

**Catholic Charities,
Diocese of Fort Worth, Inc.**

Financial Report
December 31, 2017

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Independent Auditor's Report

To the Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.
Fort Worth, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
Catholic Charities, Diocese of Fort Worth, Inc.

Other Matters

Report on Summarized Comparative Information

We have previously audited Catholic Charities' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent in all material respects with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of Catholic Charities' 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, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 26, 2018

Catholic Charities, Diocese of Fort Worth, Inc.

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 7,563,698	\$ -
Accounts and grants receivable, net of allowance \$47,833 for 2017; and \$39,248 for 2016	3,031,677	3,107,899
Due from related parties	756,733	940,482
Prepaid expenses	95,965	162,220
Capital campaign receivables	2,757,546	2,335,867
Interest in net assets of endowment	10,724,874	3,836,305
Ownership interest in a privately held company	1,729,275	2,201,508
Deferred tax asset	105,975	28,363
Property and equipment, net	12,985,718	13,595,098
Total assets	\$ 39,751,461	\$ 26,207,742
LIABILITIES AND NET ASSETS		
Checks in excess of cash	\$ -	\$ 79,384
Accounts payable and accrued expenses	2,446,097	1,477,578
Due to related parties	50,000	1,000
Deferred revenue	279,701	147,525
Note payable	-	100,000
Capital lease	74,577	-
Total liabilities	2,850,375	1,805,487
NET ASSETS		
Unrestricted		
Undesignated	26,186,872	21,006,913
Board designated	5,945,483	-
Temporarily restricted	4,768,731	3,395,342
Total net assets	36,901,086	24,402,255
TOTAL LIABILITIES AND NET ASSETS	\$ 39,751,461	\$ 26,207,742

The Notes to Financial Statements are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Activities
Year Ended December 31, 2017 with Comparative Totals
For Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
REVENUE AND OTHER SUPPORT				
Contributions	\$ 6,823,014	\$ 3,141,546	\$ 9,964,560	\$ 8,230,573
Contribution from related party	12,599,736	-	12,599,736	-
Capital campaign contributions	500	1,440,864	1,441,364	2,171,630
United Way	627,616	-	627,616	655,724
Fees and grants from governmental agencies	17,211,423	-	17,211,423	10,714,728
Program service fees	6,865,020	-	6,865,020	6,795,516
Loss on disposal of assets	(9,433)	-	(9,433)	(24,609)
Gain on interest in other entities	389,502	-	389,502	540,344
Other income	55,276	-	55,276	64,413
Unrelated business tax benefit	171,516	-	171,516	56,604
Net assets released from restrictions				
Satisfaction of program restrictions	2,216,257	(2,216,257)	-	-
Satisfaction of time restrictions	992,764	(992,764)	-	-
Total revenue and other support	47,943,191	1,373,389	49,316,580	29,204,923
EXPENSES				
Program services				
Child and family services	566,212	-	566,212	517,416
Homeless services	310,546	-	310,546	274,494
Financial stabilization services	5,439,849	-	5,439,849	3,890,571
Emergency shelter services	1,337,918	-	1,337,918	1,211,704
Veteran services	1,516,867	-	1,516,867	1,231,269
Health services	57,348	-	57,348	839,176
Mental health services	443,622	-	443,622	417,704
Refugee services	3,240,964	-	3,240,964	4,543,054
International foster care	2,713,892	-	2,713,892	2,832,659
Workforce and education	1,680,691	-	1,680,691	1,565,949
North Texas office for refugees	7,361,178	-	7,361,178	725,609
Social enterprises	7,275,616	-	7,275,616	5,511,676
Supportive programs	1,715,317	-	1,715,317	1,975,757
Total program services	33,660,020	-	33,660,020	25,537,038

The Notes to Financial Statements are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Activities
Year Ended December 31, 2017 with Comparative Totals
For Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Supporting services				
Development and fundraising	1,807,436	-	1,807,436	1,456,062
Management and general	1,350,293	-	1,350,293	1,268,275
Total supporting services	3,157,729	-	3,157,729	2,724,337
Total expenses	36,817,749	-	36,817,749	28,261,375
Change in net assets	11,125,442	1,373,389	12,498,831	943,548
NET ASSETS, beginning of year	<u>21,006,913</u>	<u>3,395,342</u>	<u>24,402,255</u>	<u>23,458,707</u>
NET ASSETS, end of year	<u>\$ 32,132,355</u>	<u>\$ 4,768,731</u>	<u>\$ 36,901,086</u>	<u>\$ 24,402,255</u>

The Notes to Financial Statements are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,498,831	\$ 943,548
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	986,287	992,308
Donation of capitalized equipment	(130,448)	(387,998)
Loss/(gain) on disposal of property and equipment	(9,733)	24,609
Forgiveness of note payable	(100,000)	-
Changes in operating assets and liabilities		
Accounts and grants receivable	76,222	(778,154)
Due from related parties	183,749	131,112
Prepaid expenses	66,255	87,286
Capital campaign receivables	(421,679)	(1,836,047)
Interest in a privately held company	472,233	471,799
Deferred tax asset	(77,612)	(28,363)
Checks in excess of cash	(79,384)	79,384
Accounts payable and accrued expenses	968,519	(121,969)
Due to related parties	49,000	(4,000)
Deferred revenue	132,176	56,664
Net cash provided by (used in) operating activities	14,614,416	(369,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(132,226)	(39,430)
Proceeds from disposal of property and equipment	10,500	52,685
Gain on interest in other entities	(6,888,569)	(646,517)
Net cash used in investing activities	(7,010,295)	(633,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in line of credit and note payable	-	(196,405)
Payments on capital lease	(40,423)	-
Net cash used in financing activities	(40,423)	(196,405)
Net change in cash and cash equivalents	7,563,698	(1,199,488)
CASH AND CASH EQUIVALENTS, beginning of year	-	1,199,488
CASH AND CASH EQUIVALENTS, end of year	\$ 7,563,698	\$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 12,558	\$ 8,371
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donation of capitalized equipment	\$ 130,448	\$ 387,998
Interest in a privately held company	\$ (472,233)	\$ (471,799)
Forgiveness of note payable	\$ 100,000	\$ -
Equipment purchased through capital lease	\$ 115,000	\$ -

