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January 29, 2014

Board of Directors
Catholic Charities Diocese of FW-SB
315 E. Washington Blvd.
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Crowe Horwath, LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Catholic Charities Diocese of FW-SB, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

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

ANNUAL REPORT
June 30, 2012 and 2011

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

ANNUAL REPORT
June 30, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. (Organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Unrestricted Program Support and Revenue and Expenses and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Unrestricted Program Support and Revenue and Expenses and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
September 13, 2012

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 775,397 | \$ 670,817 |
| Accounts receivable | 290,620 | 391,317 |
| Accounts receivable - related party | 74,445 | 34,834 |
| Prepaid expenses and other current assets | <u>29,864</u> | <u>18,300</u> |
| Total current assets | 1,170,326 | 1,115,268 |
| Equipment and improvements | | |
| Building and leasehold improvements | 3,449,804 | 3,438,742 |
| Office furniture and equipment | 239,693 | 294,974 |
| Transportation equipment | 56,914 | 30,600 |
| Program equipment | <u>112,326</u> | <u>112,326</u> |
| Total | 3,858,737 | 3,876,642 |
| Accumulated depreciation | <u>(1,847,169)</u> | <u>(1,777,287)</u> |
| Net equipment and improvements | 2,011,568 | 2,099,355 |
| Other assets | | |
| Investments | <u>540,406</u> | <u>547,613</u> |
| | <u>\$ 3,722,300</u> | <u>\$ 3,762,236</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 21,004 | \$ 57,021 |
| Accrued payroll | 80,503 | 103,431 |
| Accrued vacation | 57,351 | 59,414 |
| Accrued pension | <u>84,078</u> | <u>71,117</u> |
| Total current liabilities | 242,936 | 290,983 |
| Net assets | | |
| Unrestricted | | |
| Designated by Board for endowment | 7,860 | 8,545 |
| Other unrestricted | <u>3,459,423</u> | <u>3,388,260</u> |
| Total unrestricted | 3,467,283 | 3,396,805 |
| Temporarily restricted | <u>12,081</u> | <u>74,448</u> |
| Total net assets | <u>3,479,364</u> | <u>3,471,253</u> |
| | <u>\$ 3,722,300</u> | <u>\$ 3,762,236</u> |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF ACTIVITIES
 Years ended June 30, 2012 and 2011

