

Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc.

Financial Statements as of and for the Years
Ended June 30, 2009 and 2008, Supplemental
Schedules as of and for the Year Ended June 30,
2009, OMB Circular A-133 Supplementary Financial
Report for the Year Ended June 30, 2009, and
Independent Auditors' Reports

CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF CHARLOTTE, NORTH CAROLINA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and
the Board of Directors of Catholic Social Services of
the Diocese of Charlotte, North Carolina, Inc.:

We have audited the accompanying statements of financial position of Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS) (a North Carolina nonprofit corporation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CSS's management. 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* as 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CSS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of CSS as of June 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of CSS taken as a whole. The supplemental schedules on pages 13 through 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of CSS's management. Such schedules have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of CSS's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009, on our consideration of CSS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Deloitte + Touche LLP

September 24, 2009

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 666,831	\$ 861,140
INVESTMENT IN CERTIFICATE OF DEPOSIT	121,434	
ACCOUNTS RECEIVABLE:		
Due from related parties	3,861	3,699
Reimbursements from federal and state agencies	251,811	278,311
Contracts and fees — net of allowances of \$4,439 in 2009 and \$8,248 in 2008	10,383	18,227
Pledges — net of discounts and allowances of \$516 in 2009 and \$1,109 in 2008	18,738	18,738
Other	17,631	9,871
PREPAID EXPENSES AND OTHER ASSETS	15,273	14,552
INVESTMENTS HELD BY THE DIOCESAN FOUNDATION	244,224	347,870
PROPERTY AND EQUIPMENT — Net	<u>128,544</u>	<u>138,455</u>
TOTAL	<u>\$ 1,478,730</u>	<u>\$ 1,690,863</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to related parties	\$ 1,350	\$ 925
Accounts payable and accrued expenses	26,274	29,336
Accrued salaries, wages, and benefits	164,039	159,748
Accrued vacation	140,206	143,760
Unearned income	3,861	5,544
Custodial obligations	<u>6,910</u>	<u>6,940</u>
Total liabilities	<u>342,640</u>	<u>346,253</u>
NET ASSETS:		
Unrestricted net assets:		
Undesignated	79,893	312,920
Designated for Diocesan Foundation endowments	<u>190,405</u>	<u>201,347</u>
Total unrestricted net assets	270,298	514,267
Temporarily restricted net assets	824,322	788,873
Permanently restricted net assets	<u>41,470</u>	<u>41,470</u>
Total net assets	<u>1,136,090</u>	<u>1,344,610</u>
TOTAL	<u>\$ 1,478,730</u>	<u>\$ 1,690,863</u>

See notes to financial statements.

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:								
Federal and state agency awards	\$1,800,717	\$ -	\$ -	\$1,800,717	\$1,691,431	\$ -	\$ -	\$1,691,431
Other grants and awards		519,016		519,016	2,011	398,898		400,909
Contributions:								
Diocese of Charlotte	1,606,254	11,750		1,618,004	1,514,517	2,020		1,516,537
Other	1,252,113	300,912		1,553,025	810,817	400,812		1,211,629
Fees — services rendered	511,328			511,328	712,507			712,507
Fees — special events	51,157			51,157	22,313			22,313
Investment (losses) income and other	(34,047)	(59,746)		(93,793)	13,228	(37,312)		(24,084)
Net assets released from restriction	736,483	(736,483)			551,555	(551,555)		-
Total revenues and other support	<u>5,924,005</u>	<u>35,449</u>	<u>-</u>	<u>5,959,454</u>	<u>5,318,379</u>	<u>212,863</u>	<u>-</u>	<u>5,531,242</u>
EXPENSES:								
Program expenses:								
Adoption program	562,115			562,115	607,736			607,736
Catholic Campaign for Human Development and Relief Services Programs	72,515			72,515	74,886			74,886
Counseling program	470,497			470,497	482,482			482,482
Direct Assistance program	245,256			245,256	189,986			189,986
Education program	35,351			35,351	27,972			27,972
Elder Ministries program	73,424			73,424	72,181			72,181
Family Life program	62,616			62,616	77,154			77,154
Hand-to-Hand and YESS programs	311,355			311,355	295,624			295,624
Hispanic Services program	514,389			514,389	521,129			521,129
Host Homes program	227,274			227,274	189,424			189,424
Latino Family Center programs	117,586			117,586	163,961			163,961
Natural Family Planning program	52,824			52,824				-
Office of Economic Opportunity	179,638			179,638	173,919			173,919
Refugee Resettlement program	1,789,240			1,789,240	1,425,517			1,425,517
Respect Life program	34,618			34,618	38,493			38,493
Other programs	158			158	37,924			37,924
Total program expenses	<u>4,748,856</u>	<u>-</u>	<u>-</u>	<u>4,748,856</u>	<u>4,378,388</u>	<u>-</u>	<u>-</u>	<u>4,378,388</u>
Support services expenses:								
Cost of direct benefits to donors	43,303			43,303	43,040			43,040
Administrative	1,234,569			1,234,569	1,010,908			1,010,908
Fundraising	141,246			141,246	118,625			118,625
Total support services expenses	<u>1,419,118</u>	<u>-</u>	<u>-</u>	<u>1,419,118</u>	<u>1,172,573</u>	<u>-</u>	<u>-</u>	<u>1,172,573</u>
Total expenses	<u>6,167,974</u>	<u>-</u>	<u>-</u>	<u>6,167,974</u>	<u>5,550,961</u>	<u>-</u>	<u>-</u>	<u>5,550,961</u>
CHANGE IN NET ASSETS	(243,969)	35,449	-	(208,520)	(232,582)	212,863	-	(19,719)
NET ASSETS:								
Beginning of year	514,267	788,873	41,470	1,344,610	746,849	576,010	41,470	1,364,329
End of year	<u>\$ 270,298</u>	<u>\$824,322</u>	<u>\$41,470</u>	<u>\$1,136,090</u>	<u>\$ 514,267</u>	<u>\$ 788,873</u>	<u>\$41,470</u>	<u>\$1,344,610</u>

