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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, 2010 to June 30, 2011. 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, 2011, 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, 2011 and 2010

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

ANNUAL REPORT
June 30, 2011 and 2010

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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. as of June 30, 2011 and 2010 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, 2011 and 2010, 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 23, 2011, 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 basic financial statements taken 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 basic 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
September 23, 2011

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 670,817	\$ 513,620
Accounts receivable	426,151	495,124
Prepaid expenses and other current assets	<u>18,300</u>	<u>13,798</u>
Total current assets	1,115,268	1,022,542
Equipment and improvements		
Building and leasehold improvements	3,438,742	3,641,905
Office furniture and equipment	294,974	297,337
Transportation equipment	30,600	30,600
Program equipment	<u>112,326</u>	<u>112,326</u>
Total	3,876,642	4,082,168
Accumulated depreciation	<u>(1,777,287)</u>	<u>(1,831,810)</u>
Net equipment and improvements	2,099,355	2,250,358
Other assets		
Investments	<u>547,613</u>	<u>486,795</u>
	<u>\$ 3,762,236</u>	<u>\$ 3,759,695</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 57,021	\$ 22,765
Accrued payroll	103,431	157,139
Accrued vacation	59,414	53,203
Accrued pension	<u>71,117</u>	<u>65,698</u>
Total current liabilities	290,983	298,805
Net assets		
Unrestricted		
Designated by Board for endowment	8,545	7,057
Other unrestricted	<u>3,388,260</u>	<u>3,380,476</u>
Total Unrestricted	3,396,805	3,387,533
Temporarily restricted	<u>74,448</u>	<u>73,357</u>
Total net assets	<u>3,471,253</u>	<u>3,460,890</u>
	<u>\$ 3,762,236</u>	<u>\$ 3,759,695</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, 2011 and 2010

	2011		2010		Total	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted					
Support and revenues									
Contributions	\$ 618,480	\$ 68,259	\$ 686,739	\$ 319,871	\$ 13,476	\$ 333,347			
Foundations and trusts	436,716	-	436,716	429,772	16,000	445,772			
Mothers' Day and Christmas	253,788	-	253,788	246,313	-	246,313			
Bishops' Appeal	221,649	-	221,649	216,659	-	216,659			
Ricebowl/Project Care	11,528	-	11,528	23,633	-	23,633			
United Way - Allen County	196,516	-	196,516	263,936	-	263,936			
United Way - Dekalb County	30,262	-	30,262	29,881	-	29,881			
United Way - Steuben County	175	-	175	-	-	-			
United Way - Noble County	8	-	8	4,500	-	4,500			
United Way - St. Joseph County	86,510	-	86,510	105,050	-	105,050			
United Way - LaGrange County	-	-	-	468	-	468			
United Way - Huntington County	170	-	170	570	-	570			
United Way - Elkhart County	244	-	244	307	-	307			
Government grants and fees	3,247,259	-	3,247,259	3,953,122	-	3,953,122			
Program service fees	349,799	-	349,799	415,307	-	415,307			
Investment returns	65,330	-	65,330	48,089	-	48,089			
Other	-	-	-	21,528	-	21,528			
Assets released from restrictions	67,168	(67,168)	-	95,216	(95,216)	-			
	5,585,602	1,091	5,586,693	6,174,222	(65,740)	6,108,482			
Expenses									
Pregnancy and adoption	424,760	-	424,760	424,330	-	424,330			
Children	54,585	-	54,585	788,312	-	788,312			
Case Management Brief Services	458,231	-	458,231	392,634	-	392,634			
Refugee Immigration	1,082,954	-	1,082,954	1,235,106	-	1,235,106			
Counseling	4,695	-	4,695	67,039	-	67,039			
Older adults	2,939,302	-	2,939,302	2,881,534	-	2,881,534			
Total program expenses	4,964,527	-	4,964,527	5,788,955	-	5,788,955			
Management and general	515,301	-	515,301	573,169	-	573,169			
Public relations and fund raising	84,295	-	84,295	52,705	-	52,705			
	5,564,123	-	5,564,123	6,414,829	-	6,414,829			

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 STATEMENTS OF ACTIVITIES
 Years ended June 30, 2011 and 2010

