary Agency Programs - Matching Grant | 93.567 | None | 553,354 |
| <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 | 577,935 |
| * Refugee Preventative Health | 93.576 | HPR778-1 | 351,827 |
| * Refugee Health | 93.391 | PHSA 42 USC | 52,417 |
| <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 | 81,592 |
| Emergency Food and Shelter Program | 97.024 | 277600-005 | <u>38,772</u> |
| | | | 120,364 |
| <i>Other Federal Awards</i> | | | |
| <u>Corporation for National and Community Service</u> | | | |
| Retired Senior and Volunteer Program | 94.002 | 16SR187718 | 89,726 |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Community Development Block Grant | 14.272 | None | 15,065 |
| Emergency Services Grant | 14.231 | None | <u>15,000</u> |
| | | | 30,065 |
| Total expenditures of Federal Awards | | | <u>\$ 3,103,931</u> |

* Total for U.S. Department of Health and Human Services is \$1,535,533

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, 2023

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, 2023 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*

The 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, 2023, 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 23, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

(Continued)

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and slightly slanted to the right.

Crowe LLP

Indianapolis, Indiana
October 23, 2023

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

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Catholic Charities of the Diocese of Fort Wayne – South Bend, Inc. (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2023. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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, 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

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

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

Crowe LLP

Crowe LLP

Indianapolis, Indiana
October 23, 2023

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2023

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

| | |
|---|--|
| Assistance Listing Numbers(s) 19.510 | <u>Name of Federal Program or Cluster</u> U.S. Refugee Admissions Program |
|---|--|

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 |
|--|----------------------|-----|-------|----|

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

**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