See notes to financial statements.

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (208,520)	\$ (19,719)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	32,342	27,402
Loss on disposal of property and equipment	408	
Net losses on investments	102,830	57,173
Changes in operating assets and liabilities:		
Accounts receivable	26,422	(6,321)
Prepaid expenses and other assets	(721)	21,149
Accounts payable and other liabilities	(1,930)	(10,257)
Unearned income	<u>(1,683)</u>	<u>396</u>
Net cash (used in) provided by operating activities	<u>(50,852)</u>	<u>69,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of property and equipment	(22,823)	
Proceeds from disposal of property and equipment	800	
Investment purchases	<u>(121,434)</u>	<u>(4,597)</u>
Net cash used in investing activities	<u>(143,457)</u>	<u>(4,597)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(194,309)	65,226
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>861,140</u>	<u>795,914</u>
End of year	<u>\$ 666,831</u>	<u>\$ 861,140</u>

See notes to financial statements.

CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF CHARLOTTE, NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. ORGANIZATION

Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS) was formed in May 1973 as a North Carolina nonprofit corporation. CSS's mission is to provide direct social services in defined program areas and to advocate with individuals, families, and faith communities for the promotion of a just and equitable society. Service provisions respond to human social needs existing within the 46-county service area. Advocacy efforts seek to empower others to address the conditions of society through education and information sharing.

The activities of CSS are funded by various sources:

- Support from federal, state, and private funding sources for various programs, such as refugee, runaway youth, problem pregnancy, and Hispanic outreach. Most of this support is received in a reimbursement arrangement in which CSS bills the grantors for costs, as incurred.
- Direct donations from the Central Administration of the Roman Catholic Diocese of Charlotte (the "Central Administration") and from private parties.
- Fees from providing services, such as immigration and adoption assistance, counseling, and various religious workshops and conferences.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Presentation — The accounts of CSS are maintained on an accrual basis. CSS complies with the provisions of Financial Accounting Standards Board (FASB) Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

CSS's net assets consist of the following:

Unrestricted — Unrestricted net assets consist of contributions received that have no donor-imposed restrictions. Funding received from governmental agencies on a reimbursement basis is recorded as unrestricted support. CSS may, at its discretion, designate unrestricted support for specified purposes, including certain internal investments held by the Foundation of the Roman Catholic Diocese of Charlotte, Inc. (the "Diocesan Foundation").

Temporarily Restricted — Temporarily restricted net assets consist of contributions whose use by CSS is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of CSS. Temporarily restricted net assets are generally limited for use by CSS to support program activities reflected in the accompanying statements of activities. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently Restricted — Permanently restricted net assets consist of contributions received from donors whose use by CSS is limited by permanent donor-imposed stipulations, primarily to provide income to be used for burial assistance through the Direct Assistance program. These gifts are invested in endowments with the Diocesan Foundation.

