

Catholic Charities Diocese of Charlotte

Financial Statements as of and for the
Years Ended June 30, 2020 and 2019,
Supplemental Schedules for the
Year Ended June 30, 2020,
Federal Awards Supplemental Information
for the Year Ended June 30, 2020, and
Independent Auditors' Reports

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

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Deloitte & Touche LLP
550 South Tryon Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1631
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and
the Board of Directors of Catholic Charities Diocese of Charlotte:

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities Diocese of Charlotte ("CCDOC") (an affiliated entity of the Roman Catholic Diocese of Charlotte), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, statements of 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CCDOC'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 CCDOC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of CCDOC as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 7 to the financial statements, because of the significant nature of transactions with affiliated entities, the accompanying financial statements may not be indicative of the conditions that would have existed, or the results of operations, if the CCDOC had operated without such affiliations. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 21 through 23 are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of CCDOC's management. Such schedules have not been subjected to the auditing procedures applied in our audits of the financial statements, and, accordingly it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020, on our consideration of CCDOC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCDOC's internal control over financial reporting and compliance.

Deloitte & Touche LLP

September 22, 2020

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,080	\$ 18,899
Deposits with DL Catholic	1,687,141	1,149,953
Investment in certificate of deposit	140,068	137,081
Accounts receivable:		
Current pledges—net of allowances of \$1,587 in 2020 and \$2,649 in 2019	22,817	48,793
Other receivables	230,029	202,678
Other current assets	<u>83,883</u>	<u>106,756</u>
Total current assets	2,185,018	1,664,160
LONG-TERM PLEDGES—Net allowances of \$803 in 2020 and \$0 in 2019	19,057	120
RIGHT-OF-USE ASSETS—Operating leases	39,748	32,142
INVESTMENTS HELD BY THE DIOCESAN FOUNDATION	1,465,001	1,333,136
PROPERTY AND EQUIPMENT—Net	<u>135,518</u>	<u>126,958</u>
TOTAL ASSETS	<u>\$ 3,844,342</u>	<u>\$ 3,156,516</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 173,839	\$ 102,010
Accrued salaries, wages, and benefits	159,663	155,115
Notes Payable—PPP loan	190,912	-
Accrued vacation	146,626	133,145
Other current liabilities	5,930	10,700
Lease liabilities	<u>31,508</u>	<u>12,231</u>
Total current liabilities	708,478	413,201
LONG-TERM LEASE LIABILITIES	<u>8,240</u>	<u>19,911</u>
Total liabilities	<u>716,718</u>	<u>433,112</u>
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	1,086,233	826,417
Designated for Diocesan Foundation endowments	<u>436,754</u>	<u>388,156</u>
Total net assets without donor restrictions	1,522,987	1,214,573
Net assets with donor restrictions	<u>1,604,637</u>	<u>1,508,831</u>
Total net assets	<u>3,127,624</u>	<u>2,723,404</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,844,342</u>	<u>\$ 3,156,516</u>

See notes to financial statements.

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
Paycheck Protection Program Award	\$ 438,197	\$ -	\$ 438,197	\$ -	\$ -	\$ -
Other Federal and state agency awards	\$1,982,412	-	\$1,982,412	\$1,575,575	-	\$1,575,575
Other grants and awards	10,879	286,250	297,129	13,975	520,410	534,385
Contributions—Diocese of Charlotte	1,959,420	7,945	1,967,365	1,953,109	18,170	1,971,279
Contributions—other	1,605,510	407,998	2,013,508	1,307,532	255,818	1,563,350
Fees—services rendered	269,505	-	269,505	306,125	-	306,125
Fees—special events	192,523	-	192,523	224,300	-	224,300
Investment income and other	22,625	84,492	107,117	40,128	237,462	277,590
Net assets released from restriction	690,879	(690,879)	-	789,249	(789,249)	-
Total revenues and other support	<u>7,171,950</u>	<u>95,806</u>	<u>7,267,756</u>	<u>6,209,993</u>	<u>242,611</u>	<u>6,452,604</u>
EXPENSES:						
Program expenses:						
Catholic Campaign for Human Development and Catholic Relief Services programs	54,488	-	54,488	50,230	-	50,230
Counseling program	429,379	-	429,379	424,110	-	424,110
Direct Assistance program	1,970,087	-	1,970,087	1,440,459	-	1,440,459
Family Life program	176,580	-	176,580	187,000	-	187,000
Natural Family Planning program	93,098	-	93,098	97,870	-	97,870
Office of Economic Opportunity	48,953	-	48,953	122,052	-	122,052
Pregnancy Support & Adoption program	46,646	-	46,646	68,244	-	68,244
Refugee and Immigration Services program	1,338,892	-	1,338,892	1,569,671	-	1,569,671
Respect Life program	62,220	-	62,220	58,937	-	58,937
Social Concerns & Advocacy program	150,895	-	150,895	151,087	-	151,087
Stay the Course & Teen Parenting program	191,291	-	191,291	218,287	-	218,287
Translation & Interpretation	537,092	-	537,092	579,918	-	579,918
Veteran's Services	432,389	-	432,389	-	-	-
Youth Counseling program	117,338	-	117,338	167,627	-	167,627
Total program expenses	<u>5,649,348</u>	<u>-</u>	<u>5,649,348</u>	<u>5,135,492</u>	<u>-</u>	<u>5,135,492</u>

