

Catholic Charities of Louisville, Inc.
Financial Statements
Years Ended June 30, 2016 and 2015

Catholic Charities of Louisville, Inc.

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June 30, 2016 and 2015

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Independent Auditor's Report

To Archbishop Joseph E. Kurtz, D.D.
and Finance Council
Board of Directors
Catholic Charities of Louisville, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of Louisville, Inc. (a nonprofit organization) (the "Corporation"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 audit. We conducted our audit 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 from material misstatement.

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

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

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Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Jeffersonville, Indiana
September 29, 2016

Catholic Charities of Louisville, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Assets		
Cash and cash equivalents	\$ 234,627	\$ 205,542
Grants and other receivables, net	1,423,700	1,469,821
Prepaid expenses	42,429	14,315
Inventories	32,358	54,518
Beneficial interest in third-party trusts	993,819	1,040,044
Property and equipment, net	<u>706,144</u>	<u>743,024</u>
Total Assets	<u>\$ 3,433,077</u>	<u>\$ 3,527,264</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,219,028	\$ 1,038,831
Deferred revenue	394,200	291,797
Notes payable	<u>2,556</u>	<u>10,890</u>
Total Liabilities	1,615,784	1,341,518
Net Assets		
Unrestricted net assets		
Invested in property and equipment, net of related debt	703,585	732,134
Expendable net assets	<u>(4,200)</u>	<u>261,714</u>
Total Unrestricted Net Assets	699,385	993,848
Temporarily restricted	662,490	707,649
Permanently restricted	<u>455,418</u>	<u>484,249</u>
Total Net Assets	<u>1,817,293</u>	<u>2,185,746</u>
Total Liabilities and Net Assets	<u>\$ 3,433,077</u>	<u>\$ 3,527,264</u>

See accompanying notes.

Catholic Charities of Louisville, Inc.
Statements of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Grants:				
Refugee program grants	\$ 12,836,015	\$ -	\$ -	\$ 12,836,015
Other grants	459,934	123,677	-	583,611
Total Grants	13,295,949	123,677	-	13,419,626
Donations and bequests	444,633	113,712	-	558,345
Contributions from Archdiocese of Louisville	842,520	-	-	842,520
Program fee income	1,251,418	-	-	1,251,418
Development fees	250,000	-	-	250,000
Miscellaneous income	23,668	47,090	-	70,758
Endowment spending distribution	23,460	-	-	23,460
Net assets released from restrictions	312,589	(312,589)	-	-
Total Operating Revenues and Support	16,444,237	(28,110)	-	16,416,127
Operating Expenses				
Program Services:				
Refugee programs	12,732,407	-	-	12,732,407
Language and immigration legal services	1,209,780	-	-	1,209,780
Case management services	1,617,001	-	-	1,617,001
Catholic identity and external relations	280,898	-	-	280,898
Total Program Services	15,840,086	-	-	15,840,086
Development and fundraising expense	110,480	-	-	110,480
Administrative and other support services	808,997	-	-	808,997
Total Operating Expenses	16,759,563	-	-	16,759,563
Decrease from Operations	(315,326)	(28,110)	-	(343,436)
Other Changes in Net Assets				
Gain on disposal of assets	3,000	-	-	3,000
Investment income	17,863	347	-	18,210
Investment returns, including endowment spending distribution	-	(17,396)	(28,831)	(46,227)
Decrease in Net Assets	(294,463)	(45,159)	(28,831)	(368,453)
Net Assets, Beginning of Year	993,848	707,649	484,249	2,185,746
Net Assets, End of Year	<u>\$ 699,385</u>	<u>\$ 662,490</u>	<u>\$ 455,418</u>	<u>\$ 1,817,293</u>

See accompanying notes.