The Notes to Financial Statements are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017 with Comparative Totals
For Year Ended December 31, 2016

	Program Services				
	Child and Family Services	Homeless Services	Financial Stabilization Services	Emergency Shelter Services	Veteran Services
Salaries	\$ 346,766	\$ 102,786	\$ 2,559,219	\$ 672,517	\$ 418,938
Employee benefits	47,411	18,492	430,914	100,449	51,648
Payroll taxes	28,784	7,990	202,891	57,861	33,192
 Total employee compensation	 422,961	 129,268	 3,193,024	 830,827	 503,778
Professional fees	11,974	1,087	164,519	12,893	211,409
Supplies	13,967	945	29,822	42,616	6,035
Telephone	3,541	1,994	35,096	5,038	7,831
Postage	263	108	1,516	261	864
Occupancy	13,084	2,117	60,957	137,998	10,206
Outside printing	1,381	587	9,554	-	426
Travel and transportation	12,364	2,002	59,799	26,663	31,212
Conferences and conventions	7,663	786	13,089	3,027	3,497
Subscriptions and publications	291	-	2,071	140	-
Specific assistance	5,949	135,286	1,232,964	36,333	580,061
Membership dues	328	-	4,039	1,241	91
Equipment - rentals, repair, and maintenance	8,634	4,266	64,734	32,784	11,694
Miscellaneous	-	893	243	3	-
Liability insurance	1,929	1,094	18,866	4,488	5,230
Interest expense	-	-	-	132	-
Depreciation expense	11,714	2,735	62,990	90,820	9,676
Bad debt expense	-	4	5,204	-	-
Proration of support services	50,169	27,374	481,362	112,654	134,857
 Total expenses	 \$ 566,212	 \$ 310,546	 \$ 5,439,849	 \$ 1,337,918	 \$ 1,516,867

The Notes to Financial Statements are an integral part of these statements.

Program Services

Health Services	Mental Health Services	Refugee Services	International Foster Care	Workforce and Education Services
\$ 36,957	\$ 245,782	\$ 1,226,835	\$ 878,428	\$ 783,336
8,030	34,542	253,607	144,396	123,114
2,920	19,682	97,388	73,062	63,505
<u>47,907</u>	<u>300,006</u>	<u>1,577,830</u>	<u>1,095,886</u>	<u>969,955</u>
12	27,108	95,907	808,483	134,929
734	3,357	11,531	67,111	8,677
588	6,922	17,060	25,057	10,626
1	261	695	693	364
487	24,608	28,107	76,254	7,909
3	530	935	177	1,083
973	7,684	30,171	78,499	17,261
11	2,074	1,181	12,343	603
-	-	29	100	1,297
-	4,010	1,101,910	223,020	344,952
-	264	-	1,782	400
562	7,179	39,164	20,825	17,042
-	32	44	7	-
190	1,583	12,514	9,373	5,563
-	-	-	-	-
690	15,317	35,246	50,440	8,721
-	3,987	311	1,510	3,082
5,190	38,700	288,329	242,332	148,227
<u>\$ 57,348</u>	<u>\$ 443,622</u>	<u>\$ 3,240,964</u>	<u>\$ 2,713,892</u>	<u>\$ 1,680,691</u>

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017 with Comparative Totals
For Year Ended December 31, 2016

	Program Services			Total Program Services
	North Texas Office for Refugees	Social Enterprises	Supportive Programs	
Salaries	\$ 281,818	\$ 2,599,732	\$ 931,437	\$ 11,084,551
Employee benefits	49,499	462,673	118,762	1,843,537
Payroll taxes	21,397	206,751	72,245	887,668
Total employee compensation	<u>352,714</u>	<u>3,269,156</u>	<u>1,122,444</u>	<u>13,815,756</u>
Professional fees	6,794,615	1,907,438	23,036	10,193,410
Supplies	12,867	64,904	15,602	278,168
Telephone	3,007	49,237	16,664	182,661
Postage	59	13,474	97	18,656
Occupancy	2,650	85,803	59,592	509,772
Outside printing	219	25,460	2,883	43,238
Travel and transportation	12,124	416,784	34,124	729,660
Conferences and conventions	3,559	11,409	2,818	62,060
Subscriptions and publications	188	11,330	274	15,720
Specific assistance	12	20	214,393	3,878,910
Membership dues	-	8,901	674	17,720
Equipment - rentals, repair and maintenance	25,855	101,445	33,521	367,705
Miscellaneous	-	39,525	444	41,191
Liability insurance	1,754	34,962	7,735	105,281
Interest expense	-	12,045	-	12,177
Depreciation expense	4,506	578,203	28,861	899,919
Bad debt expense	-	39,072	-	53,170
Proration of support services	147,049	606,448	152,155	2,434,846
Total expenses	<u><u>\$ 7,361,178</u></u>	<u><u>\$ 7,275,616</u></u>	<u><u>\$ 1,715,317</u></u>	<u><u>\$ 33,660,020</u></u>

The Notes to Financial Statements are an integral part of these statements.