Cash and Cash Equivalents — Cash and cash equivalents include cash held in banks, as well as invested in the diocesan concentration account. The diocesan concentration account is administered by the Central Administration.

Property and Equipment — Property and equipment is stated at cost, when purchased, and at estimated market value, when donated. Depreciation expense is calculated using the straight-line method over the useful lives of the assets. The major classes of property and equipment at June 30, 2009 and 2008, are as follows:

	2009	2008	Life (In Years)
Land	\$ 15,200	\$ 15,200	N/A
Furniture and equipment	133,873	143,746	5–8
Vehicles	70,623	64,561	3–5
Leasehold improvements	174,588	174,588	15
Less accumulated depreciation	<u>(265,740)</u>	<u>(259,640)</u>	
	<u>\$ 128,544</u>	<u>\$ 138,455</u>	

Contributed Services — Contributed services have been recognized when specialized skills are provided by individuals possessing those skills and would typically be purchased, if not provided by donation, as required by the provisions of FASB Statement No. 116. Contributed services are included in contributions — other and program expense in the accompanying statements of activities. During fiscal years 2009 and 2008, contributed services amounted to \$59,887 and \$14,789, respectively.

CSS has not recognized the monetary value of other volunteer hours that do not conform with the provisions of FASB Statement No. 116.

Allocation of Expenses — Certain costs are allocated among the programs and supporting services benefited. The costs of providing the various programs and other activities are summarized on a program basis in the accompanying statement of functional expenses (unaudited).

Tax-Exempt Status — CSS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been reflected in these financial statements.

Use of Estimates in the Preparation of Financial Statements — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements — Effective July 1, 2008, CSS adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*, for all financial instruments accounted for at fair value. In February 2008, the FASB issued FASB Staff Position (FSP) Financial Accounting Standards (FAS) 157-2, *Effective Date of FASB Statement No. 157*, which provides a one-year deferral of the effective date of FASB Statement No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. FASB Statement No. 157 establishes a framework for measuring fair value and expands related disclosures. Broadly, the FASB Statement No. 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. FASB Statement No. 157 establishes a three-level valuation hierarchy based upon observable and unobservable inputs.

Level 1 — Unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2 — Inputs, other than quoted market prices in Level 1, that are observable either directly or indirectly

Level 3 — Inputs that are unobservable

CSS has segregated its investments and assets limited as to use into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at June 30, 2009, in the table below.

	Fair Value Measurement at June 30, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in certificate of deposit	\$121,434	\$ -	\$121,434	\$ -
Investments held by the Diocesan Foundation	<u>244,224</u>	<u>-</u>	<u>244,224</u>	<u>-</u>
Total	<u>\$365,658</u>	<u>\$ -</u>	<u>\$365,658</u>	<u>\$ -</u>

Effective July 1, 2008, CSS adopted the provisions of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. FASB Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings. The adoption of this standard did not have a material effect on CSS's financial statements.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. FIN No. 48 prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. In December 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits the deferral of the effective date of the accounting provisions of FIN No. 48, and the organization has elected to exercise this deferral. As a result, the effective date of the accounting provision for the Foundation is July 1, 2009. CSS is currently evaluating the provisions of FIN No. 48; however, it does not expect the impact of adoption to be material to its financial position, results of operations, or cash flows.

In May 2008, the FASB issued Statement No. 165, *Subsequent Events*. This statement establishes principles and requirements for subsequent events. In particular, this statement sets forth the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosure that an entity shall make about events or transactions that occurred after the balance sheet date. The statement is effective for annual financial periods ending after June 15, 2009, and shall be applied prospectively. Accordingly, CSS has evaluated events and transactions occurring after June 30, 2009 for potential recognition or disclosure in its financial statements the date of the accompanying independent auditor's report. The adoption of FASB Statement No. 165 did not have any impact on CSS's financial statements.

3. RELATED-PARTY TRANSACTIONS

Catholic Conference Center — CSS uses the Catholic Conference Center throughout the year for various retreats, programs, and meetings. The total expense related to the use of this facility amounted to \$7,157 and \$7,728 for fiscal years 2009 and 2008, respectively, and are reported in the accompanying statements of activities.

Rental Agreements — CSS rents certain office facilities from the Central Administration. CSS rents the facilities based on need at a monthly rate set by the Central Administration. Total rent expense to the Central Administration for the years ended June 30, 2009 and 2008, was \$344,153 and \$328,253, respectively, and is reported in the accompanying statements of activities. There are no commitments for future minimum lease payments.