	2011		2010			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Change in net assets before contribution of leasehold improvements to the Diocese	\$ 21,479	\$ 1,091	\$ 22,570	\$ (240,607)	\$ (65,740)	\$ (306,347)
Contribution of leasehold improvements to the Diocese (Note 1)	<u>(12,207)</u>	-	<u>(12,207)</u>	<u>(811,292)</u>	-	<u>(811,292)</u>
Change in net assets	9,272	1,091	10,363	(1,051,899)	(65,740)	(1,117,639)
Net assets at beginning of year	<u>3,387,533</u>	<u>73,357</u>	<u>3,460,890</u>	<u>4,439,432</u>	<u>139,097</u>	<u>4,578,529</u>
Net assets at end 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>

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

Expense Category	Pregnancy and Adoption	Children	Case Mgmt. Brief Services	Refugee Immigration	Counseling	Older Adults	Management and General	Public Relations and Fund Raising	2011 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	-	1,742	674	-	4,614
Recognition	707	-	394	1,184	-	8,169	1,386	-	11,840
Depreciation	423,013	54,842	457,744	1,057,109	4,710	2,821,473	475,686	84,295	5,378,872
Provision for bad debts	1,747	(169)	487	1,883	-	117,748	37,469	-	157,419
		(88)	-	23,962	(15)	80	2,146	-	27,832
	\$ 424,760	\$ 54,585	\$ 458,231	\$ 1,082,954	\$ 4,695	\$ 2,939,302	\$ 515,301	\$ 84,295	\$ 5,564,123

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, 2010

Expense Category	Pregnancy and Adoption	Children	Case Mgmt. Brief Services	Refugee Immigration	Counseling	Older Adults	Management and General	Public Relations and Fund Raising	2010 Total
Salaries	\$ 270,942	\$ 359,843	\$ 114,974	\$ 574,290	\$ 36,322	\$ 2,189,481	\$ 233,014	\$ -	\$ 3,778,866
Employee benefits	33,622	118,074	15,204	120,721	3,603	126,577	34,230	-	452,031
Payroll taxes	19,924	26,525	8,355	42,674	2,747	155,433	16,647	-	282,305
Legal and professional	14,908	23,467	2,176	9,695	1,279	38,489	87,293	32,251	209,558
Food and beverages	-	56,979	-	-	-	36,743	-	-	93,722
Supplies	7,862	29,213	3,783	16,337	1,729	24,077	29,641	23	112,665
Telephone and fax	7,683	5,390	3,507	16,224	1,299	21,928	9,858	240	66,129
Postage and shipping	2,327	249	776	4,389	67	5,016	1,801	5,209	19,834
Land and building rent	32,350	-	37,212	50,411	9,048	55,162	27,885	304	212,372
General insurance	254	8,982	562	432	123	11,441	228	-	22,022
Utilities	622	41,071	5,209	1,244	900	51,597	1,154	-	101,797
Maintenance and supplies	3,547	49,937	5,548	4,939	1,712	23,293	3,222	-	92,198
Equipment rental/maintenance	4,041	2,864	2,029	3,847	692	7,531	2,285	-	23,289
Printing and art work	935	86	128	1,307	125	355	1,331	-	4,267
Subscriptions and publications	-	20	162	575	-	182	2,019	-	2,958
Advertising and marketing	5,175	1,941	701	4,137	1,066	5,158	3,249	14,678	36,105
Vehicle maintenance	-	-	3,032	18,761	-	934	8,900	-	31,627
Mileage and parking	11,378	132	1,255	13,772	24	5,680	282	-	32,523
Travel	1,918	843	170	2,353	-	769	7,282	-	13,335
Meetings and registrations	3,776	862	161	8,618	-	2,108	5,456	-	20,981
Specific assistance	1,061	-	186,680	306,556	-	579	-	-	494,856
Membership dues	1,045	301	458	2,003	286	1,513	6,912	-	12,518
Recognition	-	211	164	766	-	9,936	974	-	12,051
Depreciation	423,370	726,990	392,226	1,204,051	61,022	2,783,982	483,663	52,705	6,128,009
Provision for bad debts	960	50,952	408	2,856	-	97,823	63,392	-	215,431
		10,370	-	28,199	6,017	(271)	26,114	-	71,389
	\$ 424,330	\$ 788,312	\$ 392,634	\$ 1,235,106	\$ 67,039	\$ 2,881,534	\$ 573,169	\$ 52,705	\$ 6,414,829