Supporting Services			Total Program and Supporting Services	
Development and Fundraising	Management and General	Total Supporting Services	2017	2016
\$ 866,743	\$ 2,332,827	\$ 3,199,570	\$ 14,284,121	\$ 13,370,365
139,865	337,328	477,193	2,320,730	2,167,264
65,569	168,316	233,885	1,121,553	1,063,512
<u>1,072,177</u>	<u>2,838,471</u>	<u>3,910,648</u>	<u>17,726,404</u>	<u>16,601,141</u>
394,036	514,531	908,567	11,101,977	3,462,324
37,126	56,245	93,371	371,539	410,897
4,644	10,205	14,849	197,510	214,803
2,125	8,690	10,815	29,471	33,654
16,939	65,616	82,555	592,327	570,735
17,179	29,674	46,853	90,091	87,197
30,185	41,466	71,651	801,311	827,296
15,572	66,544	82,116	144,176	126,104
4,150	18,977	23,127	38,847	60,834
25	3,687	3,712	3,882,622	4,119,669
3,042	25,888	28,930	46,650	45,653
24,138	154,995	179,133	546,838	454,142
95	11,438	11,533	52,724	109,424
9,070	7,496	16,566	121,847	113,702
-	381	381	12,558	8,371
15,752	70,616	86,368	986,287	992,308
-	21,400	21,400	74,570	23,121
161,181	(2,596,027)	(2,434,846)	-	-
<u>\$ 1,807,436</u>	<u>\$ 1,350,293</u>	<u>\$ 3,157,729</u>	<u>\$ 36,817,749</u>	<u>\$ 28,261,375</u>

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

A general description of the programs at Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities) follows:

Child and Family Services

These programs are designed to support the structure of a healthy family by offering free assessments, parenting education, and other support services to strengthen families using evidence-based materials.

Homeless Services

The programs address the immediate needs of the unsheltered homeless population in Fort Worth through provision of basic needs, case management, advocacy, and links to other community services for chronically homeless, disabled individuals and families.

Financial Stabilization Services

These programs provide compassionate services by performing an initial needs assessment of a client and linking them to the appropriate Catholic Charities program or other community resources. Some activities include intensive case management, which addresses the needs of the whole person, not based off of funding parameters but by working to build and grow the strengths of each individual. Emergency rental, utility, and other assistance are available to Tarrant County residents and residents of surrounding counties in the Diocese. Disaster response services are also included, which equip staff to respond to and assist in disaster response situations, such as our response with Hurricane Harvey.

Emergency Shelter Services

A 24 hour, 40-bed facility that provides a safe, nurturing, and temporary home for children (ages 0-17) placed in the care of Child Protective Services (CPS) and for unaccompanied children assigned by the USCCB. CCFW staff provide the children with all of their basic needs, food, clothing, shelter, medical care and educational services. Transitional foster care is also provided in separate housing for unaccompanied children with special needs or unique requirements.

Veteran Services

Veteran Services promotes stable housing among low-income veterans and their families who are at risk of or are currently homeless. Licensed professionals provide high quality mental health services for veterans and their families to help with life's challenges.

Mental Health Services

Licensed professionals provide high quality mental health services for children, adolescents, adults, couples, and families to help with life's challenges. Financial assistance is available to assist with the cost of services. Counseling is available on-site and at several parishes in the diocese.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Refugee Services

These services encourages early economic self-sufficiency by incorporating employment services, case management, financial assistance, language training, and community involvement to secure employment and preclude accessing public cash assistance. These services offer employment training and coaching and placement services for refugees, asylees, Special Immigrant Visas (SIVs), victims of trafficking, and Cuban parolees.

International Foster Care

These programs provide foster care for unaccompanied minors who do not have adult caregivers by partnering with foster families to provide a safe, nurturing, and culturally sensitive environment.

Workforce and Education Services

Several programs provide individuals with the resources and opportunities needed to obtain a living wage employment, including educational opportunities in targeted industries, and job placement services. Comprehensive support services are provided to low income students with the goal of helping them persist in school and obtain their degree. Services are targeted at helping students overcome obstacles outside of the classroom which might otherwise result in the student having to drop out of college.

Social Enterprises

The goal of our CCFW social enterprises is to provide key services needed by the community while generating a surplus for CCFW to grow services in other areas. Our social enterprises of Translation and Interpretation Network, Transportation program, and Immigration services provide those critical services for the community while our Dental Clinic addresses the dental needs of low income, uninsured individuals and families.

Supportive Programs

Several programs provide oversight and strategic planning for operation of Catholic Charities, along with support to programs by ensuring that in-kind donation and volunteer needs are met by donors. They also work with diocesan parishes on their disaster planning and preparedness and to strengthen the relationship between Catholic Charities and the parishes throughout the diocese.

North Texas Office for Refugees

CCFW serves as leader of the North Texas Region, coordinates the activities of all sub-recipients in the region that provide services to refugees, and disperses funding from the Office of Refugee Resettlement of the U.S. Department of Housing and Human Services to the sub-recipients.

Financial Statement Presentation

The financial statements of Catholic Charities have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Catholic Charities is required to report information regarding its financial position and activities according to the following three classes of net assets:

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Unrestricted includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations in accordance with its bylaws. During 2017, the Board designated \$6,050,337 of the unrestricted balance, of which \$5,945,483 remained at December 31, 2017. The balance is designated for office space, technology and data enrichment, operational reserves, and vocation program expansion in Stephenville, TX.

Temporarily Restricted includes funds that represent resources expendable only for those operating purposes specified by the donor.