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support services expenses:						
Cost of direct benefits to donors	\$ 37,228	\$ -	\$ 37,228	\$ 82,812	\$ -	\$ 82,812
General & administrative	862,772	-	862,772	773,000	-	773,000
Fundraising	<u>314,188</u>	<u>-</u>	<u>314,188</u>	<u>257,368</u>	<u>-</u>	<u>257,368</u>
Total support services expenses	<u>1,214,188</u>	<u>-</u>	<u>1,214,188</u>	<u>1,113,180</u>	<u>-</u>	<u>1,113,180</u>
Total expenses	<u>6,863,536</u>	<u>-</u>	<u>6,863,536</u>	<u>6,248,672</u>	<u>-</u>	<u>6,248,672</u>
CHANGE IN NET ASSETS	308,414	95,806	404,220	(38,679)	242,611	203,932
NET ASSETS:						
Beginning of year	<u>1,214,573</u>	<u>1,508,831</u>	<u>2,723,404</u>	<u>1,253,252</u>	<u>1,266,220</u>	<u>2,519,472</u>
End of year	<u>\$1,522,987</u>	<u>\$1,604,637</u>	<u>\$3,127,624</u>	<u>\$1,214,573</u>	<u>\$1,508,831</u>	<u>\$2,723,404</u>

See notes to financial statements.

(Concluded)

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 404,220	\$ 203,932
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	30,844	30,509
Net realized/unrealized gain on investments	(96,816)	(259,342)
Loss on disposal of property and equipment	12,240	-
Changes in operating assets and liabilities:		
Accounts receivable	(20,312)	25,873
Other assets	22,873	(22,881)
Accounts payable and accrued expenses	89,858	15,644
Other liabilities	<u>(4,770)</u>	<u>2,475</u>
Net cash provided by (used in) operating activities	<u>438,137</u>	<u>(3,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in deposits with DL Catholic	(537,188)	37,583
Purchase of property and equipment	(51,644)	(39,325)
Proceeds from sales of investments	2,500	6,800
Purchases of investments	<u>(40,536)</u>	<u>(1,100)</u>
Net cash (used in) provided by investing activities	<u>(626,868)</u>	<u>3,958</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes Payable—PPP Loan	<u>190,912</u>	<u>-</u>
Net cash provided by financing activities	<u>190,912</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,181	168
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>18,899</u>	<u>18,731</u>
End of year	<u>\$ 21,080</u>	<u>\$ 18,899</u>

See notes to financial statements.

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Personnel Costs	Occupancy Costs	Office Expenses	Professional Services	Travel & Professional Development	Grants & Other Assistance	Other	Total
PROGRAMS AND SUPPORT SERVICES:								
Catholic Campaign for Human Development and Catholic Relief Services programs	\$ 13,343	\$ 1,427	\$ 271	\$ -	\$ 247	\$ 39,200	\$ -	\$ 54,488
Counseling program	344,244	52,271	18,023	4,387	10,337	-	117	429,379
Direct Assistance program	546,030	225,348	48,054	2,433	39,654	1,108,023	545	1,970,087
Family Life program	134,993	8,339	20,741	5,013	7,464	-	30	176,580
Natural Family Planning program	85,176	44	4,198	3,680	-	-	-	93,098
Office of Economic Opportunity	28,653	8,998	2,246	1,236	7,820	-	-	48,953
Pregnancy Support & Adoption program	15,928	20,617	1,780	2,723	2,270	3,328	-	46,646
Refugee and Immigration Services program	837,435	171,577	39,513	21,353	32,597	236,417	-	1,338,892
Respect Life program	39,110	11,603	3,322	750	7,435	-	-	62,220
Social Concerns & Advocacy program	125,034	17,153	3,157	300	5,219	-	32	150,895
Stay the Course & Teen Parenting program	167,322	12,156	5,795	115	4,426	1,452	25	191,291
Translation & Interpretation	260,986	18,235	3,783	241,398	12,672	-	18	537,092
Veteran's Services	103,802	5,051	2,711	84,015	4,822	231,988	-	432,389
Youth Counseling program	100,347	8,066	3,763	5,053	109	-	-	117,338
Cost of direct benefits to donors	-	4,042	33,186	-	-	-	-	37,228
General & administration	332,798	69,948	43,523	344,380	28,861	-	43,262	862,772
Fundraising	190,156	9,368	98,400	840	4,754	-	10,670	314,188
TOTAL EXPENSES AS REPORTED ON THE STATEMENTS OF ACTIVITIES	<u>\$3,325,357</u>	<u>\$644,243</u>	<u>\$332,466</u>	<u>\$717,676</u>	<u>\$168,687</u>	<u>\$ 1,620,408</u>	<u>\$54,699</u>	<u>\$6,863,536</u>

See notes to financial statements.