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 10,363	\$ (1,117,639)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	157,419	215,431
Provision for bad debts	27,832	71,389
Unrealized and realized gain on investments	(55,157)	(37,632)
Contribution of leasehold improvements to the Diocese	12,207	811,292
Change in assets and liabilities		
Accounts receivable	41,141	9,641
Prepaid expenses and other current assets	(4,502)	11,119
Accounts payable and accrued expenses	34,256	(71,512)
Accrued payroll, vacation, and pension	(42,078)	13,217
Net cash from operating activities	<u>181,481</u>	<u>(94,694)</u>
Cash flows from investing activities		
Purchase of investments	(5,661)	(4,924)
Capital expenditures	<u>(18,623)</u>	<u>(14,463)</u>
Net cash from investing activities	(24,284)	(19,387)
 Net change in cash and cash equivalents	 157,197	 (114,081)
Cash and cash equivalents at beginning of year	<u>513,620</u>	<u>627,701</u>
 Cash and cash equivalents at end of year	 <u>\$ 670,817</u>	 <u>\$ 513,620</u>

See accompanying notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010

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, 2011 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.

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, 2011 and 2010 were \$35,568 and \$36,105.

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.

The Organization is no longer subject to examination by taxing authorities for years before 2008. 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, 2011 or 2010.

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.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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

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, 2011 and 2010, 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.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2011, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2011. Management has performed their analysis through September 23, 2011, the date the financial statements were available to be issued.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

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, 2010, the Organization closed the Children's Cottage childcare facility. The building in which the Children's Cottage was located is owned by the Diocese. During the fiscal year ended June 30, 2011, the Organization closed the Circle of Mercy building. When these facilities 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.

NOTE 2 - INVESTMENTS

The Organization's investments are part of an investment pool that contain 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 \$534,104 and \$474,640 as of June 30, 2011 and 2010. In addition, the Organization also holds an investment in securities totaling \$13,509 and \$12,155 at June 30, 2011 and 2010.

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 10,173	\$ 10,457
Unrealized gains	<u>55,177</u>	<u>37,632</u>
Total investment return	<u>\$ 65,350</u>	<u>\$ 48,089</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, 2011 are as follows:

2012	\$ 177,220
2013	146,232
2014	97,166
2015	4,078
2016	<u>300</u>
	<u>\$ 424,996</u>

Total rent expense was \$227,777 and \$244,765 for the years ended June 30, 2011 and 2010, respectively.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011 and 2010 was \$69,850 and \$64,400, 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 \$486,965 and \$486,605 of support from the Diocese of Fort Wayne - South Bend during the years ended June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010, the Organization's accounts receivable from the Diocese totaled \$34,834 and \$38,134.

The Organization leases building space from the Diocese. The rent expense for these facilities totaled \$51,600 and \$60,000 for the years ended June 30, 2011 and 2010.

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 balance sheet. At June 30, 2011 and 2010, the balance of this endowment is \$1,998,696 and \$1,850,462. Distributions from the endowment fund are recorded as revenue when received by the Organization. During 2011 a distribution of \$100,000 was taken by the Organization and recorded as revenue. There were no distributions during the year ended June 30, 2010.

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.

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.

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2011				
	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>	<u>Total</u>
Funds invested in Diocese pool	\$ -	\$ -	\$ 534,104	\$ 534,104
Securities	13,509	-	-	13,509
	\$ 13,509	\$ -	\$ 534,104	\$ 547,613

Fair Value Measurements at June 30, 2010				
	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>	<u>Total</u>
Funds invested in Diocese pool	\$ -	\$ -	\$ 474,640	\$ 474,640
Securities	12,155	-	-	12,155
	\$ 12,155	\$ -	\$ 474,640	\$ 486,795

(Continued)

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2011 and 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>2011</u>	<u>2010</u>
Beginning balance, July 1	\$ 474,640	\$ 430,432
<u>Investments</u>		
Interest and dividend income, net	5,661	7,102
Unrealized gains on investments	<u>53,803</u>	<u>37,106</u>
Ending balance, June 30	<u>\$ 534,104</u>	<u>\$ 474,640</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, 2011