| | 2012 | | | 2011 | | |
|--|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and revenues | | | | | | |
| Contributions | \$ 505,556 | \$ 12,081 | \$ 517,637 | \$ 618,480 | \$ 68,259 | \$ 686,739 |
| Foundations and trusts | 586,458 | - | 586,458 | 436,716 | - | 436,716 |
| Mothers' Day and Christmas | 244,609 | - | 244,609 | 253,788 | - | 253,788 |
| Bishops' Appeal | 210,863 | - | 210,863 | 221,649 | - | 221,649 |
| Ricebowl/Project Care | 11,618 | - | 11,618 | 11,528 | - | 11,528 |
| United Way - Allen County | 200,960 | - | 200,960 | 196,516 | - | 196,516 |
| United Way - Dekalb County | 31,788 | - | 31,788 | 30,262 | - | 30,262 |
| United Way - Steuben County | 525 | - | 525 | 175 | - | 175 |
| United Way - Noble County | 3 | - | 3 | 8 | - | 8 |
| United Way - St. Joseph County | 64,146 | - | 64,146 | 86,510 | - | 86,510 |
| United Way - Huntington County | - | - | - | 170 | - | 170 |
| United Way- Elkhart County | 111 | - | 111 | 244 | - | 244 |
| Government grants and fees | 2,304,189 | - | 2,304,189 | 3,247,259 | - | 3,247,259 |
| Program service fees | 300,846 | - | 300,846 | 349,799 | - | 349,799 |
| Investment returns | (2,904) | - | (2,904) | 65,330 | - | 65,330 |
| Assets released from restrictions | 74,448 | (74,448) | - | 67,168 | (67,168) | - |
| | <u>4,533,216</u> | <u>(62,367)</u> | <u>4,470,849</u> | <u>5,585,602</u> | <u>1,091</u> | <u>5,586,693</u> |
| Expenses | | | | | | |
| Pregnancy and adoption | 308,198 | - | 308,198 | 424,760 | - | 424,760 |
| Children | 7,161 | - | 7,161 | 54,585 | - | 54,585 |
| Case Management Brief Services | 575,369 | - | 575,369 | 458,231 | - | 458,231 |
| Refugee Immigration | 946,403 | - | 946,403 | 1,082,954 | - | 1,082,954 |
| Counseling | - | - | - | 4,695 | - | 4,695 |
| Older adults | 2,080,404 | - | 2,080,404 | 2,939,302 | - | 2,939,302 |
| Total program expenses | <u>3,917,535</u> | <u>-</u> | <u>3,917,535</u> | <u>4,964,527</u> | <u>-</u> | <u>4,964,527</u> |
| Management and general | 448,438 | - | 448,438 | 515,301 | - | 515,301 |
| Public relations and fund raising | 96,765 | - | 96,765 | 84,295 | - | 84,295 |
| | <u>4,462,738</u> | <u>-</u> | <u>4,462,738</u> | <u>5,564,123</u> | <u>-</u> | <u>5,564,123</u> |
| Change in net assets before contribution of leasehold improvements to the Diocese | 70,478 | (62,367) | 8,111 | 21,479 | 1,091 | 22,570 |
| Contribution of leasehold improvements to the Diocese (Note 1) | - | - | - | (12,207) | - | (12,207) |
| Change in net assets | 70,478 | (62,367) | 8,111 | 9,272 | 1,091 | 10,363 |
| Net assets at beginning of year | <u>3,396,805</u> | <u>74,448</u> | <u>3,471,253</u> | <u>3,387,533</u> | <u>73,357</u> | <u>3,460,890</u> |
| Net assets at end of year | <u>\$ 3,467,283</u> | <u>\$ 12,081</u> | <u>\$ 3,479,364</u> | <u>\$ 3,396,805</u> | <u>\$ 74,448</u> | <u>\$ 3,471,253</u> |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2012