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Personnel Costs	Occupancy Costs	Office Expenses	Professional Services	Travel & Professional Development	Grants & Other Assistance	Other	Total
PROGRAMS AND SUPPORT SERVICES:								
Catholic Campaign for Human Development and Catholic Relief Services programs	\$ 9,604	\$ 2,020	\$ 494	\$ -	\$ 862	\$ 37,250	\$ -	\$ 50,230
Counseling program	360,098	35,107	14,226	4,012	10,067	525	75	424,110
Direct Assistance program	505,836	203,683	62,053	1,842	25,128	640,190	1,727	1,440,459
Family Life program	136,770	7,574	23,855	8,508	10,293	-	-	187,000
Natural Family Planning program	81,868	-	4,141	-	11,861	-	-	97,870
Office of Economic Opportunity	84,252	9,989	3,202	10	6,429	18,170	-	122,052
Pregnancy Support & Adoption program	20,828	12,568	2,177	2,189	3,853	26,629	-	68,244
Refugee and Immigration Services program	998,681	200,293	36,416	22,058	49,264	262,942	17	1,569,671
Respect Life program	41,576	5,899	4,845	600	6,017	-	-	58,937
Social Concerns & Advocacy program	121,695	16,810	3,654	516	8,327	-	85	151,087
Stay the Course & Teen Parenting program	188,435	14,308	6,444	9	3,424	5,662	5	218,287
Translation & Interpretation	260,833	13,244	8,764	275,606	21,465	-	6	579,918
Youth Counseling program	140,957	8,580	5,516	6	10,106	2,458	4	167,627
Cost of direct benefits to donors	-	1,000	74,578	-	-	-	7,234	82,812
General & administration	265,592	78,238	52,609	328,678	20,109	-	27,774	773,000
Fundraising	150,727	1,723	85,336	4,967	5,437	-	9,178	257,368
TOTAL EXPENSES AS REPORTED ON THE STATEMENTS OF ACTIVITIES	<u>\$3,367,752</u>	<u>\$611,036</u>	<u>\$388,310</u>	<u>\$649,001</u>	<u>\$192,642</u>	<u>\$993,826</u>	<u>\$46,105</u>	<u>\$6,248,672</u>

See notes to financial statements.

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. ORGANIZATION

Catholic Charities Diocese of Charlotte ("CCDOC") was formed in 1973 as Catholic Social Services of the Diocese of Charlotte, as a North Carolina nonprofit corporation, and was renamed in 2013. CCDOC continues the mission of providing direct social services in defined program areas and advocating with individuals, families, and faith communities for the promotion of a just and equitable society. Service provisions respond to human social needs existing within the 46-county service area. Advocacy efforts seek to empower others to address the conditions of society through education and information sharing.

The activities of CCDOC are funded by various sources:

- Support from federal, state, and county funding sources for various programs, such as refugee resettlement and refugee assistance, youth counseling, interpretation services, veterans services, and case management. Most of this support is received in a reimbursement arrangement in which CCDOC bills the grantors for costs as incurred.
- Donations from the Central Administration of the Roman Catholic Diocese of Charlotte (the "Central Administration"), primarily from proceeds from the annual Diocesan Support Appeal, and from individuals and other private funding sources by way of fundraisers, direct solicitation and unsolicited gifts, some of which are restricted for particular programs.
- Fees from providing counseling, immigration, and interpretation services and various workshops and conferences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation—The financial statements of CCDOC have been prepared under the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), including FASB ASC 958, *Not-for-Profit Entities*. FASB ASC 958 requires the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash in a statement of cash flows. Assets and liabilities classified as current in the accompanying statements of financial position represent assets that can reasonably be expected to be converted to cash within one year and liabilities that are due within one year.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in accordance 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, the 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. Actual results could differ from those estimates.

Functional Expenses—The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting functions benefited. We believe our allocations are done on a reasonable and consistent basis. Occupancy costs are allocated on a square footage basis. Most personnel costs, office expenses, professional services, travel and professional development costs, and grants and other assistance are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Cash and Cash Equivalents—CCDOC considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Deposits with DL Catholic—A portion of the CCDOC’s cash is swept nightly into the cash concentration account of DL Catholic, Inc. (“DL Catholic”), an affiliated Diocesan entity which administers a pooled cash arrangement and savings and investment programs for entities of the Roman Catholic Diocese of Charlotte. Funds on deposit in the DL Catholic cash concentration account earn interest at the prime rate less 3.5%, with a minimum rate of 0.5%, and can be withdrawn at any time. Deposits held with DL Catholic are measured at cost, which approximates fair value.

Investments—CCDOC records investments at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in investment income and other within the statements of activities and consists of interest and dividend income and/or realized and unrealized capital gains and losses, less external and direct internal investment expenses, if any.

Property and Equipment—Property and equipment are stated at cost, when purchased, and at estimated fair value, when donated. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. The major classes of property and equipment as of June 30, 2020 and 2019, are as follows:

	2020	2019	Life (In Years)
Land	\$ 15,200	\$ 15,200	N/A
Furniture and equipment	100,989	100,989	5–8
Vehicles	193,939	142,297	3–5
Leasehold improvements	<u>-</u>	<u>16,323</u>	15
	310,128	274,809	
Less accumulated depreciation	(174,610)	(160,091)	
Construction and work in progress	-	12,240	
Property and equipment—net	<u>\$ 135,518</u>	<u>\$ 126,958</u>	

Notes Payable—PPP Loan—CCDOC applied for and received a Paycheck Protection Program (PPP) loan from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in May 2020 for the amount of \$629,109. As of June 30, 2020, \$438,197 of the proceeds of this loan were expended for expenses that qualify for forgiveness under the provisions of the PPP, and as such, is reported as Payroll Protection Program Award in the accompanying Statements of Activities. The remaining balance of \$190,912 is reported as Notes Payable—PPP Loan as of June 30 2020 on the accompanying Statements of Financial Position. It is management’s intention to expend this amount on expenses that qualify for forgiveness within the prescribed timeframe.