Advertisement Expenses — CSS has utilized the *Catholic News & Herald*, an affiliated entity of the Roman Catholic Diocese of Charlotte, for various advertising, promotion, and marketing services. The costs of these services are charged to operations in the fiscal year incurred. Total advertising expense to the *Catholic News & Herald* for the years ended June 30, 2009 and 2008, was \$9,722 and \$7,641, respectively, and is reported in the accompanying statements of activities.

4. ASSETS WITH A REVERSIONARY INTEREST

Certain governmental funding sources have a reversionary interest in property purchased with grant funds. However, this property may only revert to a governmental agency in the event of a program termination at CSS. It is the practice of CSS to continue all programs until the contract expiration date. As a result, these items have been included in property and equipment in the statements of financial position. In addition, any proceeds from the disposition of this property are subject to the provisions of the grant. The net book value of such property was \$20,831 and \$2,577 as of June 30, 2009 and 2008, respectively.

5. CENTRAL ADMINISTRATION PROVIDED SERVICES

Insurance Programs — The Central Administration provides certain health and life benefits to the employees of CSS. CSS paid premiums for this program of \$320,325 and \$330,875 in fiscal years 2009 and 2008, respectively, which are reported in the accompanying statements of activities.

CSS maintains property and liability insurance, automobile insurance, and workers' compensation insurance through the Central Administration. Insurance premiums paid by CSS to the Central Administration were \$37,645 and \$36,216 in fiscal years 2009 and 2008, respectively, and are reported in the accompanying statements of activities.

Employee Retirement Plans — The Central Administration sponsors a noncontributory defined benefit pension plan for all eligible diocesan lay employees, including the employees of CSS. The plan provides for benefits based on an employee's years of service and compensation. It is the intent of the Central Administration for the minimum funding to be the actuarially recommended contribution amount. CSS contributions to this plan amounted to \$124,823 and \$122,439 in fiscal years 2009 and 2008, respectively, and are reported in the accompanying statements of activities. The contribution percentage to the Central Administration for the defined benefit plan was 4.5% of employees' gross salaries for fiscal years 2009 and 2008.

The Central Administration also sponsors a tax-deferred defined contribution plan under Section 403(b) of the IRC for all eligible diocesan employees, including the employees of CSS. Employer matching contributions to the plan are based on a percentage of employee contributions. CSS contributions to this plan amounted to \$38,844 and \$35,651 in fiscal years 2009 and 2008, respectively, and are reported in the accompanying statements of activities. CSS is directly responsible for payment of the matching contributions to the tax-deferred defined contribution plan for CSS employees.

Accounting and Development Services — The Central Administration provides accounting services and development support to CSS. Total expenses paid by CSS to the Central Administration were \$216,809 and \$204,962 in fiscal years 2009 and 2008, respectively, and are reported in the accompanying statements of activities.

The Central Administration paid CSS \$5,639 and \$19,583 in fiscal years 2009 and 2008, respectively, for interest on cash balances invested in the Central Administration's concentration account, which are reported in investment income and other in the accompanying statements of activities.

6. INVESTMENTS HELD BY THE DIOCESAN FOUNDATION

CSS has established endowments with the Diocesan Foundation, consisting of both donor-restricted funds and management-designated funds. The Foundation classifies as permanently restricted net assets (a) the original value of donor gifts to the permanent endowment, (b) the original value of subsequent contributions by donors to the permanent endowment, and (c) other accumulations to the permanent endowment as required by donor gift instruments. The remaining portion of donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation consistent with the donor's wishes. Losses on the investment of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that the donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Investment losses on donor-restricted endowment funds totaling \$479 and \$0 as of June 30, 2009 and 2008, respectively, have been recorded as a reduction in unrestricted net assets.

CSS invested \$0 and \$4,597 in 2009 and 2008, respectively, for endowments with the Diocesan Foundation for the benefit of CSS. At June 30, 2009, endowments established by CSS totaled \$231,972, which consist of cumulative contributions of \$242,817 and accumulated investment losses of \$(10,845). At June 30, 2008, endowments established by CSS totaled \$284,872, which consist of cumulative contributions of \$242,817 and accumulated undistributed investment income of \$42,055. Accumulated investment income is available for distribution, subject to the Diocesan Foundation's distribution policy. These endowments are recorded as investments held by the Diocesan Foundation in the accompanying statements of financial position.