| Expense Category | Pregnancy and Adoption | Children | Case Mgmt. Brief Services | Refugee Immigration | Counseling | Older Adults | Management and General | Public Relations and Fund Raising | 2012 Total |
|----------------------------------|------------------------------|-----------------|---------------------------------|------------------------|-------------|---------------------|---------------------------|--|---------------------|
| Salaries | \$ 168,609 | \$ - | \$ 183,512 | \$ 360,261 | \$ - | \$ 1,443,859 | \$ 204,709 | \$ 25,326 | \$ 2,386,276 |
| Employee benefits | 44,640 | 7,089 | 31,072 | 114,236 | - | 131,558 | 40,875 | 9,410 | 378,880 |
| Payroll taxes | 12,077 | - | 13,626 | 25,534 | - | 109,925 | 15,639 | 1,851 | 178,652 |
| Legal and professional | 15,214 | 39 | 16,354 | 71,659 | - | 45,958 | 57,364 | 26,924 | 233,512 |
| Food and beverages | - | - | - | - | - | 29,479 | - | - | 29,479 |
| Supplies | 10,558 | - | 6,764 | 25,612 | - | 34,110 | 7,832 | 2,430 | 87,306 |
| Telephone and fax | 3,460 | - | 7,060 | 12,020 | - | 18,839 | 6,927 | 495 | 48,801 |
| Postage and shipping | 1,392 | - | 496 | 3,148 | - | 4,259 | 1,826 | 5,785 | 16,906 |
| Land and building rent | 25,890 | - | 50,272 | 50,114 | - | 56,362 | 24,989 | 612 | 208,239 |
| General insurance | 330 | - | 767 | 484 | - | 9,229 | 208 | 4 | 11,022 |
| Utilities | 695 | - | 6,251 | 1,127 | - | 34,612 | 592 | - | 43,277 |
| Maintenance and supplies | 670 | - | 2,155 | 916 | - | 21,018 | 3,100 | 5 | 27,864 |
| Equipment rental/maintenance | 3,522 | 129 | 5,344 | 7,179 | - | 7,801 | 4,132 | 218 | 28,325 |
| Printing and art work | 254 | - | 141 | 266 | - | 159 | 4,826 | 3,375 | 9,021 |
| Subscriptions and publications | 57 | - | 85 | 99 | - | 241 | 426 | 2,553 | 3,461 |
| Advertising and marketing | 3,406 | - | 2,084 | 4,379 | - | 6,261 | 1,954 | 17,431 | 35,515 |
| Gas, oil and vehicle maintenance | 310 | - | 2,584 | 10,216 | - | 751 | 8,632 | - | 22,493 |
| Mileage and parking | 7,423 | - | 4,248 | 14,862 | - | 5,317 | 1,204 | 18 | 33,072 |
| Travel | 1,990 | - | 588 | 2,175 | - | 263 | 5,860 | 260 | 11,136 |
| Meetings and registrations | 981 | - | 655 | 2,341 | - | 1,343 | 2,812 | - | 8,132 |
| Specific assistance | 4,339 | - | 237,171 | 235,190 | - | 1,433 | 39 | - | 478,172 |
| Membership dues | 796 | - | 1,072 | 2,034 | - | 1,719 | 962 | 3 | 6,586 |
| Recognition | <u>282</u> | <u>-</u> | <u>244</u> | <u>194</u> | <u>-</u> | <u>8,509</u> | <u>2,055</u> | <u>59</u> | <u>11,343</u> |
| Interest expense | - | - | - | - | - | - | 20 | - | 20 |
| Bank Fees | <u>592</u> | <u>-</u> | <u>25</u> | <u>283</u> | <u>-</u> | <u>138</u> | <u>2,933</u> | <u>6</u> | <u>3,977</u> |
| | <u>307,487</u> | <u>7,257</u> | <u>572,570</u> | <u>944,329</u> | <u>-</u> | <u>1,973,143</u> | <u>399,916</u> | <u>96,765</u> | <u>4,301,467</u> |
| Depreciation | 252 | - | 1,524 | 2,796 | - | 101,979 | 49,564 | - | 156,115 |
| Provision for bad debts | <u>459</u> | <u>(96)</u> | <u>1,275</u> | <u>(722)</u> | <u>-</u> | <u>5,282</u> | <u>(1,042)</u> | <u>-</u> | <u>5,156</u> |
| | <u>\$ 308,198</u> | <u>\$ 7,161</u> | <u>\$ 575,369</u> | <u>\$ 946,403</u> | <u>\$ -</u> | <u>\$ 2,080,404</u> | <u>\$ 448,438</u> | <u>\$ 96,765</u> | <u>\$ 4,462,738</u> |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2011