Catholic Charities of Louisville, Inc.
Statements of Activities (Continued)
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Grants:				
Refugee program grants	\$ 11,339,033	\$ -	\$ -	\$11,339,033
Other grants	196,798	207,324	-	404,122
Total Grants	11,535,831	207,324	-	11,743,155
Donations and bequests	558,242	45,166	-	603,408
Contributions from Archdiocese of Louisville	830,998	-	-	830,998
Program fee income	1,281,825	-	-	1,281,825
Miscellaneous income	32,427	9,133	-	41,560
Net assets released from restrictions	286,296	(286,296)	-	-
Total Operating Revenues and Support	14,525,619	(24,673)	-	14,500,946
Operating Expenses				
Program Services:				
Refugee programs	10,801,090	-	-	10,801,090
Language and immigration legal services	1,222,563	-	-	1,222,563
Case management services	1,591,215	-	-	1,591,215
Catholic identity and external relations	240,717	-	-	240,717
Total Program Services	13,855,585	-	-	13,855,585
Development and fundraising expense	254,176	-	-	254,176
Administrative and other support services	437,917	-	-	437,917
Total Operating Expenses	14,547,678	-	-	14,547,678
Decrease from Operations	(22,059)	(24,673)	-	(46,732)
Other Changes in Net Assets				
Investment income	27,977	23,061	-	51,038
Decrease in beneficial interest in third-party trusts	-	1,253	(6,906)	(5,653)
Increase (Decrease) in Net Assets	5,918	(359)	(6,906)	(1,347)
Net Assets, Beginning of Year	987,930	708,008	491,155	2,187,093
Net Assets, End of Year	\$ 993,848	\$ 707,649	\$ 484,249	\$ 2,185,746

See accompanying notes.

Catholic Charities of Louisville, Inc.
Statements of Functional Expenses
Year Ended June 30, 2016

	Program Services						Total
	Refugee Programs	Language and Immigration Legal Services	Case Management Services	Catholic Identity and External Relations	Development and Fundraising	Administration and Other Support Services	
Salaries and fringe benefits	\$ 2,453,529	\$ 523,894	\$ 972,151	\$ 264,080	\$ 95,586	\$ 11,759	\$ 4,320,999
Refugee medical assistance	1,792,013	-	-	-	-	516	1,792,529
Direct cash assistance	4,002,173	-	414,934	-	-	50,645	4,467,752
Grants to sub-recipients	3,599,766	-	-	-	-	-	3,599,766
Contract interpreters	115,368	551,924	2,663	-	-	-	669,955
Professional fees and services	232,641	55,711	28,442	1,140	5,144	72,882	395,960
Program and activity expense	44,955	12,656	9,991	1,266	3,400	81,707	153,975
Rent expense	8,800	-	14,746	-	-	-	23,546
Employee training and travel	136,304	14,838	53,402	10,764	2,284	26,953	244,545
Office supplies and services	70,579	24,209	44,459	2,460	3,225	16,742	161,674
Utilities	57,382	-	8,519	-	-	32,626	98,527
Telecommunications	33,583	14	14,088	19	-	21,376	69,080
Plant and grounds expense	140,460	-	40,025	-	-	81,416	261,901
Property and liability insurance	-	19,265	3,388	-	-	8,193	30,846
Auto expense	25,725	-	2,328	-	588	27,586	56,227
Depreciation expense	3,299	-	-	-	-	96,442	99,741
Interest expense	-	-	-	-	-	751	751
Bad debt	-	-	-	-	-	224,686	224,686
Miscellaneous expense	15,830	7,269	7,865	1,169	253	54,717	87,103
Total Functional Expenses	\$ 12,732,407	\$ 1,209,780	\$ 1,617,001	\$ 280,898	\$ 110,480	\$ 808,997	\$ 16,759,563

See accompanying notes.

Catholic Charities of Louisville, Inc.
Statements of Functional Expenses (Continued)
Year Ended June 30, 2015

	Program Services						Total
	Refugee Programs	Language and Immigration Legal Services	Case Management Services	Catholic Identity and External Relations	Development and Fundraising	Administration and Other Support Services	
Salaries and fringe benefits	\$ 2,184,005	\$ 527,534	\$ 924,960	\$ 218,869	\$ 226,434	\$ 29,289	\$ 4,111,091
Refugee medical assistance	5,490	-	-	-	-	-	5,490
Direct cash assistance	4,717,010	-	433,357	-	-	1,600	5,151,967
Grants to sub-recipients	3,101,871	-	-	-	-	-	3,101,871
Contract interpreters	92,333	558,122	2,873	-	-	129	653,457
Professional fees and services	159,328	46,277	26,516	3,043	6,279	63,995	305,438
Program and activity expense	47,572	32,717	27,935	1,918	533	14,464	125,139
Rent expense	10,800	-	21,200	-	-	-	32,000
Employee training and travel	134,611	14,900	42,392	12,218	8,900	28,185	241,206
Office supplies and services	73,227	24,479	37,836	2,526	11,305	21,164	170,537
Utilities	60,211	-	13,963	-	-	27,034	101,208
Telecommunications	29,892	863	13,631	115	-	23,985	68,486
Plant and grounds expense	147,919	-	36,717	-	-	96,670	281,306
Property and liability insurance	-	11,685	3,238	-	-	9,793	24,716
Auto expense	26,726	-	2,087	-	623	26,287	55,723
Depreciation expense	-	-	-	-	-	78,936	78,936
Interest expense	-	-	-	-	-	2,162	2,162
Miscellaneous expense	10,095	5,986	4,510	2,028	102	14,224	36,945
Total Functional Expenses	\$ 10,801,090	\$ 1,222,563	\$ 1,591,215	\$ 240,717	\$ 254,176	\$ 437,917	\$ 14,547,678