CSS is also the beneficiary of endowments held by the Diocesan Foundation that have been established by third parties. As beneficiary, CSS is the designated recipient of the earnings on the endowments. Cumulative undistributed investment income of \$12,252 and \$62,998 as of June 30, 2009 and 2008, respectively, are recorded as investments held by the Diocesan Foundation in the accompanying statements of financial position. Accumulated investment income is available for distribution, subject to the Diocesan Foundation's distribution policy.

The endowment net asset composition by fund type as of June 30, 2009, is composed of the following:

	Endowment Net Asset Composition by Fund Type			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowments established by CSS:				
Designated	\$190,405	\$ -	\$ -	\$190,405
Donor restricted	(479)	576	41,470	41,567
Endowment gifts to the Foundation for benefit of CSS	<u>-</u>	<u>12,252</u>	<u>-</u>	<u>12,252</u>
 Total funds	 <u>\$189,926</u>	 <u>\$12,828</u>	 <u>\$41,470</u>	 <u>\$244,224</u>

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SUPPLEMENTAL SCHEDULE

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services					
	Adoption Program	CCHD and CRS Programs	Counseling Program	Direct Assistance Program	Education Program	Elder Ministries Program
Salaries, wages, and benefits	\$430,367	\$17,378	\$393,492	\$ 66,940	\$27,974	\$56,140
Staff development	7,404	698	3,107	109	323	41
Travel	10,166	3,078	6,666	5,615	2,925	2,237
Professional services and fees	25,541	562		320	438	567
Program and office supplies	2,484	280	2,833	1,903	2,083	1,330
Occupancy costs	60,858	2,083	57,964	24,718		4,888
Equipment rental, repair, and maintenance	2,306	(771)	908	1,869	51	
Communication	15,457	286	5,141	980	600	919
Donations, grants, and scholarships awarded		48,335				
Direct assistance to clients	5,452		50	142,089		
Donated goods and services						
Other program expenses	2,080	586	336	713	957	7,302
Accounting and other administrative expenses						
Cost of direct benefits to donors						
TOTAL	<u>\$562,115</u>	<u>\$72,515</u>	<u>\$470,497</u>	<u>\$245,256</u>	<u>\$35,351</u>	<u>\$73,424</u>

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services					
	Family Life Program	Hand-to-Hand and YESS Programs	Hispanic/ Immigration Program	Host Homes Program	Latino Family Center	Natural Family Planning Program
Salaries, wages, and benefits	\$25,324	\$235,935	\$392,663	\$198,043	\$ 96,349	\$39,739
Staff development	13	2,877	5,381	3,230	695	701
Travel	3,291	6,580	13,006	7,572	2,553	3,885
Professional services and fees	4,100		2,624	58	33	
Program and office supplies	6,250	2,537	5,620	6,121	3,693	1,834
Occupancy costs	4,888	34,850	53,648	5,854	9,812	4,888
Equipment rental, repair, and maintenance	91	1,175	7,854	2,720	68	
Communication	1,688	3,163	9,338	3,182	2,392	1,758
Donations, grants, and scholarships awarded		4,941			59	
Direct assistance to clients		1,011	44			
Donated goods and services						
Other program expenses	16,971	18,286	24,211	494	1,932	19
Accounting and other administrative expenses						
Cost of direct benefits to donors						
TOTAL	<u>\$62,616</u>	<u>\$311,355</u>	<u>\$514,389</u>	<u>\$227,274</u>	<u>\$117,586</u>	<u>\$52,824</u>

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services				Total Program Services
	Office of Economic Opportunity	Refugee Resettlement Program	Respect Life Program	Other Programs	
Salaries, wages, and benefits	\$128,029	\$ 899,536	\$17,281	\$-	\$3,025,190
Staff development	1,782	1,900	1,213		29,474
Travel	10,557	25,525	1,936		105,592
Professional services and fees		35,392	618		70,253
Program and office supplies	1,580	12,492	4,490	158	55,688
Occupancy costs	6,814	73,134	4,888		349,287
Equipment rental, repair, and maintenance	100	1,136			17,507
Communication	5,096	5,915	443		56,358
Donations, grants, and scholarships awarded	24,600				77,935
Direct assistance to clients		244,477			393,123
Donated goods and services		451,053			451,053
Other program expenses	1,080	38,680	3,749		117,396
Accounting and other administrative expenses					-
Cost of direct benefits to donors					-
TOTAL	<u>\$179,638</u>	<u>\$1,789,240</u>	<u>\$34,618</u>	<u>\$158</u>	<u>\$4,748,856</u>