| <u>Expense Category</u> | <u>Pregnancy and Adoption</u> | <u>Children</u> | <u>Case Mgmt. Brief Services</u> | <u>Refugee Immigration</u> | <u>Counseling</u> | <u>Older Adults</u> | <u>Management and General</u> | <u>Public Relations and Fund Raising</u> | <u>2011 Total</u> |
|----------------------------------|-------------------------------|------------------|----------------------------------|----------------------------|-------------------|---------------------|-------------------------------|--|---------------------|
| Salaries | \$ 256,646 | \$ (238) | \$ 123,769 | \$ 453,974 | \$ 1,754 | \$ 2,213,215 | \$ 255,206 | \$ 24,461 | \$ 3,328,787 |
| Employee benefits | 42,571 | 45,719 | 23,891 | 124,880 | (570) | 128,860 | 49,507 | 6,309 | 421,167 |
| Payroll taxes | 18,866 | - | 8,592 | 32,675 | 140 | 165,749 | 18,088 | 1,842 | 245,952 |
| Legal and professional | 28,656 | 4,319 | 5,432 | 18,383 | 1,211 | 50,521 | 62,259 | 24,701 | 195,482 |
| Food and beverages | - | 56 | - | - | - | 27,824 | - | - | 27,880 |
| Supplies | 3,550 | 49 | 2,160 | 18,620 | 100 | 18,288 | 17,603 | 1,324 | 61,694 |
| Telephone and fax | 7,266 | 376 | 3,912 | 13,973 | 121 | 22,385 | 8,792 | 446 | 57,271 |
| Postage and shipping | 1,842 | - | 313 | 3,796 | 9 | 5,778 | 1,569 | 5,451 | 18,758 |
| Land and building rent | 31,908 | - | 36,542 | 47,579 | 1,559 | 59,082 | 23,353 | 2,601 | 202,624 |
| General insurance | 252 | - | 1,029 | 2,124 | 9 | 9,658 | 1,176 | 15 | 14,263 |
| Utilities | 550 | 2,715 | 5,606 | 1,513 | - | 56,779 | 1,027 | - | 68,190 |
| Maintenance and supplies | 1,499 | 550 | 2,110 | 1,728 | 45 | 16,267 | 1,310 | - | 23,509 |
| Equipment rental/maintenance | 3,918 | - | 3,237 | 5,820 | 194 | 11,061 | 4,262 | - | 28,492 |
| Printing and art work | 12 | - | 4 | 18 | - | 2,096 | 430 | 510 | 3,070 |
| Subscriptions and publications | - | - | - | - | - | 315 | 1,072 | - | 1,387 |
| Advertising and marketing | 5,280 | 1,296 | 1,066 | 3,842 | 113 | 4,935 | 2,697 | 16,339 | 35,568 |
| Gas, oil and vehicle maintenance | 206 | - | 3,060 | 11,633 | - | 336 | 9,479 | - | 24,714 |
| Mileage and parking | 10,879 | - | 1,596 | 14,493 | - | 5,501 | 944 | 191 | 33,604 |
| Travel | 1,940 | - | 475 | 6,382 | - | 1,050 | 11,904 | - | 21,751 |
| Meetings and registrations | 3,679 | - | 361 | 5,710 | - | 6,040 | 2,918 | 105 | 18,813 |
| Specific assistance | 2,253 | - | 233,918 | 287,419 | - | 5,822 | 30 | - | 529,442 |
| Membership dues | 533 | - | 277 | 1,363 | 25 | 1,742 | 674 | - | 4,614 |
| Recognition | 707 | - | 394 | 1,184 | - | 8,169 | 1,386 | - | 11,840 |
| | <u>423,013</u> | <u>54,842</u> | <u>457,744</u> | <u>1,057,109</u> | <u>4,710</u> | <u>2,821,473</u> | <u>475,686</u> | <u>84,295</u> | <u>5,378,872</u> |
| Depreciation | - | (169) | 487 | 1,883 | - | 117,749 | 37,469 | - | 157,419 |
| Provision for bad debts | 1,747 | (88) | - | 23,962 | (15) | 80 | 2,146 | - | 27,832 |
| | <u>\$ 424,760</u> | <u>\$ 54,585</u> | <u>\$ 458,231</u> | <u>\$ 1,082,954</u> | <u>\$ 4,695</u> | <u>\$ 2,939,302</u> | <u>\$ 515,301</u> | <u>\$ 84,295</u> | <u>\$ 5,564,123</u> |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 8,111 | \$ 10,363 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 156,115 | 157,419 |
| Provision for bad debts | 5,156 | 27,832 |
| Unrealized and realized (gain) loss on investments | 12,580 | (55,157) |
| Contribution of leasehold improvements to the Diocese | - | 12,207 |
| Change in assets and liabilities | | |
| Accounts receivable | 95,541 | 37,841 |
| Accounts receivable- related party | (39,611) | 3,300 |
| Prepaid expenses and other current assets | (11,564) | (4,502) |
| Accounts payable and accrued expenses | (36,017) | 34,256 |
| Accrued payroll, vacation, and pension | <u>(12,030)</u> | <u>(42,078)</u> |
| Net cash from operating activities | 178,281 | 181,481 |
| Cash flows from investing activities | | |
| Purchase of investments | (5,373) | (5,661) |
| Capital expenditures | <u>(68,328)</u> | <u>(18,623)</u> |
| Net cash from investing activities | (73,701) | (24,284) |
| Net change in cash and cash equivalents | 104,580 | 157,197 |
| Cash and cash equivalents at beginning of year | <u>670,817</u> | <u>513,620</u> |
| Cash and cash equivalents at end of year | <u>\$ 775,397</u> | <u>\$ 670,817</u> |

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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

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

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

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

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

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

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. At June 30, 2012 and 2011, the Organization had no permanently restricted net assets.

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

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

Other unrestricted - Represents those funds presently available for use within current operations of the Organization.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas where significant estimates are used in the accompanying financial statements include the allowance for doubtful accounts, depreciable lives of fixed assets, valuation of investments and functional expense allocations.