Permanently Restricted includes funds which have been accepted with donor stipulations that the principal be maintained intact in perpetuity with only the income to be utilized. As of December 31, 2017 and 2016, Catholic Charities had not received any permanently restricted funds.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Catholic Charities maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Catholic Charities has not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

Accounts, Grants and Capital Campaign Receivables

Accounts and grant receivable represent government grant receivables and program service fees billed but uncollected at year end. Capital campaign receivables represent pledges that have not been collected at year end. Catholic Charities uses the allowance method to account for uncollectible accounts receivable. The allowance is based on experience, third-party contracts, and other circumstances. Management periodically reviews receivables and charges off uncollectible accounts when they determine the receivable will not be collected. Management considered all capital campaign receivables to be fully collectible therefore no allowance has been recorded.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their fair value at the time of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Catholic Charities reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Catholic Charities reclassifies temporarily restricted net assets to unrestricted net assets at that time. Ownership of certain assets purchased under grant contracts reverts back to the grantor prior to sale or disposal.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Impairment of Long-lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

Catholic Charities is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509(a) of the Code.

Deferred income taxes and liabilities are computed annually for differences between financial and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to be realized.

Catholic Charities recognizes in its financial statements the financial effects of a tax position, if that position is more likely than not, of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken by Catholic Charities have been reviewed, and management is of the opinion that material tax positions taken by Catholic Charities would more likely than not be sustained by examination. Accordingly, Catholic Charities has not recorded an income tax liability for uncertain tax positions.

Allocated Expenses

Expenses have been allocated among program and supporting service classifications on the basis of estimates made by Catholic Charities' management.

Donated Materials and Services

Donated materials and non-capitalized equipment in the amount of \$33,217 is reflected as contributions in the accompanying financial statements at the estimated fair values at the date of receipt for 2016. No amounts were received during 2017.

During 2017 and 2016, Catholic Charities benefited from services which were valued at \$26,166 and \$29,523, respectively. These amounts have been reported as both in-kind contribution revenue and expenses on the statements of activities. Catholic Charities only recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of time to Catholic Charities' activities; however, these services do not meet the criteria for financial statement recognition.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Prior Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Revenue Recognition

Catholic Charities records grant revenue as the related expenditure is incurred or on a per capita basis in accordance with the grant agreement, contributions as they are received or unconditionally pledged, special event revenue at the time of the event, and program fees in the period to which they relate.

Catholic Charities participates in various grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Catholic Charities has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2017 may be impaired.

Advertising Expense

Catholic Charities expenses advertising costs as incurred. Expenses incurred were approximately \$28,700 and \$15,100 for 2017 and 2016, respectively.

Reclassification

Certain reclassifications have been made to the 2016 amounts to conform to the presentation in 2017. The reclassifications had no effect on total net assets or change in net assets.

Recent Accounting Pronouncements

In November 2015, the FASB issued ASU 2015-17, "Income Taxes", which requires all deferred tax assets and liabilities to be classified as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. The guidance is effective for annual and interim periods beginning after December 15, 2017, and may be adopted on either a prospective or retrospective basis.

Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*, was issued in August 2016. This standard fundamentally changes the financial presentation for nonprofit entities. It reduces net asset classifications to two from the current three, and adds additional disclosures concerning expenses and liquidity among others. The new requirements will be effective for Catholic Charities for the year ended December 31, 2018. Management is reviewing the implementation process and gathering information for the implementation of this standard.

Subsequent Events

Management evaluated all events or transactions that occurred after December 31, 2017 through June 26, 2018, which is the date these financial statements were available to be issued.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 2. Property and Equipment

Property and equipment are comprised of the following:

	2017	2016
Land	\$ 306,738	\$ 306,738
Construction in progress	68,072	-
Land improvements	654,913	612,172
Building	13,818,343	13,818,343
Equipment	1,123,743	1,113,381
Furniture	886,917	886,917
Software	320,046	312,545
Vehicles	1,968,247	1,775,678
	19,147,019	18,825,774
Less accumulated depreciation	(6,161,301)	(5,230,676)
	\$ 12,985,718	\$ 13,595,098

Catholic Charities received donated assets in the amount of \$130,448 and \$387,998 in 2017 and 2016, respectively, that have been capitalized and included in vehicles.

Note 3. Capital Campaign Receivables

Catholic Charities has launched four separate capital campaigns over the past ten years. In 2006, the campaign was initiated for the purpose of building a new facility. In 2012, another campaign was launched to build a dental clinic within the new facility and a new building in Arlington, Texas. In 2014, Catholic Charities began a campaign to fund a multi-year research project. Most recently, in 2016, Catholic Charities started the kNOw Poverty campaign to raise money to assist in programs and services with the intent to move 10,000 families out of poverty over 10 years.

Receivables related to these campaigns are as follows:

	2017	2016
Contribution receivable, net of discount	\$ 2,757,546	\$ 2,335,867

Contributors to the capital campaigns have made unconditional promises to give of \$1,444,864 and \$2,525,000 during the years ended December 31, 2017 and 2016, respectively, on which management has determined no allowance for uncollectible contributions is necessary. These promises to give are scheduled to be paid at various times in the future and, accordingly, have been discounted to the present value of the future cash payments using a discount rate of 1.93%, resulting in an unamortized discount of \$67,231 in 2017 and \$68,604 in 2016.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Collection of the receivables is expected through 2022 as follows:

2018	\$	831,489
2019		824,740
2020		729,432
2021		341,682
2022		30,203
	\$	2,757,546

Note 4. Line of Credit and Note Payable

Catholic Charitie has a \$1,500,000 line of credit available with interest at the lender's prime rate plus 0.75% (5.25% and 4.50% at December 31, 2017 and 2016, respectively), which matures on May 30, 2018. No balance was outstanding at December 31, 2017 or 2016.

Catholic Charities had a note payable with a governmental agency. The note was secured by a deed of trust. The note was structured as a forgivable deferred payment loan. In May 2017, the note was forgiven and no interest was owed on the note. The balance at December 31, 2016 was \$100,000.