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Administrative Support Services			Total Supporting Services
	Administration Office	Administrative	Accreditation and CMIS Projects	
Salaries, wages, and benefits	\$180,804	\$421,619	\$46,461	\$ 648,884
Staff development	2,725	9,040	569	12,334
Travel	5,334	9,787	1,330	16,451
Professional services and fees	41,836	1,936	1,090	44,862
Program and office supplies	1,934	7,742	2,135	11,811
Occupancy costs	16,788	84,525		101,313
Equipment rental, repair, and maintenance	10,111	29,850	1,481	41,442
Communication	2,643	7,516	87	10,246
Donations, grants, and scholarships awarded	1,000			1,000
Direct assistance to clients		1,425		1,425
Donated goods and services		11,418		11,418
Other program expenses	3,804	1,928	570	6,302
Accounting and other administrative expenses	19,616	295,864	11,601	327,081
Fundraising event expenses				-
Cost of direct benefits to donors				-
TOTAL	<u>\$286,595</u>	<u>\$882,650</u>	<u>\$65,324</u>	<u>\$1,234,569</u>

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Fund Raising and Donor Benefits	Total	
		2009	2008
Salaries, wages, and benefits	\$ 76,630	\$3,750,704	\$3,564,576
Staff development	248	42,056	37,560
Travel	2,191	124,234	165,940
Professional services and fees	5,150	120,265	77,913
Program and office supplies	24,529	92,028	115,231
Occupancy costs		450,600	435,089
Equipment rental, repair, and maintenance	181	59,130	73,158
Communication	25,823	92,427	93,601
Donations, grants, and scholarships awarded		78,935	75,592
Direct assistance to clients		394,548	236,988
Donated goods and services		462,471	246,411
Other program expenses	669	124,367	69,451
Accounting and other administrative expenses		327,081	311,927
Fundraising event expenses	5,825	5,825	4,483
Cost of direct benefits to donors	<u>43,303</u>	<u>43,303</u>	<u>43,040</u>
TOTAL	<u>\$184,549</u>	<u>\$6,167,974</u>	<u>\$5,550,961</u>

(Concluded)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF ACTIVITIES BY LOCATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted							Total	Temporarily Restricted	Permanently Restricted	Total
	Family Life Office	Charlotte Regional Office	Western Regional Office	Piedmont Triad Area Office	Refugee Resettlement Office	Office of Justice and Peace	Administration and Development Office				
REVENUES AND OTHER SUPPORT:											
Federal and state agency awards	\$ -	\$ -	\$ 62,950	\$ 601,547	\$ 1,121,215	\$ 15,005	\$ -	\$ 1,800,717	\$ -	\$ -	\$ 1,800,717
Other grants and awards									519,016		519,016
Contributions — Diocese of Charlotte	244,151	307,247	208,202	282,487	46,690	187,046	330,431	1,606,254	11,750		1,618,004
Contributions — other	11,835	281,360	148,332	170,750	563,791	21,815	54,230	1,252,113	300,912		1,553,025
Fees, services rendered	53,276	134,186	265,293	52,239	6,334			511,328			511,328
Fees, special events		26,584	18,265	6,308				51,157			51,157
Investment income and other	(107)	(1,865)	(3,105)	(388)	246		(28,828)	(34,047)	(59,746)		(93,793)
Net assets released from restriction		62,578	54,293	305,618	140,034	177,415	(3,455)	736,483	(736,483)		-
Total revenues and other support	<u>309,155</u>	<u>810,090</u>	<u>754,230</u>	<u>1,418,561</u>	<u>1,878,310</u>	<u>401,281</u>	<u>352,378</u>	<u>5,924,005</u>	<u>35,449</u>	<u>-</u>	<u>5,959,454</u>
EXPENSES:											
Program expenses:											
Adoption program	(82)	200,601	280,197	80,499			900	562,115			562,115
Catholic Campaign for Human Development and Catholic Relief Services Program				(771)		73,286		72,515			72,515
Counseling program		244,983	97,100	128,414				470,497			470,497
Direct Assistance program	57	182,033	25,994	36,060	200		912	245,256			245,256
Education program						35,351		35,351			35,351
Elder Ministries program	73,424							73,424			73,424
Family Life program	62,616							62,616			62,616
Hand-to-Hand and YESS programs				311,355				311,355			311,355
Hispanic Services/Immigration program		348	150,402	362,922			717	514,389			514,389
Host Homes program				227,274				227,274			227,274
Latino Family Center programs				117,586				117,586			117,586
Natural Family Planning Program	52,824							52,824			52,824
Office of Economic Opportunity						179,638		179,638			179,638
Refugee Resettlement program		79	62,251		1,726,910			1,789,240			1,789,240
Respect Life program	34,618							34,618			34,618
Other programs				158				158			158
Total program expenses	<u>223,457</u>	<u>628,044</u>	<u>615,944</u>	<u>1,263,497</u>	<u>1,727,110</u>	<u>288,275</u>	<u>2,529</u>	<u>4,748,856</u>	<u>-</u>	<u>-</u>	<u>4,748,856</u>