Net Assets—Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, CCDOC’s net assets consist of the following:

Without Donor Restrictions—Net assets without donor restrictions consist of all resources that have no donor-imposed restrictions. Funding received from governmental agencies on a reimbursement basis is recorded as net assets without donor restrictions. CCDOC has designated unrestricted net assets totaling \$436,754 and \$388,156 as of June 30, 2020 and 2019, respectively, for investments with the Foundation of the Roman Catholic Diocese of Charlotte, Inc. (the “Diocesan Foundation” or “Foundation”).

With Donor Restrictions—Net assets subject to donor- or certain grantor- imposed restrictions stipulating how, when and/or if the net assets are available for expenditure. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Others are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets are released from restriction and reclassified to net assets without donor restrictions when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the long-lived assets are placed in service. Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for donor specified purposes:		
Refugee Resettlement	\$ 250,267	\$ 262,242
Pregnancy Support & Adoption	2,663	5,200
Catholic Relief Services and CHD	12,343	21,836
Office of Economic Opportunity	4,808	-
Youth Counseling	-	88
Direct Assistance	245,108	225,420
Parish Outreach	3,625	3,625
Immigration	1,778	2,007
Stay the Course & Teen Parenting	27,207	34,549
Elder Ministry	3,363	4,243
Respect Life	15,437	2,895
Social Advocacy & Concerns	-	1,556
Veteran's Services	1,957	-
Other	7,834	190
Management designated endowments subject to expenditure for donor specified purposes	130,679	81,407
Amounts in excess of endowment corpus amounts subject to expenditure for donor specified purposes	82,831	126,142
Amounts in excess of endowment corpus amounts available for any activities of the organization, but not yet appropriated	766,867	690,836
Amounts to be held in perpetuity to generate income for donor specified purposes	<u>47,870</u>	<u>46,595</u>
	<u>\$ 1,604,637</u>	<u>\$ 1,508,831</u>

Revenue and Other Support—Revenue and other support consists primarily of federal and state agency awards and contribution revenue. Federal and state agency awards primarily represent allowable expenses incurred by CCDOC throughout the year that have been reimbursed or are reimbursable. Contribution revenue is recognized upon receipt of net assets or an unconditional promise to give from a donor, and is measured at fair value.

Income Taxes—CCDOC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes.

Accounting principles generally accepted in the United States of America prescribe a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Although these principles are primarily applicable to taxable business enterprises, an uncertain tax position may also include the characterization of income, such as a characterization of income as passive; a decision to exclude reporting taxable income in a tax return; or a decision to classify a transaction, entity, or other position in a tax return as exempt. The tax benefit from uncertain tax positions is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

CCDOC had no unrecognized tax positions as of and during the years ended June 30, 2020 and 2019. CCDOC does not expect that unrecognized tax benefits will materially increase within the next 12 months. Fiscal year 2017 and thereafter are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Interest and penalties related to uncertain tax positions, if any, would be recognized in the financial statements as income tax expense.

COVID-19 Impact— On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. As of June 30, 2020, CCDOC believes the current impacts of the COVID-19 pandemic has not had significant impacts on CCDOC’s results of operations. However, CCDOC cannot reasonably estimate the length or severity of this pandemic, or the extent to which a disruption may materially impact CCDOC’s financial position, results of operations or cash flows for the year ending June 30, 2021.

Subsequent Events—CCDOC has evaluated subsequent events from the end of the most recent fiscal year through September 22, 2020, the date the financial statements were available to be issued.

New Accounting Standards—The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”) in May of 2014. The ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU was originally effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The effective date was subsequently deferred by one year with the issuance of ASU 2020-05, issued in June of 2020. CCDOC early adopted the ASU on July 1, 2019. Adoption of this standard did not result in a material impact to its revenue recognition, financial position or results of operations.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date (June 30, 2020 and 2019), comprise the following:

	2020	2019
Cash and cash equivalents	\$ 21,080	\$ 18,899
Deposits with DL Catholic	1,687,141	1,149,953
Investment in certificate of deposit	140,068	137,081
Accounts receivable:		
Current pledges—net of allowances of \$1,582 and \$2,649, respectively	22,817	48,793
Other receivables	230,029	202,678
Endowment investments available for general purposes and for distribution in accord with the Foundation spending rate policy	<u>833,762</u>	<u>631,425</u>
	2,934,897	2,188,829
Less amounts unavailable for general expenditures—required to satisfy donor restrictions	<u>576,390</u>	<u>563,851</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,358,507</u>	<u>\$ 1,624,978</u>

CCDOC's endowment funds consist of donor-restricted endowments and funds designated by management as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditure and, thus, are not included above.

All endowments are subject to an annual spending rate of 5% of the most recent 12-quarter market value average, as prescribed by the Foundation. Only the funds available for distribution in accordance with the Foundation spending rate policy are included above.

CCDOC manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to the budgets as needed to ensure adequate liquidity.