Note 5. Capital Lease

In 2017, Catholic Charities entered into a lease on a vehicle under an agreement that is classified as a capital lease. The cost of the vehicle under the capital lease is included in the Statements of Financial Position as property, plant, and equipment and was \$115,000 at December 31, 2017. Accumulated depreciation of the leased vehicle at December 31, 2017 was approximately \$44,700. Depreciation of the vehicle under the capital lease is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2017, are as follows:

2018	\$	44,972
2019		37,477
Total minimum lease payments		82,449
Less: Amount representing interest		(7,872)
Present value of net minimum lease payments	\$	74,577

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets have been restricted for either a specified purpose or stipulated time. These amounts relate to funds contributed to Catholic Charities for future property and equipment acquisitions, program expenses, and capital campaign, as follows:

	2017	2016
Property and equipment	\$ 6,500	\$ 8,250
Program expenses	2,758,965	1,076,226
Capital campaigns	2,003,266	2,310,866
	\$ 4,768,731	\$ 3,395,342

Note 7. Leased Facilities

Catholic Charities leases equipment under non-cancelable operating lease agreements with terms varying from one to five years. Total lease expense approximates \$247,000 in 2017 and \$215,800 in 2016. Future minimum lease payments at December 31, 2017, are as follows:

2018	\$ 115,334
2019	36,480
2020	29,730
2021	9,480
	\$ 191,024

In 2015, Catholic Charities entered into a lease with the Diocese of Fort Worth, which required the full rent of \$135,000 to be paid in advance. Under the terms of the lease agreement, Catholic Charities will recognize expenses evenly over the term of the lease with the remaining recorded as prepaid expenses. Rental expense related to this lease for the years ended December 31, 2017 and 2016 was \$27,000 each year.

Note 8. Pension Plan

On April 1, 2011, Catholic Charities established a 403(b) plan which covers substantially all employees regardless of tenure or position and has no minimum age requirement. Catholic Charities' matching contributions are dollar for dollar for the first 6% of salaries. Contributions made to employees totaled \$459,425 and \$448,112 for the years ended December 31, 2017 and 2016, respectively.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 9. Related-Party Transactions

Catholic Charities received a management fee based on a percentage of gross monthly receipts of the properties for its activity as the managing agent for Casa, Inc., Nuestro Hogar, Inc. and Casa Brendan (the Properties), which were separate entities that maintained housing projects for the elderly and disabled and were subsidized by the United States Department of Housing and Urban Development. Catholic Charities also received a management fee for its activity as the managing agent for Urban Manor, which was a separate entity that maintained housing projects for low-income individuals and families. The management fees were \$210,923 in 2017 and \$285,924 in 2016 and are included in program service fees in the statements of activities. In 2017, all these housing properties were sold by the Diocese. The Diocese transferred \$12,172,781 from the proceeds of the sale of these properties to Catholic Charities in 2017.

Catholic Charities also paid payroll expenses and other miscellaneous expenses on behalf of the Properties for which Catholic Charities was reimbursed. The Properties and Urban Manor owed Catholic Charities a total of \$756,733 and \$940,482 reported as due from related parties at December 31, 2017 and 2016, respectively.

In 2011, Catholic Charities, Diocese of Fort Worth Endowment, Inc. (the Endowment) was created as a separate entity for the sole purpose of holding contributions and earning interest on those contributions. At times, Catholic Charities may receive contributions for the Endowment. The contributions are transferred to the Endowment when received. Catholic Charities donated \$6,122,444 of the proceeds from the sale of the properties previously discussed to the Endowment in 2017. Catholic Charities owed the Endowment a total of \$50,000 and \$1,000 reported as due to related parties at December 31, 2017 and 2016, respectively.

Note 10. Interest in Net Assets of Endowment

Catholic Charities, Diocese of Fort Worth Endowment, Inc. (the Endowment) was created as a separate and distinct legal entity during 2011 to receive and maintain a fund and to use the whole or any part of the income to support Catholic Charities. Catholic Charities records its interest in the assets held by the Endowment and adjusts that interest for changes in its share of the net assets of the Endowment. The assets of the Endowment are managed solely by their board and consist of mutual funds and cash. The Endowment's board determines the timing of transfers to Catholic Charities. The accompanying statements of activities include gain on interest in net assets of endowment as an increase in unrestricted net assets of \$6,888,569 and \$646,517 during the years ended December 31, 2017 and 2016, respectively. \$6,122,444 of the 2017 gain on interest in net assets of endowment represents the proceeds from the sale of the properties discussed in Note 9, which were contributed to the Endowment by Catholic Charities.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

The interest in the Endowment is reflected at fair value on the statement of financial position as interest in net assets of endowment in the amounts of \$10,724,874 and \$3,836,305 at December 31, 2017 and 2016, respectively. The following table reconciles the changes in Endowment assets for the years ended December 31:

	2017	2016
Endowment assets, beginning	\$ 3,836,305	\$ 3,189,788
Gifts	205,009	454,069
Gift from housing sale	6,122,444	-
Interest and dividend income	43,419	166,090
Realized / unrealized gain	517,697	26,358
	\$ 10,724,874	\$ 3,836,305

For assets and liabilities measured at fair value on a recurring basis, accounting principles generally accepted in the United States of America establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: 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 for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual Funds: Valued at the net asset value (NAV) of shares held. The NAV is based on the value of underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Catholic Charities believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All amounts held by the Endowment for the benefit of Catholic Charities are considered Level 2 within the hierarchy.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 11. Ownership Interest in A Privately Held Company

In March 2014, Catholic Charities inherited a 44.5% ownership interest in a privately held company. At December 31, 2017 and 2016, the ownership interest in the company was \$1,729,275 and \$2,201,508, respectively, and is reflected in the statement of financial position. In 2017 and 2016, Catholic Charities' share of the company's losses totaling \$376,656 and \$106,173, respectively, have been reported as other expense in the accompanying statements of activities. The related tax benefit for 2017 and 2016 in the amounts of \$131,583 and \$28,363, respectively, have been reflected within unrelated business tax benefit in the statement of activities.