	<u>Support and Revenue</u>	<u>Expenses</u>
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.
 SCHEDULES OF UNRESTRICTED PROGRAM SUPPORT AND REVENUE AND EXPENSES
 Year ended June 30, 2010

	<u>Support and Revenue</u>	<u>Expenses</u>
Pregnancy and Adoption		
Adoptions	\$ 312,133	\$ 258,406
Pregnancy services	<u>180,721</u>	<u>165,924</u>
	<u>\$ 492,854</u>	<u>\$ 424,330</u>
Children		
Children's Cottage	<u>\$ 670,954</u>	<u>\$ 788,312</u>
Case Management Brief Services	<u>\$ 402,704</u>	<u>\$ 392,634</u>
Refugee Immigration	<u>\$ 1,162,006</u>	<u>\$ 1,235,106</u>
Counseling	<u>\$ 46,160</u>	<u>\$ 67,039</u>
Older Adults		
Retired Senior Volunteer Program	\$ 282,752	\$ 301,348
Villa of the Woods	361,974	481,448
Senior Aides	<u>2,093,896</u>	<u>2,098,738</u>
	<u>\$ 2,738,622</u>	<u>\$ 2,881,534</u>

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2011

<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	\$ 57,930
USCCB R & P Direct Client Assistance	19.510	None	115,689
			<u>173,619</u>
<u>U.S. Department of Health and Human Services</u>			
Refugee and Entrant Assistance Voluntary Agency Programs - Matching Grant	93.567	None	176,670
<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	02-10-LJ-0202	243,220
Refugee Preventative Health	93.576	HPR 778-2	60,000
Refugee Preventative Health	93.576	90RU0161-01	28,903
			<u>88,903</u>
Maternal and Child Health Services Block Grant	93.645	97-07-72-0202	15,384
Maternal and Child Health Services Block Grant	93.645	97-09-72-0202	62,678
			<u>78,062</u>
Foster Care, Title IV-E	93.658	97-07-FT-0202	93,258
<u>U.S. Department of the Treasury</u>			
Indiana's Hardest Hit Fund	21.unk	F20-IHHF-11-0002	5,105
	21.unk	F20-IHHF-11-0003	3,613
			<u>8,718</u>
<i>Pass through Senior Service America:</i>			
<u>U.S. Department of Labor</u>			
Senior Community Service Employment Program	17.235	267	2,069,623
<i>Pass through United Way of Allen County:</i>			
<u>Federal Emergency Management Administration</u>			
Emergency Food and Shelter Program	97.024	27277600-005	6,500
		265400-017	8,143
		262200-004	19,365
			<u>34,008</u>
Emergency Food and Shelter Program- ARRA	97.114A	265400-017	10,246
<i>Other Federal Awards:</i>			
<u>Corporation for National and Community Service</u>			
Retired Senior and Volunteer Program	94.002	07SRNIN002	94,322
		10SRNIN001	85,962
			<u>180,284</u>
			<u>\$ 3,156,611</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, 2011

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, 2011 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, 2011, 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 23, 2011

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 each of its major federal programs for the year ended June 30, 2011. 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 each of its major federal programs for the year ended June 30, 2011.

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 23, 2011

CATHOLIC CHARITIES OF THE DIOCESE OF FORT WAYNE - SOUTH BEND, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2011

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

Dollar threshold used to distinguish between Type A and Type B programs: \$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, 2011

**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, 2011

10-01

Internal Controls over Financial Reporting

Criteria:

Statement on Auditing Standards (SAS) No. 115 indicates that the "identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition:

During the current year audit, audit adjustments were posted in relation to the accounts receivable balances which changed the financial statements by a material amount.

Status:

Resolved

10-02

Monthly Grant Reimbursement Claims

Criteria:

Circular A110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, states recipient's financial management systems shall provide the following: "Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes." Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations state that an auditee must, "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition:

During review of the internal control procedures it was noted that there was no independent review of the monthly grant reimbursement claims and supporting expense detail by someone beyond the employee who prepared the claim. As an example, it was noted that one of the July 2009 monthly grant reimbursement claim did not agree to the supporting detail.

Status:

Resolved