4. PLEDGES RECEIVABLE

The following unconditional promises to give are included in pledges receivable in the accompanying statements of financial position as of June 30, 2020 and 2019:

	2020	2019
Unconditional promises at face value	\$44,264	\$51,562
Less allowance for uncollectible pledges	<u>2,390</u>	<u>2,649</u>
Net unconditional promises to give	<u>\$41,874</u>	<u>\$48,913</u>
Amounts due in:		
Less than one year	\$24,404	\$51,442
One to five years	<u>19,860</u>	<u>120</u>
Total	<u>\$44,264</u>	<u>\$51,562</u>

5. INVESTMENTS HELD BY THE DIOCESAN FOUNDATION

CCDOC has established endowments with the Diocesan Foundation, consisting of both donor-restricted funds and management designated funds. CCDOC classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) other accumulations to the permanent endowment as required by donor gift instruments. Gains (losses) on the investments of donor-restricted endowment funds are recorded as additions to (reductions of) net assets with donor restrictions, until those amounts are appropriated for expenditure consistent with the donor's wishes, at which time they are reclassified to net assets without donor restrictions.

There were no donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2020 and 2019.

During fiscal 2020 and 2019, CCDOC made additional investments for endowments with the Diocesan Foundation totaling \$1,275 and \$1,100, respectively. At June 30, 2020, endowments established by CCDOC totaled \$608,903, which consist of cumulative contributions of \$353,389 and accumulated undistributed investment income of \$255,514. At June 30, 2019, endowments established by CCDOC totaled \$556,051, which consist of cumulative contributions of \$312,853 and accumulated undistributed investment income of \$243,198. These endowments are recorded as investments held by the Diocesan Foundation in the accompanying statements of financial position.

CCDOC is also the beneficiary of endowments held by the Diocesan Foundation that have been established by third parties. As beneficiary, CCDOC is the designated recipient of the earnings on the endowments. Cumulative undistributed investment income of \$856,098 and \$777,085 as of June 30, 2020 and 2019, respectively, are recorded as investments held by the Diocesan Foundation in the accompanying statements of financial position.

CCDOC received \$0 and \$1,800 in distributions of available accumulated investment income from endowments held by the Diocesan Foundation during fiscal years 2020 and 2019, respectively. CCDOC also received distributions of available accumulated investment income from endowments established by third parties totaling \$2,500 and \$5,000 in fiscal years 2020 and 2019, respectively.

The endowment net asset composition by fund type as of June 30, 2020 and 2019, is as follows:

Endowment Net Asset Composition by Fund Type as of June 30, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowments established by CCDOC:			
Designated	\$ 436,754	\$ -	\$ 436,754
Donor restricted	-	172,149	172,149
Endowment gifts to the Diocesan Foundation for benefit of CCDOC	<u>-</u>	<u>856,098</u>	<u>856,098</u>
Total funds	<u>\$ 436,754</u>	<u>\$ 1,028,247</u>	<u>\$ 1,465,001</u>

Endowment Net Asset Composition by Fund Type as of June 30, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowments established by CCDOC:			
Designated	\$ 388,156	\$ -	\$ 388,156
Donor restricted	-	167,895	167,895
Endowment gifts to the Diocesan Foundation for benefit of CCDOC	<u>-</u>	<u>777,085</u>	<u>777,085</u>
Total funds	<u>\$ 388,156</u>	<u>\$ 944,980</u>	<u>\$ 1,333,136</u>

6. LEASES

Operating Leases—CCDOC is the lessee in operating leases for various office equipment and for office space. These leases have fixed lease payments and do not contain options to extend or terminate early. Operating lease costs for CCDOC totaled \$22,334 and \$20,647 for the years ended June 30, 2020 and 2019, respectively.

Finance Leases—CCDOC is not party to any finance leases during fiscal 2019 or 2020.

Future Minimum Lease Payments—Future minimum rental commitments under non-cancelable operating leases as of June 30, 2020, are as follows:

Years Ending June 30	Operating Leases
2021	23,758
2022	17,090
2023	-
2024	-
2025	-
Thereafter	<u>-</u>
Total	40,848
Less amount representing interest on lease liabilities	<u>(1,100)</u>
Lease liability as of June 30, 2020	<u>\$39,748</u>
Lease liability as of June 30, 2019	<u>\$32,142</u>

ROU assets related to operating leases are included as a separate line item in the accompanying statement of financial position at June 30, 2020 and 2019.

Related Party Usage Agreements—CCDOC has agreements with the Central Administration to rent, but not control, certain office facilities based on need at a monthly rate set by the Central Administration. Total rent expense to the Central Administration for the years ended June 30, 2020 and 2019, was \$502,737 and \$478,444, respectively, and is included in program expenses in the accompanying statements of activities. There are no commitments for future minimum lease payments.

7. RELATED PARTY TRANSACTIONS

Contributions—The Central Administration provides funding to CCDOC, primarily from funds raised by the annual diocesan support appeal. Total support from the Central Administration of \$1,967,365 and \$1,971,279 in fiscal years 2020 and 2019, respectively, is reported as Contributions—Diocese of Charlotte in the accompanying statements of activities.

Interest Income—DL Catholic, an affiliated entity of the Roman Catholic Diocese of Charlotte, paid CCDOC \$10,301 and \$18,248 in fiscal years 2020 and 2019, respectively, for interest on cash balances invested in DL Catholic’s concentration account. Interest earned is included in investment income and other in the accompanying statements of activities.