The interest in the company has been reported under the equity method. Catholic Charities does not have control of the company, as defined by accounting principles generally accepted in the United States of America, and therefore it is not consolidated in the accompanying financial statements.

Following is a summary of the financial position as of December 31, 2017 and 2016 and the results of operations for the years then ended of the privately held company interest as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 3,596,174	\$ 4,799,923
Non current assets	162,883	198,757
Total assets	<u>3,759,057</u>	<u>4,998,680</u>
Total liabilities	<u>325,619</u>	<u>547,549</u>
Total equity	<u>\$ 3,433,438</u>	<u>\$ 4,451,131</u>
Sales	\$ 3,553,964	\$ 8,200,256
Cost of sales	<u>3,019,500</u>	<u>6,770,280</u>
Gross profit	534,464	1,429,976
Operating expenses	<u>1,374,715</u>	<u>1,681,095</u>
Operating income (loss)	<u>(840,251)</u>	<u>(251,119)</u>
Other income	<u>22,558</u>	<u>43,451</u>
Net income (loss)	<u>\$ (817,693)</u>	<u>\$ (207,668)</u>

Note 12. Income Taxes

Catholic Charities' provision for income taxes for the years ended December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Current federal income taxes benefit	\$ (93,904)	\$ (28,241)
Deferred federal income taxes benefit	<u>(77,612)</u>	<u>(28,363)</u>
	<u>\$ (171,516)</u>	<u>\$ (56,604)</u>

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Catholic Charities' effective income tax rate is different than what would be expected if the federal statutory rate were applied to change in net assets before income taxes because of operating loss carryforwards.

The entire net deferred tax assets at December 31, 2017 and 2016 is current and the result of net operating loss carryforwards.

Deferred income taxes reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary difference that gives rise to the deferred tax assets is net operating losses carryforwards.

At December 31, 2017, Catholic Charities has available unused net operating losses of \$504,644 that may be applied against future taxable income and will begin to expire in 2037.

On December 22, 2017, legislation was signed into law which enacts significant changes to U.S. tax and related laws, including certain key U.S. federal income tax provisions applicable to not-for-profit organizations. The primary change affecting Catholic Charities is the reduction in the maximum U.S. corporate tax rate to 21% beginning in 2018 from 35% in 2017. U.S. State or other regulatory bodies have not announced potential changes to existing laws and regulations which may result from the new U.S. tax and related laws. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. The change did not have an impact on Catholic Charities in the current period other than recording the deferred tax asset at December 31, 2017 at the U.S. corporate tax rate of 21%.

Supplementary Information

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Grant Funds Expended	Pass-through Amount to Subrecipients	Total Expenditures
FEDERAL AWARDS					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Office of Refugee Resettlement					
Refugee Cash and Medical Assistance	93.566	1704TXRCMA	\$ 796,322	\$ 3,388,285	\$ 4,184,607
Refugee Cash and Medical Assistance	93.566	1804TXRCMA	182,337	674,925	857,262
Refugee Social Services	93.566	17ABTXRSOC	707,427	1,968,923	2,676,350
Refugee Social Services	93.566	18ABTXRSOC	34,528	85,414	119,942
			<u>1,720,614</u>	<u>6,117,547</u>	<u>7,838,161</u>
Targeted Assistance Grant	93.584	16A1TXRTAG	132,284	472,069	604,353
Targeted Assistance Grant	93.584	17A1TXRTAG	83,173	201,791	284,964
			<u>215,457</u>	<u>673,860</u>	<u>889,317</u>
Texas Health and Human Services Commission					
Refugee and Entrant Assistance - Refugee Employment Services	93.566	529-14-0096-00011D	10,796	-	10,796
Refugee and Entrant Assistance - Refugee Education Services	93.566	529-14-0009-00027C	31,282	-	31,282
Refugee and Entrant Assistance - Refugee Cash Assistance	93.566	529-13-0021-00005D	75,170	-	75,170
Refugee and Entrant Assistance - Social Adjustment	93.566	529-14-0009-00025D	66,064	-	66,064
Refugee and Entrant Assistance - RSS Integration	93.566	529-14-0009-00025D	9,569	-	9,569
Refugee and Entrant Assistance - RSS Employment	93.566	529-14-0009-00025D	9,241	-	9,241
			<u>202,122</u>	<u>-</u>	<u>202,122</u>
Texas Department of Family and Protective Services					
Refugee and Entrant Assistance - Unaccompanied Refugee Minor	93.566	24057426	170,627	-	170,627
			<u>170,627</u>	<u>-</u>	<u>170,627</u>
Promoting Safe and Stable Families	93.556	24111342	294,534	-	294,534
Promoting Safe and Stable Families	93.556	24111342	119,207	-	119,207
			<u>413,741</u>	<u>-</u>	<u>413,741</u>
U.S. Catholic Conference					
Refugee School Impact	93.566	1702TXRSOC	101,056	-	101,056
Refugee School Impact	93.566	1702TXRSOC	41,120	-	41,120
Unaccompanied Refugee Minors	93.566	24057426	1,866,723	-	1,866,723
Unaccompanied Refugee Minors	93.566	24057426	203,502	-	203,502
			<u>2,212,401</u>	<u>-</u>	<u>2,212,401</u>
Victims of Trafficking Services Subcontract	93.598	90ZV0121	2,599	-	2,599
			<u>2,599</u>	<u>-</u>	<u>2,599</u>
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	90RV0070-03	484,057	-	484,057
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	90RV0070-04	112,862	-	112,862
			<u>596,919</u>	<u>-</u>	<u>596,919</u>
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0111/01	137,138	-	137,138
			<u>137,138</u>	<u>-</u>	<u>137,138</u>
Unaccompanied Children Program	93.676	90ZU0090	351,790	-	351,790
Unaccompanied Children Program	93.676	90ZU0090	131,352	-	131,352
Unaccompanied Children Program -Transitional Foster Care	93.676	90ZU0163	172,504	-	172,504
Unaccompanied Children Program - DUCS	93.676	90ZU0090	327,953	-	327,953
Unaccompanied Children Program - DUCS	93.676	90ZU0090	107,061	-	107,061
			<u>1,090,660</u>	<u>-</u>	<u>1,090,660</u>