See accompanying notes.

Catholic Charities of Louisville, Inc.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities		
Change in Net Assets	\$ (368,453)	\$ (1,347)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	99,741	78,936
Gain on disposal	(3,000)	-
Donations of property and equipment	(13,308)	-
Bad debt expense	224,686	-
Decrease in beneficial interest in third party trust	46,227	5,652
Endowment spending distribution	(23,460)	-
Other changes:		
Grants and other receivables and deferred revenue	(76,162)	106,174
Prepaid expenses	(28,114)	(5,018)
Inventories	22,160	(35,286)
Accounts payable and accrued expenses	180,197	84,722
Net Cash Provided by Operating Activities	<u>60,514</u>	<u>233,833</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	(49,555)	(15,176)
Proceeds from sale of property and equipment	3,000	-
Endowment spending distribution	23,460	-
Net Cash Used by Investing Activities	<u>(23,095)</u>	<u>(15,176)</u>
Cash Flows from Financing Activities		
Payments of principal on loans from Archdiocese of Louisville	-	(2,313)
Payments of principal on long-term debt	(8,334)	(11,627)
Net Cash Used by Financing Activities	<u>(8,334)</u>	<u>(13,940)</u>
Increase in Cash	29,085	204,717
Cash, Beginning of Year	<u>205,542</u>	<u>825</u>
Cash, End of Year	<u>\$ 234,627</u>	<u>\$ 205,542</u>
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	<u>\$ 751</u>	<u>\$ 2,162</u>

See accompanying notes.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note A - Nature of Organization and Operations

Catholic Charities of Louisville, Inc. ("the Corporation") is an agency of the Archdiocese of Louisville, and a corporation under the laws of the Commonwealth of Kentucky.

The Corporation acts on behalf of the Archdiocese to provide services which include: refugee reception and resettlement; immigration legal representation; direct cash assistance and case management to Louisville's urban poor; adoption and mother/infant care; eldercare assistance and advocacy; and support of parish social ministry.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC"), as provided by the Financial Accounting Standards Board ("FASB"), is the sole source of authoritative GAAP.

The Corporation distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions, if any. The Corporation classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets include the following:

- Invested in Property and Equipment, net of related debt: These net assets represent cumulative resources expended for property and equipment, less accumulated depreciation recorded on the property and equipment, and net of related debt.
- Expendable Net Assets: These net assets represent the portion of expendable funds available for support in the operation of the Corporation.

Temporarily Restricted Net Assets include gifts for which donor imposed restrictions are to be met.

Permanently Restricted Net Assets include amounts for which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note B - Summary of Significant Accounting Policies (Continued)