Insurance Programs—The Central Administration provides certain health and life benefits to the employees of CCDOC. CCDOC expense for health and life benefits was \$448,633 and \$464,060 in fiscal years 2020 and 2019, respectively, and is included in program expenses in the accompanying statements of activities.

CCDOC maintains property and liability insurance, automobile insurance, and workers’ compensation insurance through the Central Administration. CCDOC expense for this

insurance was \$52,805 and \$48,694 in fiscal years 2020 and 2019, respectively, and is included in program expenses in the accompanying statements of activities.

Employee Retirement Plans—The Central Administration sponsors a noncontributory defined benefit pension plan (the “Lay Plan”) for all eligible diocesan lay employees, including the employees of CCDOC. The Lay Plan provides for benefits based on an employee’s years of service and compensation. The plan was frozen in fiscal 2017; however, employees who are participants in the plan retained benefits accumulated up to January 1, 2018, based on credited service and eligible earnings, in accordance with the terms of the plan.

During fiscal years 2020 and 2019, each diocesan entity was assessed a percentage of lay employees’ salaries to fund the contribution to the Lay Plan and certain other employee benefits. The assessment rate was 5.6% for fiscal years 2020 and 2019. It is the intent of the Central Administration for the minimum funding to be the actuarially recommended contribution amount.

The Central Administration also sponsors a tax-deferred defined contribution plan under Section 403(b) of the Internal Revenue Code for all eligible diocesan employees, including the employees of CCDOC. Employer-matching contributions to the plan are based on a percentage of employee contributions and are paid directly to the plan. Matching contributions totaled \$33,451 and \$29,687 in fiscal years 2020 and 2019, respectively, and are reported as support service expenses in the accompanying statements of activities. Starting in January 2018, in conjunction with the Lay Plan freeze, CCDOC also began contributing 5% of eligible salaries (basic contribution) on behalf of each eligible employee. The basic contribution is being held by the Central Administration until the end of the calendar year, at which time, participant eligibility for the basic contribution will be determined based on an employee’s hours worked in the calendar year.

CCDOC’s Lay Plan and 403(b) retirement contributions remitted to the Central Administration amounted to \$212,549 and \$211,188 in fiscal years 2020 and 2019, respectively, and are included in program expenses in the accompanying statements of activities.

Support Services—The Central Administration provides accounting, fundraising, technology services and other administrative support services to CCDOC. Total expense to the Central Administration for these services was \$418,225 and \$371,680 in fiscal years 2020 and 2019, respectively, and is included in support services expenses in the accompanying statements of activities.

Catholic Conference Center—CCDOC uses the Catholic Conference Center throughout the year for various retreats, programs, and meetings. The total expense related to the use of this facility amounted to \$5,375 and \$3,019 for fiscal years 2020 and 2019, respectively, and is included in program expenses in the accompanying statements of activities.

Advertisement Expenses—CCDOC utilizes the *Catholic News Herald*, an affiliated entity of the Roman Catholic Diocese of Charlotte, for various advertising, promotion, and marketing services. Total advertising expense to the *Catholic News Herald* for the years ended June 30, 2020 and 2019, was \$16,097 and \$21,811, respectively, and is included in support services expenses in the accompanying statements of activities.

Because of the significant nature of transactions with affiliated entities, the accompanying financial statements may not be indicative of the conditions that would have existed, or the results of operations, had CCDOC not operated without such affiliations.

8. FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis. For CCDOC, the assets that are adjusted to fair value on a recurring basis are limited to the investment in certificate of deposit and investments held by the Diocesan Foundation. CCDOC has no liabilities recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement

Assets measured at fair value on a recurring basis as of June 30, 2020 and 2019, based on the three levels of inputs within the fair value hierarchy are as follows:

	Fair Value Measurement as of June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investment in certificate of deposit	\$ 140,068	\$ -	\$ 140,068	\$ -
Investments held by the Diocesan Foundation	<u>1,465,001</u>	<u>-</u>	<u>1,465,001</u>	<u>-</u>
Total	<u>\$1,605,069</u>	<u>\$ -</u>	<u>\$1,605,069</u>	<u>\$ -</u>
	Fair Value Measurement as of June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investment in certificate of deposit	\$ 137,081	\$ -	\$ 137,081	\$ -
Investments held by the Diocesan Foundation	<u>1,333,136</u>	<u>-</u>	<u>1,333,136</u>	<u>-</u>
Total	<u>\$1,470,217</u>	<u>\$ -</u>	<u>\$1,470,217</u>	<u>\$ -</u>

Investments held by the Diocesan Foundation are recorded at fair value based on CCDOC's interest in the Diocesan Foundation's investment pool, which consists of investments that are classified within Level 1 and Level 2 of the fair value hierarchy. As CCDOC does not have a direct ownership in the underlying securities of the investment pool, CCDOC classifies investments held by the Diocesan Foundation as Level 2 within the fair value hierarchy. There were no investment transfers between levels during fiscal years 2020 and 2019.

The fair value of the investment in the certificate of deposit is measured using inputs other than quoted prices that are observable for the assets, including the stated interest rate and maturity and credit risk.

GAAP also requires that certain assets and liabilities be measured at fair value on a nonrecurring basis, generally as the result of impairment charges. CCDOC had no assets or liabilities adjusted to fair value on a nonrecurring basis as of June 30, 2020 and 2019.