See Notes to the Schedule
of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Grant Funds Expended	Pass-through Amount to Subrecipients	Total Expenditures
FEDERAL AWARDS - CONTINUED					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont.)					
The Parenting Center of Fort Worth & Tarrant County					
Community Centered Healthy Marriage and Relationships	93.086	N/A	44,942	-	44,942
			44,942	-	44,942
Total U.S. Department of Health and Human Services			6,807,220	6,791,407	13,598,627
U.S. DEPARTMENT OF STATE					
U.S. Catholic Conference					
Refugee Reception and Placement Program	19.510	SPRMCO16CA1006	296,921	-	296,921
Refugee Reception and Placement Program	19.510	SPRMCO16CA1007	63,751	-	63,751
Refugee Reception and Placement Program	19.510	SPRMCO16CA1006	340,774	-	340,774
Refugee Reception and Placement Program	19.510	SPRMCO16CA1006	59,664	-	59,664
Refugee Reception and Placement Program - URM	19.510	N/A	9,250	-	9,250
Total U.S. Department of State			770,360	-	770,360
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Tarrant County Homeless Coalition					
Emergency Solutions Grant Program	14.231	42160002540	124,359	-	124,359
Emergency Solutions Grant Program	14.231	42170002825	31,304	-	31,304
			155,663	-	155,663
City of Arlington					
Community Development Block Grant	14.218	N/A	14,953	-	14,953
Community Development Block Grant	14.218	N/A	12,442	-	12,442
			27,395	-	27,395
Catholic Charities USA					
Housing Counseling Assistance Program	14.169	N/A	13,082	-	13,082
Housing Counseling Assistance Program	14.169	N/A	663	-	663
			13,745	-	13,745
Support Housing Program - Master Lease	14.235	TX0289L6T011503	99,868	-	99,868
Support Housing Program - Master Lease	14.235	TX0289L6T011604	9,502	-	9,502
Support Housing Program - Master Lease II	14.235	TX0446L6T011600	5,538	-	5,538
			114,908	-	114,908
Total U.S. Department of Housing and Urban Development			311,711	-	311,711
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Funding					
Citizenship and Integration Direct Services					
	97.010	2015-CS-010-000004	118,172	-	118,172
			118,172	-	118,172
EFS Board of Tarrant County					
Emergency Food & Shelter Program	97.024	N/A	325,815	-	325,815
			325,815	-	325,815
Total U.S. Department of Homeland Security			443,987	-	443,987
U.S. DEPARTMENT OF VETERAN AFFAIRS					
Direct Funding					
SSVF - Veteran Services					
	64.033	12-TX-075	851,976	-	851,976
	64.033	12-TX-075	333,260	-	333,260
Total U.S. Department of Veteran Affairs			1,185,236	-	1,185,236
U.S. DEPARTMENT OF LABOR					
Tarrant County Workforce Development Board					
WIOA Youth Services	17.259	17-YC-WIOA-001	90,456	-	90,456
Total U.S. Department of Labor			90,456	-	90,456
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Catholic Charities USA					
AmeriCorps National Direct Program - Refugee Resettlement	94.006	16NDHVA001	18,987	-	18,987
Total Corporation for National and Community Service			18,987	-	18,987

See Notes to the Schedule
of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Grant Funds Expended	Pass-through Amount to Subrecipients	Total Expenditures
FEDERAL AWARDS - CONTINUED					
U.S. DEPARTMENT OF TRANSPORTATION					
Fort Worth Transportation Authority					
Ladders of Opportunity - Noncash	20.514	N/A	34,576	-	34,576
			34,576	-	34,576
Transit Services Programs Cluster:					
Tarrant County					
Tarrant Riders Network	20.513	N/A	103,905	-	103,905
North Central Texas Council of Governments					
Job Access and Reverse Commute Program	20.516	TRN1934	65,637	-	65,637
Job Access and Reverse Commute Program - Noncash	20.516	N/A	130,448	-	130,448
Total Transit Services Programs Cluster			299,990	-	299,990
Total U.S. Department of Transportation			334,566	-	334,566
Total federal awards			<u>\$ 9,962,523</u>	<u>\$ 6,791,407</u>	<u>\$ 16,753,930</u>

See Notes to the Schedule
of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Catholic Charities provided \$6,117,547 and \$673,860 in federal awards to subrecipients as part of the Refugee and Entrant Assistance program and Targeted Assistance Grant, CFDA numbers 93.566 and 93.584, respectively.

Note 3. Non-Cash Assistance

Catholic Charities received \$165,024 in non-cash assistance donated vehicles and software from federal awards for the year ended December 31, 2017.



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors of
Catholic Charities
Diocese of Fort Worth, Inc.
Fort Worth, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities Diocese of Fort Worth, Inc. (Catholic Charities), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Directors of
Catholic Charities
Diocese of Fort Worth, Inc.