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**STATEMENT OF ACTIVITIES BY LOCATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted							Total	Temporarily Restricted	Permanently Restricted	Total
	Family Life Office	Charlotte Regional Office	Western Regional Office	Piedmont Triad Area Office	Refugee Resettlement Office	Office of Justice and Peace	Administration and Development Office				
Support services expenses:											
Cost of direct benefits to donors	\$ -	\$ 27,455	\$ 7,963	\$ 7,885	\$ -	\$ -	\$ -	\$ 43,303	\$ -	\$ -	\$ 43,303
Administrative	61,822	161,141	188,884	237,414	143,581	106,742	334,985	1,234,569			1,234,569
Fundraising		10,578	2,860	9,377			118,431	141,246			141,246
Total support services expenses	<u>61,822</u>	<u>199,174</u>	<u>199,707</u>	<u>254,676</u>	<u>143,581</u>	<u>106,742</u>	<u>453,416</u>	<u>1,419,118</u>	<u>-</u>	<u>-</u>	<u>1,419,118</u>
Total expenses	<u>285,279</u>	<u>827,218</u>	<u>815,651</u>	<u>1,518,173</u>	<u>1,870,691</u>	<u>395,017</u>	<u>455,945</u>	<u>6,167,974</u>	<u>-</u>	<u>-</u>	<u>6,167,974</u>
INTEROFFICE TRANSFERS	<u>(9,600)</u>	<u>(25,000)</u>	<u>(18,376)</u>	<u>(25,000)</u>	<u>(4,900)</u>	<u>(8,000)</u>	<u>90,876</u>				<u>-</u>
CHANGE IN NET ASSETS	14,276	(42,128)	(79,797)	(124,612)	2,719	(1,736)	(12,691)	(243,969)	35,449		(208,520)
NET ASSETS (DEFICIT):											
Beginning of year	<u>(91,326)</u>	<u>116,273</u>	<u>194,121</u>	<u>(459,367)</u>	<u>172,005</u>	<u>(15,446)</u>	<u>598,007</u>	<u>514,267</u>	<u>788,873</u>	<u>41,470</u>	<u>1,344,610</u>
End of year	<u>\$(77,050)</u>	<u>\$ 74,145</u>	<u>\$114,324</u>	<u>\$(583,979)</u>	<u>\$ 174,724</u>	<u>\$(17,182)</u>	<u>\$585,316</u>	<u>\$ 270,298</u>	<u>\$824,322</u>	<u>\$41,470</u>	<u>\$1,136,090</u>

(Concluded)

OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORT

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures	Entity Identifying Number	State Expenditures
FEDERAL AWARDS:					
U.S. Department of Health and Human Services:					
Runaway and Homeless Youth	93.623	04CY0813/02	\$ 110,661		
Passed through North Carolina Department of Health and Human Services, Division of Social Services:					
Refugee Assistance Program — Social Services	93.566	00016-09	409,883		
Refugee Assistance Program	93.566	00733-08	62,429		
Refugee Assistance Program — Cuban Haitian	93.576	00533-09			
Refugee Targeted Assistance — Formula	93.584	00356-09	174,279		
Adolescent Pregnancy Prevention Program	93.558	01335-09	64,891		
Adolescent Parenting Program	93.558	02222-09	28,504		
School Impact Grant	93.576	00553-09	92,396		
Birth Parent Assistance — Grim Assistance (0508, 0503)					
North Carolina Department of Social Services —					
Passed through Cherokee County —					
Far West Families First Project	93.558	(none)	4,995		
Passed through Clay County —					
Far West Families First Project	93.558	02204	5,010		
U.S. Department of Health and Human Services —					
Passed through Graham County Department of Social Services					
	93.558	02204	5,000		
U.S. Department of State —					
Passed through United States Catholic Conference of Bishops:					
Reception and Placement Program	19.510	(none)	383,167		
Migration and Refugee Services (MRS) — Cuban/Haitian Program					
Safe Passages I Program		(none)	500		
Emergency Assistance Funding	93.567	(none)	4,788		
Preferred Communities — Free Case Program		90RP0043/02	32,166		
TOTAL FEDERAL AWARDS			<u>\$1,378,669</u>		