2. Use of Estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Cash and Cash Equivalents: Cash and cash equivalents primarily include highly liquid investment securities with maturities of three months or less.
4. Investments and Market Risk: Investments are valued at fair market value. The Corporation has investments in money market funds, certificates of deposit, corporate stocks, and government bonds that are subject to concentrations of credit risk. These investments are included within beneficial interest in third-party trusts in the statements of financial position. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investments policy is prudent for the long-term welfare of the Corporation.
5. Grants Receivable: Grants receivable consist of the billings for reimbursements of allowable expenditures in the operation of the various federal grant programs of the Corporation. No allowance for uncollectible grants has been recorded as management expects all reimbursements receivable to be paid in full.
6. Other Receivables: Other receivables consist of the billings for fee based translation and interpretive services. The Corporation uses the allowance method of valuing receivables which is based upon historical experience, coupled with a review of the current status of existing receivables. The allowance for doubtful accounts was \$12,473 and \$13,369 as of June 30, 2016 and 2015, and is deducted against other receivables to properly reflect net realizable value.
7. Inventories: Inventories are carried at the lower of cost (first-in, first-out) or market and consist of bus passes, gift cards, and housewares.
8. Beneficial Interest in Third Party Trusts: The beneficial interest is stated at the present value of the estimated future cash flows, which value was estimated to be fair market value of the underlying investments held in third-party trusts.
9. Property and Equipment: Donated property and equipment are recorded at their estimated fair values at the time of donation. Purchased property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	20 years
Furniture and equipment	5 years
10. Donated Goods and Services: Donated materials and equipment are shown as gifts, valued at their estimated value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. A large number of volunteers have given significant amounts of their time for the operation of the Corporation throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note B - Summary of Significant Accounting Policies (Continued)

11. Income Taxes: The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income generated from activities unrelated to the Corporation's exempt purpose is subject to tax under IRC Section 511.

The Corporation evaluates all local, state, and federal income tax returns for potential uncertain tax positions taken. Management has concluded there are no tax positions attributed to the reporting entity which meet the more-likely-than-not criterion in the ASC. Accordingly, the accompanying financial statements do not include a provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position. The Corporation does not have any ongoing tax examinations and is not aware of any pending examinations by tax authorities.

12. Deferred Revenue: Deferred revenue consists of advances of federal grant funds from the Department of Health and Human Services and from pass-through grants from the United States Catholic Conference of Bishops ("USCCB"). These advances are refundable upon termination of the grant, if unspent.
13. Revenue Recognition: Revenues from cost-reimbursement grants are recognized in the period in which the related expenses are incurred and claimed for reimbursement. Revenues from grants based upon contractually agreed-upon rates are recognized in the period in which the services are rendered.
14. Expense Allocation: Expenditures that can be identified specifically with a particular program objective are charged to the appropriate funding source and cost category. Indirect administrative expenses are allocated to the various programs based on a cost allocation plan.
15. Advertising: The Corporation expenses advertising costs as incurred.
16. Subsequent Events: The Corporation has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.
17. Reclassifications: Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation.

Note C - Fair Value Measurements

The financial statements reflect the accounting standard related to fair value measurements, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, the standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The standard defines levels with the hierarchy of inputs as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note C - Fair Value Measurements (Continued)

Fair values of financial assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

<u>June 30, 2016</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Third-party Trusts	\$ 993,819	\$ -	\$ -	\$ 993,819
<u>June 30, 2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Third-party Trusts	\$ 1,040,044	\$ -	\$ -	\$ 1,040,044

Changes in the fair value of the Corporation's Level 3 beneficial interest in third-party trust during the year ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,040,044	\$ 1,045,696
Depreciation in fair value	(40,975)	(56,690)
Distributions	(23,460)	-
Investment income	18,210	51,038
Ending Balance	<u>\$ 993,819</u>	<u>\$ 1,040,044</u>

See Note B (7) for valuation method.

Note D - Grants and Other Receivables

Grants and other receivables consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 702,625	\$ 1,125,399
Other receivables	733,548	357,791
Subtotal	1,436,173	1,483,190
Less: Allowance for doubtful accounts	(12,473)	(13,369)
Total Grants and Other Receivables	<u>\$ 1,423,700</u>	<u>\$ 1,469,821</u>

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note E - Beneficial Interest in Third-party Trusts

The Corporation is the income beneficiary of two charitable trusts administered by third-party trustees. One trust is an irrevocable perpetual trust and its net assets are classified as permanently restricted. The income received from this trust is restricted for elderly service programs.

The assets of the second charitable trust are to be held in trust for a period of twenty-five years and therefore its net assets are classified as temporarily restricted. The income received from this trust can be used at management's discretion. The combined income received from these trusts for the years ended June 30, 2016 and 2015 was \$18,208 and \$51,038, respectively. The combined change in value of the trusts was a decrease of \$40,975 for the year ended June 30, 2016, and a decrease of \$56,690 for the year ended June 30, 2015. The changes in the value of the trusts are included in the change in temporarily and permanently restricted net assets on the statements of activities.