Compliance and Other Matters

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

Fort Worth, Texas
June 26, 2018



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

To the Board of Directors of
Catholic Charities,
Diocese of Fort Worth, Inc.
Fort Worth, Texas

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities, Diocese of Fort Worth, Inc.'s (Catholic Charities) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended December 31, 2017. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Catholic Charities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

The Board of Directors
Catholic Charities
Diocese of Fort Worth, Inc.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

Catholic Charities' response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Catholic Charities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

Catholic Charities' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Board of Directors
Catholic Charities
Diocese of Fort Worth, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

Fort Worth, Texas
June 26, 2018

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified that is not considered to be material weaknesses? ___ Yes X None Reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified that is not considered to be material weaknesses? X Yes ___ None Reported
- Type of auditor's report issued on compliance for major programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes ___ No

Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

93.566
93.584

Refugee and Entrant Assistance Program
Targeted Assistance Grant

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

\$750,000

Auditee qualified as low-risk auditee? X Yes ___ No

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2017-001

Major Programs: Refugee and Entrant Assistance Program and Targeted Assistance Grant

Compliance Requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria or Specific Requirement:

In accordance 45 CFR 400.13 - Grants to States for Refugee Resettlement Cost Allocation, certain administrative costs incurred for the overall management of a refugee program may be charged to the Refugee Cash & Medical Assistance Program. All other costs must be allocated among the Refugee Cash & Medical Assistance Program, social services grant, and any other Refugee Resettlement Program grants. Additionally, the Uniform Guidance requires that costs allocable to a particular federal award or costs to be allocated must be recorded to the grant in accordance with the benefit received based upon the direct costs incurred or allocation using a reasonable documented basis.

Condition:

(X) Compliance Finding (X) Significant Deficiency () Material Weakness

Context:

Audit procedures determined that Catholic Charities was allocating all of the administrative costs to the Refugee Cash & Medical Assistance Program, whereas a portion, not related to overall management of the refugee program, should have been allocated to the Refugee Social Services Program and Targeted Assistance Program based on benefits received and direct costs incurred by the individual programs.

In addition, Catholic Charities' system of internal controls over compliance was not designed to identify such errors.

Effect and Questioned Costs:

Significant audit adjustments to each major program were required to be recorded as a result of improper allocation of administrative costs between the Refugee and Entrant Assistance Program and Targeted Assistance Grant could be made, resulting in inappropriate recognition of costs within each program. After adjustment, no questioned costs remained.

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Recommendation:

We recommend Catholic Charities allocate the awards in accordance with Uniform Guidance and 45 CFR 400.13. Management should review these allocations monthly to ensure they are supported using a reasonable basis that is adequately documented. Catholic Charities should also review all requirements under each major program, to ensure they are in-line with the compliance requirements set forth by the Uniform Guidance.

Management's Response:

See Corrective Action Plan

Finding 2017-002

Major Programs: Refugee and Entrant Assistance Program and Targeted Assistance Grant

Compliance Requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria or Specific Requirement:

In accordance with 45 CFR 400.313 Grants to States for Refugee Resettlement Use of Funds, targeted assistance funds must be used primarily for employability services designed to enable refugees to obtain jobs with less than one year's participation in the targeted assistance program in order to achieve economic self-sufficiency as soon as possible. Also, in accordance with the Uniform Guidance costs must be adequately documented and must be incurred specifically for the federal award.

Condition:

(X) Compliance Finding (X) Significant Deficiency () Material Weakness

Context:

Audit procedures determined that during 2017, Catholic Charities combined funds for the two major programs and did not specifically allocate costs based on direct costs incurred or by using another reasonable and documented method. Further, the Targeted Assistance Program has its own set of rules regarding what can be charged to the program, so simple allocation of total expenses between the two programs is not allowed.

In addition, Catholic Charities' system of internal controls over compliance was not designed to identify such errors.

Effect and Questioned Costs:

Improper allocation of costs between the Refugee Social Services Program and Targeted Assistance Grant could be made, resulting in inappropriate recognition of costs within each program. After re-evaluation and recalculation, no questioned costs remained.

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Recommendation:

We recommend Catholic Charities track the allowable charges of Refugee Social Services and Targeted Assistance Program separately and ensure expenditures are appropriately expended in-line with Uniform Guidance and 45 CFR. Catholic Charities should review these allocations monthly to ensure they are in compliance. Catholic Charities should also review all requirements under each major program, to ensure they are consistent with the compliance requirements set forth by the Uniform Guidance and 45 CFR.

Management's Response:

See Corrective Action Plan

Section IV – Summary Schedule of Prior Audit Findings

None

Section V – Corrective Action Plan

Finding 2017-001

Catholic Charities (CCFW) began the North Texas Office for Refugees in February 2017 following the withdrawal by the State of Texas from the federal refugee supportive services programs. CCFW was awarded a grant for the North Texas Region and implemented it under the guidance of the Office of Refugee Resettlement. We were initially told that we were to base our practices and procedures followed by the State of Texas as we set up operations. We did not find out until April 2018 that these procedures were incomplete in the manner described above.

Upon learning of this additional step needed to fully implement the program, the management of the North Texas Office for Refugees immediately began implementing procedures to ensure that administrative costs are properly allocated between the three component programs. The procedures will be fully implemented by July 2018 by the Director of Finance.

Finding 2017-002

Catholic Charities (CCFW) began the North Texas Office for Refugees in February 2017 following the withdrawal by the State of Texas from the federal refugee supportive services programs. CCFW was awarded a grant for the North Texas Region and implemented it under the guidance of the Office of Refugee Resettlement. We were initially told that we were to base our practices and procedures followed by the State of Texas as we set up operations. We did not find out until April 2018 that these procedures were incomplete in the manner described above.

Upon learning of this additional step needed to fully implement the program, the management of the North Texas Office for Refugees immediately began implementing procedures to ensure that administrative costs associated with the Refugee Social Services and Targeted Assistance Grants are properly allocated between the three component programs. The procedures will be fully implemented by July 2018 by the Director of Finance.