Revenue Recognition: Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. receives substantially all of its grant and contract revenue from Federal and State agencies. Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. recognizes contract revenue, up to the contract ceiling, from its contracts to the extent of services provided or expenses incurred. Revenue recognition depends upon the provisions within the contract. Revenue from program services is recorded as revenue in the period earned. Investment income is recorded when earned.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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

Program Revenue: Under the terms of certain government reimbursed programs, providers of these services are subject to regulation by the program intermediaries. For many programs, payment for the services rendered is based upon "allowable cost" as defined by each program's regulations, and is subject to financial audit by the program intermediary. Costs and reimbursements for the years June 30, 1997 through June 30, 2012 for certain programs remain subject to final financial audit by program intermediaries.

Contributions: Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist. Catholic Charities has adopted the policy that all temporarily restricted contributions for which the restriction is met in the same year, be recorded as unrestricted on the Statement of Activities. Catholic Charities has received two grants as of June 30, 2012 which have been determined to be conditional. One grant in the amount of \$190,000 is related to operating support and the second in the amount of \$48,000 is for capital projects. Both grants are conditional based on Catholic Charities providing program and financial reports and attending performance meetings.

Donated Services: The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to various fund-raising events and contacts with individuals receiving services at Catholic Charities.

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

Advertising: The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2012 and 2011 were \$35,515 and \$35,568.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

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

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

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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

The Organization is no longer subject to examination by taxing authorities for years before 2009. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2012 or 2011.

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

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

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

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. At June 30, 2012 and 2011, management estimated that no allowance was needed.

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

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

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

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

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

Contribution of Leasehold Improvements to the Diocese: During the fiscal year ended June 30, 2011, the Organization closed the Circle of Mercy building. When this facility closed, the Diocese retained possession of the buildings. In previous fiscal years, the Organization had capitalized leasehold improvements that had been made to the buildings. The Diocese became the beneficiary of the improvements and thus, they hold no future benefit for the Organization. The net book value of these improvements is recognized on the Statement of Activities as a contribution to the Diocese.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2012. Management has performed their analysis through September 13, 2012, the date the financial statements were available to be issued.

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

NOTE 2 - INVESTMENTS

The Organization's investments are part of an investment pool that contains funds from the Diocese of Fort Wayne-South Bend and other organizations related to the Diocese. Investment returns are allocated based on the Organization's average balance as a percentage of the pool. Fair values of the Organization's portion of the Diocese investment pool were \$528,643 and \$534,104 as of June 30, 2012 and 2011. In addition, the Organization also holds an investment in securities totaling \$11,763 and \$13,509 at June 30, 2012 and 2011.

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

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|-------------------|------------------|
| Interest and dividends | \$ 9,676 | \$ 10,173 |
| Unrealized / realized gains/(losses) | <u>(12,580)</u> | <u>55,157</u> |
| Total investment return | <u>\$ (2,904)</u> | <u>\$ 65,330</u> |

NOTE 3 - LEASE COMMITMENTS

The Organization has various operating lease obligations for equipment, vehicles and office space. Future minimum lease payments under noncancelable leases as of June 30, 2012 are as follows:

| | |
|------------|-------------------|
| 2013 | \$ 224,366 |
| 2014 | 175,300 |
| 2015 | 56,224 |
| 2016 | 51,900 |
| 2017 | 29,200 |
| Thereafter | <u>19,000</u> |
| | <u>\$ 555,990</u> |

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 - LEASE COMMITMENTS (Continued)

Total rent expense was \$235,485 and \$227,777 for the years ended June 30, 2012 and 2011, respectively.

NOTE 4 - PENSION PLAN

The Organization participates in a defined benefit, multiemployer pension plan administered by the Roman Catholic Church, Diocese of Fort Wayne - South Bend. The Plan covers those employees of the Diocese and its related organizations with one year or more of service and that have reached the age of 21. Upon meeting eligibility requirements, an employee automatically becomes a participant in the Plan and vests after five years of service. The Organization's policy is to charge operations during the year in which pension costs were incurred.