The assets held in trust are summarized as follows as of June 30, 2016 and 2015:

	2016		2015	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 4,609	\$ 4,609	\$ 38,453	\$ 38,453
Mutual funds - bonds	281,101	286,228	273,609	272,023
Mutual funds - common stock	503,048	702,982	492,746	729,568
	<u>\$ 788,758</u>	<u>\$ 993,819</u>	<u>\$ 804,808</u>	<u>\$ 1,040,044</u>

Note F - Property and Equipment

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Buildings and improvements	\$ 803,398	\$ 768,690
Furniture and equipment	516,517	397,392
Construction in progress	-	102,473
Subtotal	1,319,915	1,268,555
Less: Accumulated depreciation	(613,771)	(525,531)
Total Property and Equipment	<u>\$ 706,144</u>	<u>\$ 743,024</u>

Total depreciation expense was \$99,741 and \$78,936 for the years ended June 30, 2016 and 2015, respectively.

Note G - Line of Credit

The Corporation has a \$250,000 line of credit agreement with PNC Bank. The line of credit bears interest at LIBOR plus 3% (3.46% at June 30, 2016). At June 30, 2016 and 2015, the Corporation had no outstanding balance under the line of credit.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note H - Notes Payable

Notes payable as of June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Note payable to Ford Credit due in monthly installments of \$757, plus interest at 9.49%, maturing in December 2015, secured by vehicle	\$ -	\$ 4,420
Note payable to Tiger Leasing due in monthly installments of \$383, plus interest at 14.44%, maturing in January 2017, secured by equipment	<u>2,556</u>	<u>6,470</u>
Total Long-term Debt	<u>\$ 2,556</u>	<u>\$ 10,890</u>

The following is a schedule of maturity requirements on long-term debt as of June 30, 2016:

2017	<u>\$ 2,556</u>
Total	<u>\$ 2,556</u>

Note I - Lease Obligations

The Corporation is a party to a month-to-month building lease which requires a monthly payment of \$800.

The Corporation is a party to a month-to-month storage lease which requires a monthly payment of \$121.

During June 2015, the Corporation entered into a lease agreement with Catholic Charities, Diocese of Covington for the use of office space. The lease requires payments of \$1,200 per month to be made on a biannual basis.

During November 2014, the Corporation entered into a lease agreement with Catholic Charities, Diocese of Lexington for the use of office space. The lease requires payments of \$1,000 per month to be made on a biannual basis.

Total rent expense paid for the above leases during the year ended June 30, 2016 and 2015 was \$23,546 and \$32,000, respectively.

During the year ended June 30, 2010, the Corporation entered into a lease agreement with the Archdiocese of Louisville/Roman Catholic Bishop of Louisville, Inc. (RCBL), a Corporation Sole. The terms of the agreement allow the Corporation to lease from RCBL the entire campus of a parish church. The term of the lease is 25 years at an annual payment of \$1.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note J - Contingencies, Risks and Uncertainties

Cash Concentration Risk

The Corporation maintains its cash balances in bank deposit accounts which, at times, may exceed the \$250,000 coverage provided by the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Corporation has not experienced any losses in such accounts. Management believes the Corporation is not exposed to any significant risk on bank deposits.

Major Funding Source

The Corporation is substantially funded by grants awarded directly and indirectly by the federal government. The funding is subject to federal government appropriations and potential funding reductions. Management does not anticipate any material change in funding.

Legal Contingencies

The Corporation is, from time to time, involved in various lawsuits and regulatory issues arising in the ordinary course of business that will not, in the opinion of management, have a material effect of the Corporation's financial position or results of operations.

Note K - Related Party Transactions

The Corporation received \$842,520 and \$830,998 of support in 2016 and 2015, respectively, for general operations and services to the poor, adoption services, USCCB refugee match grant requirements and services to older adults within the Archdiocese of Louisville.

Note L - Retirement Benefits

Effective July 1, 2006, the Corporation implemented a 401(k) plan. The Plan covers the Corporation's active employees. The Plan allows employee contributions, up to the statutory limit, and personal management of the employees' retirement accounts. The Corporation contributes 6% of eligible employees' gross pay each pay period. The Corporation made contributions of \$176,396 and \$158,661 for the years ended June 30, 2016 and 2015, respectively.