(Continued)

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures	Entity Identifying Number	State Expenditures
STATE AWARDS:					
North Carolina Department of Health and Human Services, Division of Child Development: Passed through Forsyth Early Childhood Partnership, Inc. — Smart-Start Program — Hand-to-Hand Mentoring				02222-09	\$ 69,522
North Carolina Department of Health and Human Services, Division of Youth Services — Passed through Forsyth County — Community-Based Alternatives Program — Host Homes Counseling				334010	101,404
North Carolina Department of Social Services: Passed through Buncombe County — Translation				(none)	521
Passed through Forsyth County — Spanish Translation				(none)	226,565
North Carolina Department of Health and Human Services, Division of Social Services: Passed through — Charlotte Mecklenburg Senior Center (8139)				PO241344506RAP	<u>24,036</u>
TOTAL STATE AWARDS					<u>\$422,048</u>

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

(Concluded)

CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF CHARLOTTE, NORTH CAROLINA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

1. SCOPE OF SINGLE AUDIT

Entity Subject to Single Audit — The Roman Catholic Diocese of Charlotte and Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS) are not-for-profit organizations. CSS receives federal funding and is the only diocesan entity required to be included within the scope of the Office of Management and Budget (OMB) Circular A-133 audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes all federal and state grants to CSS that had activity during the fiscal year ended June 30, 2009. This schedule has been prepared on the accrual basis of accounting. The information on the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. FEDERAL AWARD THRESHOLD

The federal expenditure dollar threshold used to distinguish between Type A and Type B programs for fiscal year 2009 was \$300,000.

* * * * *

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

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and
the Board of Directors of Catholic Social Services of
the Diocese of Charlotte, North Carolina, Inc.:

We have audited the financial statements of Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. 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

In planning and performing our audit, we considered CSS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CSS's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 CSS'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 solely for the information and use of CSS board members, CSS management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

September 24, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

To the Most Reverend Peter J. Jugis, Bishop of Charlotte, and the Board of Directors of Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc.:

Compliance

We have audited the compliance of Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the North Carolina Local Government Commission, that are applicable to its major federal program for the year ended June 30, 2009. CSS's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of CSS's management. Our responsibility is to express an opinion on CSS's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 CSS'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 CSS's compliance with those requirements.

In our opinion, CSS complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of CSS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered CSS's internal control over compliance with the 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 CSS's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 solely for the information and use of CSS board members, CSS management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

September 24, 2009

CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF CHARLOTTE, NORTH CAROLINA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF AUDITORS' RESULTS

An unqualified opinion was issued on the financial statements of Catholic Social Services of the Diocese of Charlotte, North Carolina, Inc. (CSS).

Our audit of the financial statements disclosed no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses or significant deficiencies.

Our audit of the financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the financial statements.

Our audit of compliance with the types of compliance requirements applicable to CSS's major program disclosed no material weaknesses or significant deficiencies in the internal controls over its major program.

An unqualified opinion was issued on CSS's compliance with the types of compliance requirements applicable to its major federal program.

Our audit disclosed no audit findings related to CSS's federal awards that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

The major federal program for CSS for the fiscal year ended June 30, 2009, was:

Program Name	CFDA No.
Reception and Placement Program	19.510

The threshold for determining Type A programs (as that term is defined in OMB Circular A-133) for CSS was \$300,000.

CSS qualified as a low-risk auditee under Section .530 of OMB Circular A-133.

2. FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS OF CSS

Our audit disclosed no findings related to the audit of the financial statements of CSS.

3. FINDINGS RELATED TO THE AUDIT OF THE FEDERAL PROGRAM OF CSS

Our audit disclosed no findings related to the audit of the federal program of CSS.

**CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF
CHARLOTTE, NORTH CAROLINA, INC.**

**SCHEDULE OF STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no findings for the year ended June 30, 2008.