The Organization's pension expense for the years ended June 30, 2012 and 2011 was \$83,818 and \$69,850, respectively. The actuarial present value of vested and non-vested accumulated plan benefits and the Plan's net assets available for those accumulated benefits are not available because separate actuarial valuations are not made with respect to each employer nor are the Plan's assets so segregated.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization received \$585,090 and \$604,965 of support from the Diocese of Fort Wayne - South Bend during the years ended June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, the Organization's accounts receivable from the Diocese totaled \$74,445 and \$34,834.

The Organization leases building space from the Diocese. The rent expense for these facilities totaled \$51,600 for the years ended June 30, 2012 and 2011.

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

The Catholic Community Foundation of Northeast Indiana (Foundation) holds an endowment fund from the Legacy of Faith campaign for the benefit of the Organization. The Foundation has variance power over the funds. Accordingly, an asset has not been recorded on the Statement of Financial Position. At June 30, 2012 and 2011, the balance of this endowment is \$1,882,124 and \$1,998,696. Distributions from the endowment fund are recorded as revenue when received by the Organization. During 2012 and 2011, a distribution of \$100,000 was taken by the Organization and recorded as revenue.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

The following table summarizes the Organization's investments that are measured at fair value on a recurring basis:

| | Fair Value Measurements at June 30, 2012 | | | <u>Total</u> |
|-------------------|---|--|--|-------------------|
| | <u>Quoted Prices in Active Markets for Identical Assets Level 1</u> | <u>Significant Other Observable Inputs Level 2</u> | <u>Significant Unobservable Inputs Level 3</u> | |
| Funds invested in | | | | |
| Diocese pool | \$ - | \$ - | \$ 528,643 | \$ 528,643 |
| Securities | 11,763 | - | - | 11,763 |
| | <u>\$ 11,763</u> | <u>\$ -</u> | <u>\$ 528,643</u> | <u>\$ 540,406</u> |

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

| | Fair Value Measurements at June 30, 2011 | | | Total |
|-------------------|--|--|---|-------------------|
| | Quoted Prices in Active Markets for Identical Assets <u>Level 1</u> | Significant Other Observable Inputs <u>Level 2</u> | Significant Unobservable Inputs <u>Level 3</u> | |
| Funds invested in | | | | |
| Diocese pool | \$ - | \$ - | \$ 534,104 | \$ 534,104 |
| Securities | <u>13,509</u> | <u>-</u> | <u>-</u> | <u>13,509</u> |
| | <u>\$ 13,509</u> | <u>\$ -</u> | <u>\$ 534,104</u> | <u>\$ 547,613</u> |

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2012 and 2011:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|--|---|-------------------|
| | <u>2012</u> | <u>2011</u> |
| Beginning balance, July 1 | \$ 534,104 | \$ 474,640 |
| <u>Investments</u> | | |
| Interest and dividend income, net | 5,689 | 5,661 |
| Unrealized / realized gains on investments | <u>(11,150)</u> | <u>53,803</u> |
| Ending balance, June 30 | <u>\$ 528,643</u> | <u>\$ 534,104</u> |

SUPPLEMENTARY INFORMATION

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULES OF UNRESTRICTED PROGRAM SUPPORT AND REVENUE AND EXPENSES
Year ended June 30, 2012

| | Support and Revenue | Expenses |
|----------------------------------|------------------------|---------------------|
| Pregnancy and Adoption | | |
| Adoptions | \$ 65,014 | \$ 50,237 |
| Pregnancy services | <u>267,775</u> | <u>257,961</u> |
| | <u>\$ 332,789</u> | <u>\$ 308,198</u> |
| | | |
| Children | | |
| Children's Cottage | <u>\$ 7,161</u> | <u>\$ 7,161</u> |
| | | |
| Case Management Brief Services | <u>\$ 575,522</u> | <u>\$ 575,369</u> |
| | | |
| Refugee Immigration | <u>\$ 935,615</u> | <u>\$ 946,403</u> |
| | | |
| Older Adults | | |
| Retired Senior Volunteer Program | \$ 275,917 | \$ 274,755 |
| Villa of the Woods | 465,547 | 465,507 |
| Senior Aides | <u>1,340,142</u> | <u>1,340,142</u> |
| | <u>\$ 2,081,606</u> | <u>\$ 2,080,404</u> |