Catholic Charities of Louisville, Inc.
Notes to Financial Statements (Continued)
June 30, 2016 and 2015

Note M - Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30, 2015	Revenue, Support & Gains (Losses)	Released from Restrictions	June 30, 2016
Services to the elderly	\$ 5,918	\$ 3,886	\$ (1,767)	\$ 8,037
Disaster relief	9,039	1,896	(10,588)	347
Third party trust	555,794	(17,396)	-	538,398
Other	136,898	279,044	(300,234)	115,708
Total	\$ 707,649	\$ 267,430	\$ (312,589)	\$ 662,490

	June 30, 2014	Revenue, Support & Gains	Released from Restrictions	June 30, 2015
Services to the elderly	\$ 16,191	\$ 274,684	\$ (284,957)	\$ 5,918
Disaster relief	378	10,000	(1,339)	9,039
Third party trust	554,541	1,253	-	555,794
Other	136,898	-	-	136,898
Total	\$ 708,008	\$ 285,937	\$ (286,296)	\$ 707,649

Permanently restricted net assets are available for the following purposes:

	June 30, 2014	Change in Beneficial Interest	June 30, 2015	Change in Beneficial Interest	June 30, 2016
Third Party Trust	\$ 491,155	\$ (6,906)	\$ 484,249	\$ (28,831)	\$ 455,418

Supplementary Information

Catholic Charities of Louisville, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Pass-through to Sub- Recipients	Total Federal Expenditures
Department of Health and Human Services:				
Direct:				
Refugee and Entrant Assistance - State Administered (Refugee Social Services)	93.566	1301KYRSOC 1401KYRSOC 1501KYRSOC	\$ <u>1,144,304</u>	\$ 51,805 452,413 1,185,971 <u>1,690,189</u>
Refugee and Entrant Assistance - Services for Elderly Refugees Set Aside	93.566	1601KYRSOC	56,625	72,878
Refugee and Entrant Assistance - Cuban/Haitian Refugees Set Aside	93.566	1601KRRSOC	303,101	335,138
Refugee and Entrant Assistance - Refugee Cash and Medical Assistance Program	93.566	1501KYRCMA 1601KYRCMA	 <u>-</u>	409,141 1,376,368 <u>1,785,509</u>
Subtotal	93.566		<u>1,504,030</u>	<u>3,883,714</u>
Refugee and Entrant Assistance - Wilson/Fish Program	93.583	90RW0036/05 90RW0045/01	 <u>771,369</u>	862,570 3,346,075 <u>4,208,645</u>
Refugee and Entrant Assistance - Refugee Targeted Assistance	93.584	14A1KYRTAG 15A1KYRTAG	 <u>642,876</u>	296,922 717,869 <u>1,014,791</u>
Refugee and Entrant Assistance - Discretionary Grants				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5U50CK000288-03	<u>22,444</u>	<u>22,444</u>
Surveillance for Diseases Among Immigrants and Refugees financed in part by Prevention and Public Health Funds	93.755	5U50CK000288-04 3U50CK000288-04S1	 <u>83,241</u>	66,072 52,205 <u>118,277</u>
Services for Elderly Refugees	93.576	90RL0169/03	<u>23,135</u>	<u>30,938</u>
Refugee School Impact Grant	93.576	90ZE0215/01 90ZE0215/02	 <u>382,250</u>	236,046 189,678 <u>425,724</u>
Preventative Health	93.576	90RX0259/01 90RX0259/02	 <u>23,806</u>	40,506 94,524 <u>135,030</u>
Cuban/Haitian Refugees & Entrant	93.576	90RQ0042/03	<u>-</u>	<u>117,065</u>
Targeted Assistance	93.576	90RT0164/02 90RT0164/03	 <u>146,616</u>	43,422 111,653 <u>155,075</u>
Subtotal	93.576		<u>575,807</u>	<u>863,832</u>
KY Tri-City Rescue and Restore Project	93.598	90ZV0103/01 90ZV0103/02	 <u>-</u>	50,190 131,904 <u>182,094</u>
Total Refugee and Entrant Assistance - Discretionary Grants			<u>681,492</u>	<u>1,186,647</u>
Total received directly from the Department of Health and Human Services			<u>3,599,767</u>	<u>10,293,797</u>
Passed through the United States Catholic Conference of Bishops				
Bishops Migration and Refugee Services: Voluntary Agency Matching Grant Program	93.567	90RV00305		<u>412,070</u>
Total passed through from the United States Catholic Conference of Bishops			<u>-</u>	<u>412,070</u>
Passed through the Kentuckiana Regional Planning and Development Agency				
Elder Abuse, Title VII	93.041	M05186930(KATH)		11,382
Long-Term Care Ombudsman Title VII	93.042	M05186930(KATH)		19,115
Grants for Supportive Services Title III-B	93.044	M05186930(KATH)		<u>38,873</u>
Total passed through from the Kentuckiana Regional Planning and Development Agency			<u>-</u>	<u>69,370</u>
Total from Department of Health and Human Services			<u>3,599,767</u>	<u>10,775,237</u>