* * * * *

**SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2020**

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENT OF ACTIVITIES BY LOCATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions						Administration and Development	Total	With Donor Restrictions	Total
	Charlotte Regional Office	Western Regional Office	Piedmont Triad Area Office	Refugee Resettlement Office	Translation and Interpretation	Other				
REVENUES AND OTHER SUPPORT:										
Payroll Protection Program Award	\$ 83,959	\$ 39,492	\$ 79,709	\$ 115,248	\$ 30,584	\$ 77,642	\$ 11,563	\$ 438,197	\$ -	\$ 438,197
Federal and state agency awards	435,862	88,360	285,349	879,399	293,442	-	-	1,982,412	-	1,982,412
Other grants and awards	6,160	2,500	-	2,219	-	-	-	10,879	286,250	297,129
Contributions—Diocese of Charlotte	354,521	227,127	357,550	215,145	91,251	670,337	43,489	1,959,420	7,945	1,967,365
Contributions—other	456,962	234,531	341,247	294,786	52	130,616	147,316	1,605,510	407,998	2,013,508
Fees—services rendered	103,282	19,707	21,316	43,808	37,678	43,714	-	269,505	-	269,505
Fees—special events	43,500	-	149,023	-	-	-	-	192,523	-	192,523
Investment income and other	222	463	-	95	-	-	21,845	22,625	84,492	107,117
Net assets released from restriction	<u>211,708</u>	<u>62,369</u>	<u>139,609</u>	<u>154,565</u>	<u>-</u>	<u>72,628</u>	<u>50,000</u>	<u>690,879</u>	<u>(690,879)</u>	<u>-</u>
Total revenues and other support	<u>1,696,176</u>	<u>674,549</u>	<u>1,373,803</u>	<u>1,705,265</u>	<u>453,007</u>	<u>994,937</u>	<u>274,213</u>	<u>7,171,950</u>	<u>95,806</u>	<u>7,267,756</u>
EXPENSES:										
Program expenses:										
Catholic Campaign for Human Development and Catholic Relief										
Services program	-	-	-	-	-	54,488	-	54,488	-	54,488
Counseling program	178,934	133,702	116,743	-	-	-	-	429,379	-	429,379
Direct Assistance program	710,926	481,940	682,852	-	-	44,369	50,000	1,970,087	-	1,970,087
Family Life program	-	-	-	-	-	176,580	-	176,580	-	176,580
Natural Family Planning program	-	-	-	-	-	93,098	-	93,098	-	93,098
Office of Economic Opportunity	-	48,953	-	-	-	-	-	48,953	-	48,953
Pregnancy Support & Adoption program	46,646	-	-	-	-	-	-	46,646	-	46,646
Refugee and Immigration Services program	-	7,744	-	1,331,148	-	-	-	1,338,892	-	1,338,892
Respect Life program	-	-	-	-	-	62,220	-	62,220	-	62,220
Social Concerns & Advocacy program	-	-	-	-	-	150,895	-	150,895	-	150,895
Stay the Course & Teen Parenting program	-	-	191,291	-	-	-	-	191,291	-	191,291
Translation & Interpretation	-	-	-	-	537,092	-	-	537,092	-	537,092
Veteran's Services	432,389	-	-	-	-	-	-	432,389	-	432,389
Youth Counseling program	-	-	117,338	-	-	-	-	117,338	-	117,338
Total program expenses	<u>1,368,895</u>	<u>672,339</u>	<u>1,108,224</u>	<u>1,331,148</u>	<u>537,092</u>	<u>581,650</u>	<u>50,000</u>	<u>5,649,348</u>	<u>-</u>	<u>5,649,348</u>

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

STATEMENT OF ACTIVITIES BY LOCATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions						Administration and Development	Total	With Donor Restrictions	Total
	Charlotte Regional Office	Western Regional Office	Piedmont Triad Area Office	Refugee Resettlement Office	Translation and Interpretation	Other				
Support services expenses:										
Cost of direct benefits to donors	\$ 21,328	\$ -	\$ 15,900	\$ -	\$ -	\$ -	\$ -	\$ 37,228	\$ -	\$ 37,228
General and administrative	115,632	84,639	160,097	166,372	41,039	136,724	158,269	862,772	-	862,772
Fundraising	20,187	7,523	23,120	7,248	-	21,707	234,403	314,188	-	314,188
Total support services expenses	<u>157,147</u>	<u>92,162</u>	<u>199,117</u>	<u>173,620</u>	<u>41,039</u>	<u>158,431</u>	<u>392,672</u>	<u>1,214,188</u>	<u>-</u>	<u>1,214,188</u>
Total expenses	<u>1,526,042</u>	<u>764,501</u>	<u>1,307,341</u>	<u>1,504,768</u>	<u>578,131</u>	<u>740,081</u>	<u>442,672</u>	<u>6,863,536</u>	<u>-</u>	<u>6,863,536</u>
INTEROFFICE TRANSFERS	<u>67,863</u>	<u>36,829</u>	<u>61,716</u>	<u>56,765</u>	<u>-</u>	<u>34,870</u>	<u>(258,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	102,271	(126,781)	4,746	143,732	(125,124)	219,986	89,584	308,414	95,806	404,220
NET ASSETS (DEFICIT):										
Beginning of year	<u>531,495</u>	<u>(459,317)</u>	<u>(319,659)</u>	<u>654,058</u>	<u>(314,498)</u>	<u>192,864</u>	<u>929,630</u>	<u>1,214,573</u>	<u>1,508,831</u>	<u>2,723,404</u>
End of year	<u>\$ 633,766</u>	<u>\$(586,098)</u>	<u>\$(314,913)</u>	<u>\$ 797,790</u>	<u>\$(439,622)</u>	<u>\$ 412,850</u>	<u>\$ 1,019,214</u>	<u>\$1,522,987</u>	<u>\$1,604,637</u>	<u>\$3,127,624</u>