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULES OF UNRESTRICTED PROGRAM SUPPORT AND REVENUE AND EXPENSES
 Year ended June 30, 2011

| | Support and Revenue | Expenses |
|----------------------------------|------------------------|---------------------|
| Pregnancy and Adoption | | |
| Adoptions | \$ 232,485 | \$ 220,252 |
| Pregnancy services | <u>225,440</u> | <u>204,508</u> |
| | <u>\$ 457,925</u> | <u>\$ 424,760</u> |
| | | |
| Children | | |
| Children's Cottage | <u>\$ 57,069</u> | <u>\$ 54,585</u> |
| | | |
| Case Management Brief Services | <u>\$ 440,192</u> | <u>\$ 458,231</u> |
| | | |
| Refugee Immigration | <u>\$ 1,052,402</u> | <u>\$ 1,082,954</u> |
| | | |
| Counseling | <u>\$ 4,975</u> | <u>\$ 4,695</u> |
| | | |
| Older Adults | | |
| Retired Senior Volunteer Program | \$ 320,667 | \$ 317,918 |
| Villa of the Woods | 477,335 | 478,473 |
| Senior Aides | <u>2,142,126</u> | <u>2,142,911</u> |
| | <u>\$ 2,940,128</u> | <u>\$ 2,939,302</u> |

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass Through Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|---|
| <i>Pass through United States Catholic Conference of Bishops:</i> | | | |
| <u>U.S Department of State</u> U.S. Refugee Admission Program | 19.510 | None | \$ 107,529 |
| USCCB R & P Direct Client Assistance | 19.510 | None | <u>108,872</u> |
| | | | 216,401 |
| <u>U.S. Department of Health and Human Services</u> Refugee and Entrant Assistance Voluntary Agency Programs - Matching Grant | 93.567 | None | 165,549 |
| <i>Pass through State of Indiana:</i> | | | |
| <u>U.S. Department of Health and Human Services</u> Refugee and Entrant Assistance - State Administered Programs | 93.566 | F1-0-02-10-LJ-0202 | 241,812 |
| Refugee Preventative Health | 93.576 | A70-2-106044 HPR778-1 | 13,214 |
| <u>U.S. Department of the Treasury</u> Indiana's Hardest Hit Fund | 21.unk 21.unk | F20-IHHF-11-0002 F20-IHHF-11-0003 | 54,470 <u>77,475</u> 131,945 |
| <i>Pass through Senior Service America:</i> | | | |
| <u>U.S. Department of Labor</u> Senior Community Service Employment Program | 17.235 | 267 | 1,269,891 |
| <i>Pass through United Way of Allen County:</i> | | | |
| <u>Federal Emergency Management Administration</u> Emergency Food and Shelter Program | 97.024 | 277600-005 262200-004 | 10,000 <u>16,094</u> 26,094 |
| Emergency Food and Shelter Program- ARRA | 97.114A | 265400-017 | 5,190 |
| <i>Other Federal Awards:</i> | | | |
| <u>Corporation for National and Community Service</u> Retired Senior and Volunteer Program | 94.002 | 09SRNIN0014 10SRNIN001 | 88,508 <u>63,119</u> <u>151,627</u> |
| | | | <u>\$ 2,221,723</u> |

See notes to Schedule of Expenditures of Federal Awards.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities of the Diocese of Fort Wayne-South Bend, Inc. for the year ended June 30, 2012 and is presented in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

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

We have audited the financial statements of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated the same date as this report. 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.

Internal Control Over Financial Reporting

Management of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc., is responsible for establishing and maintaining effective internal control over financial reporting. In performing our audit, we considered Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
September 13, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s management. Our responsibility is to express an opinion on Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'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. Our audit does not provide a legal determination on Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s compliance with those requirements.

In our opinion, Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Catholic Charities of the Diocese of Fort Wayne - South Bend, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Catholic Charities of the Diocese of Fort Wayne- South Bend, Inc.'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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
September 13, 2012

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ___X___ No

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

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal Control over major programs:

Material Weakness(es) identified? _____ Yes ___X___ No

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ Yes ___X___ No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

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

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS ARE DEFINED IN OMB CIRCULAR A-133 510(a).

None

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

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