Catholic Charities of Louisville, Inc.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Pass-through to Sub- Recipients	Total Federal Expenditures
Department of State				
Passed through the United States Catholic Conference of Bishops Migration and Refugee Services: Refugee Reception and Placement Program	19.510		-	1,355,115
Total from Department of State			-	1,355,115
Department of Homeland Security				
Passed through the United States Catholic Conference of Bishops Migration and Refugee Services: Cuban/Haitian Entrant Program	97.009		-	373,653
Total from Department of Homeland Security			-	373,653
Department of Justice				
Passed through the Commonwealth of Kentucky Justice and Public Public Safety Cabinet Collaborative Legal Services for Immigrant Victims of Domestic Abuse	16.588	6784-VA3-1/07	-	25,639
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet OVC Service of Victims of Human Trafficking	16.320		-	239,363
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet Case Management and Victims of Human Trafficking	16.320	VAWA-2014-00218	-	51,395
Subtotal	16.320		-	290,758
Total from Department of Justice			-	316,397
Department of Transportation				
Passed through the Transit Authority of River City Job Access and Reverse Commute (JARC)	20.516		-	14,192
Total from Department of Transportation			-	14,192
Department of Agriculture				
Passed through the University of Kentucky Research Foundation KYFarm Start II: A Whole Farm Mgmt. Education Program for Beginning Farmers	10.311	2012-49400-19557	-	1,421
Total from Department of Agriculture			-	1,421
Total Schedule of Expenditures of Federal Awards			\$ 3,599,767	\$ 12,836,015

See independent auditor's report and accompanying notes.

Catholic Charities of Louisville, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities of Louisville, Inc. (the "Corporation") and is presented 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 (CFR) 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 basic financial statements.

Note B - Indirect Cost Rate

The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Procurement Policy

The Corporation has elected to delay adopting the procurement requirements specified in 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*

To Archbishop Joseph E. Kurtz, D.D.
and Finance Council
Board of Directors
Catholic Charities of Louisville, Inc.

We have audited, 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, the financial statements of Catholic Charities of Louisville, Inc. (a nonprofit organization) (the "Corporation"), which comprise the statement of financial position as of June 30, 2016, 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 29, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

**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* (Continued)**

Compliance and Other Matters

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

Purpose of this Report

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



Jeffersonville, Indiana
September 29, 2016



**Independent Auditor's Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

To Archbishop Joseph E. Kurtz, D.D.
and Finance Council
Board of Directors
Catholic Charities of Louisville, Inc.

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of Louisville, Inc.'s (the "Corporation") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2016. The Corporation's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation'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 (CFR) 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 Corporation'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 each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

**Independent Auditor's Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jeffersonville, Indiana
September 29, 2016

Catholic Charities of Louisville, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Independent Auditor's Report

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) 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 deficiency(ies) 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 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

93.566	Refugee and Entrant Assistance - State Administered Services	
	Refugee Social Services	\$ 1,690,189
	Services for Elderly Refugees Set Aside	72,878
	Cuban/Haitian Refugees Set Aside	335,138
	Refugee Cash and Medical Assistance Program	1,785,509
93.576	Refugee and Entrant Assistance - Discretionary Grants	
	Services for Elderly Refugees	30,938
	Refugee School Impact Grant	425,724
	Preventative Health	135,030
	Cuban/Haitian Refugees and Entrant Program	117,065
	Targeted Assistance	155,075
93.584	Refugee and Entrant Assistance - Refugee Targeted Assistance	<u>1,014,791</u>
		<u>\$ 5,762,337</u>

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as a low risk auditee? _____ yes X no

Section II - Financial Statement Findings

None

Section III - Major Federal Award Programs Audit Findings

None

Catholic Charities of Louisville, Inc.
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

None