(Concluded)

**FEDERAL AWARDS SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS:				
U.S. Department of Health and Human Services: Runaway and Homeless Youth Passed through North Carolina Department of Health and Human Services, Division of Social Services:	93.623	90CY6861-03	\$ 35,588	\$ -
Refugee Assistance Program	93.566	39023	39,323	
Refugee Targeted Assistance—Formula	93.584	38854	311,058	
School Impact Grant	93.576	39719	159,277	
U.S. Department of State—Passed through United States—Catholic Conference of Bishops—Reception and Placement Program	19.510		200,795	
POWR (Parishes Organized to Welcome Refugees)	19.510		12,788	
Remote Reception & Placement	19.510		145,898	
U.S. Department of Administration for Children and Families—Passed through United States— Catholic Conference of Bishops—Voluntary Agencies Matching Grant Program	93.567		6,442	
U.S. Department of Veteran Affairs: Supportive Services for Veteran Families	64.033	20-NC-444	435,862	
U.S. Department of Agriculture (USDA)—Passed through Department of Agriculture and Consumer Services—The Emergency Food Assistance Program (TEFAP)	10.569		<u>336,466</u>	
TOTAL FEDERAL AWARDS			<u>\$1,683,497</u>	
STATE AWARDS—North Carolina Department of Social Services—Passed through Forsyth County—Spanish Translation		2019-0191-00		<u>246,722</u>
TOTAL STATE AWARDS				<u>\$246,722</u>

See notes to schedule of expenditures of federal and state awards.

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. BASIS OF PRESENTATION

The Roman Catholic Diocese of Charlotte and Catholic Charities Diocese of Charlotte (CCDOC) are not-for-profit organizations. CCDOC receives federal funding and is the only diocesan entity required to be included within the scope of the requirements of the Uniform Guidance.

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes all federal and state grants to CCDOC that had activity during the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the CCDOC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the CCDOC.

Federal Catalog of Federal Domestic Assistance (CFDA) numbers are from the CFDA published by the Office of Management and Budget and the General Services Administration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARD EXPENDITURES

This Schedule has been prepared under the accrual basis of accounting and with accounting principles generally accepted in the United States of America, and is consistent with the preparation of the CCDOC's basic financial statements. Amounts reflected in the Schedule include only expenditures of federal and state awards and are recognized following the cost principles contained in the Uniform Guidance.

An award is considered expended when the activity related to the award occurs. The activity generally pertains to events requiring compliance with laws, regulations, and the provisions of contract and grant agreements. Direct costs have been recognized on the accrual basis of accounting when costs are incurred. The CCDOC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Salaries, fringes, and other costs are charged to awards based upon utilization on a direct cost basis.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports may not necessarily agree with the amounts reported in the accompanying Schedule which is prepared as explained in Notes 1 and 2 above.

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Deloitte & Touche LLP
550 South Tryon Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1631
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and
the Board of Directors of Catholic Charities
Diocese of Charlotte:

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 Diocese of Charlotte ("CCDOC") (an affiliated entity of the Roman Catholic Diocese of Charlotte), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2020, which expresses an unmodified opinion and includes an emphasis of matter paragraph regarding the significance of CCDOC's transactions with affiliated entities.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCDOC'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 CCDOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCDOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

September 22, 2020



Deloitte & Touche LLP
550 South Tryon Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1631
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and
the Board of Directors of Catholic Charities
Diocese of Charlotte:

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities Diocese of Charlotte's ("CCDOC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CCDOC's major federal program for the year ended June 30, 2020. CCDOC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CCDOC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* ("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 CCDOC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, CCDOC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of CCDOC 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 CCDOC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 CCDOC'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of CCDOC as of and for the year ended June 30, 2020, and have issued our report thereon dated September , 2020, which contained an unmodified opinion on those financial statements. 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 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.

Deloitte & Touche LLP

September 22, 2020

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

PART I—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 deficiency(ies) identified not considered to be material weakness?	_____ 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 deficiency(ies) identified not considered to be material weakness?	_____ 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 Title 2 Code of Federal Regulations 200 Uniform Grant Guidance?	_____ Yes	<u> X </u> No	

(Continued)

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Identification of major programs:

Program Name	CFDA Number
U.S. Department of State—passed through United States—Catholic Conference of Bishops—Reception and Placement Program, POWR (Parishes Organized to Welcome Refugees), and Remote Reception and Placement	19.510

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

Auditee qualified as low-risk auditee? X Yes No

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No matters were reportable.

(Concluded)



Catholic Charities
Diocese of Charlotte

Catholic Charities
Diocese of Charlotte
1123 South Church Street, Charlotte, NC 28203-4003
Phone (704) 370-3262

CATHOLIC CHARITIES DIOCESE OF CHARLOTTE

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings for the year ended June 30, 2019.