

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

Financial Report
December 31, 2018

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Independent Auditor's Report

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

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, 2018, 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, 2018, 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 of
Catholic Charities, Diocese of Fort Worth, Inc.

Emphasis of Matter

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses net asset classification requirements and the information presented in financial statements and notes regarding liquidity, financial performance and cash flows. Catholic Charities adopted ASU 2016-14 in year ended December 31 2018. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Catholic Charities' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 25, 2019, 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 25, 2019

Catholic Charities, Diocese of Fort Worth, Inc.

Statements of Financial Position

December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,850,440	\$ 7,563,698
Accounts and grants receivable, net of allowance \$62,748 for 2018; and \$47,833 for 2017	3,287,228	3,031,677
Due from related parties	-	756,733
Prepaid expenses	118,757	95,965
Short-term investments	2,535,696	-
Pledges receivable, net of discount	1,851,363	2,757,546
Long-term investments	2,000,000	-
Interest in net assets of endowment	10,407,012	10,724,874
Ownership interest in a privately held company	1,465,748	1,729,275
Deferred tax asset	53,338	105,975
Property and equipment, net	12,167,047	12,985,718
Total assets	\$ 35,736,629	\$ 39,751,461
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	2,610,220	2,446,097
Due to related parties	50,000	50,000
Deferred revenue	152,059	279,701
Capital lease	34,445	74,577
Total liabilities	2,846,724	2,850,375
NET ASSETS		
Without donor restrictions		
Undesignated	25,363,657	26,186,872
Board designated	3,832,668	5,945,483
With donor restrictions	3,693,580	4,768,731
Total net assets	32,889,905	36,901,086
TOTAL LIABILITIES AND NET ASSETS	\$ 35,736,629	\$ 39,751,461

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, 2018 with Comparative Totals
For Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total	
			2018	2017
REVENUE AND OTHER SUPPORT				
Contributions	\$ 6,711,270	\$ 2,344,908	\$ 9,056,178	\$ 11,405,924
Contribution from related party	-	-	-	12,599,736
United Way	830,805	-	830,805	627,616
Fees and grants from governmental agencies	14,135,548	-	14,135,548	17,211,423
Program service fees	7,020,667	-	7,020,667	6,865,020
Gain/(loss) on disposal of assets	7,276	-	7,276	(9,433)
Gain on interest in other entities	102,146	-	102,146	389,502
Other income	127,928	-	127,928	55,276
Unrelated business tax benefit/(loss)	(52,778)	-	(52,778)	171,516
Net assets released from restrictions				
Satisfaction of program restrictions	2,423,178	(2,423,178)	-	-
Satisfaction of time restrictions	996,881	(996,881)	-	-
Total revenue and other support	32,302,921	(1,075,151)	31,227,770	49,316,580
EXPENSES				
Program services				
Workforce and education	2,388,187	-	2,388,187	1,680,691
Child and family services	600,653	-	600,653	566,212
Homeless services	420,434	-	420,434	310,546
Financial stabilization services	4,944,491	-	4,944,491	5,439,849
Emergency shelter services	1,601,722	-	1,601,722	1,337,918
Veteran services	1,003,348	-	1,003,348	1,516,867
Mental & health services	381,925	-	381,925	500,970
Refugee services	2,288,242	-	2,288,242	3,240,964
International foster care	2,896,693	-	2,896,693	2,713,892
North Texas office for refugees	5,535,386	-	5,535,386	7,361,178
Social enterprises	7,170,069	-	7,170,069	7,275,616
Supportive programs	2,057,567	-	2,057,567	1,715,317
Total program services	31,288,717	-	31,288,717	33,660,020

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

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Activities – Continued
Year Ended December 31, 2018 with Comparative Totals
For Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total	
			2018	2017
Supporting services				
Development and fundraising	2,217,665	-	2,217,665	1,807,436
Management and general	1,732,569	-	1,732,569	1,350,293
Total supporting services	3,950,234	-	3,950,234	3,157,729
Total expenses	35,238,951	-	35,238,951	36,817,749
Change in net assets	(2,936,030)	(1,075,151)	(4,011,181)	12,498,831
NET ASSETS, beginning of year	32,132,355	4,768,731	36,901,086	24,402,255
NET ASSETS, end of year	<u>\$ 29,196,325</u>	<u>\$ 3,693,580</u>	<u>\$ 32,889,905</u>	<u>\$ 36,901,086</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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,011,181)	\$ 12,498,831
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	931,716	986,287
Donation of capitalized equipment	-	(130,448)
Gain on disposal of property and equipment	(7,276)	(9,733)
Forgiveness of note payable	-	(100,000)
Changes in operating assets and liabilities		
Accounts and grants receivable	(255,551)	76,222
Due from related parties	756,733	183,749
Prepaid expenses	(22,792)	66,255
Pledges receivable, net of discount	906,183	(421,679)
Interest in a privately held company	263,527	472,233
Deferred tax asset	52,637	(77,612)
Checks in excess of cash	-	(79,384)
Accounts payable and accrued expenses	164,123	968,519
Due to related parties	-	49,000
Deferred revenue	(127,642)	132,176
	(1,349,523)	14,614,416
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(128,299)	(132,226)
Proceeds from disposal of property and equipment	22,530	10,500
Purchase of investments	(4,535,696)	-
(Gain)/loss on interest in other entities	317,862	(6,888,569)
	(4,323,603)	(7,010,295)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(40,132)	(40,423)
	(40,132)	(40,423)
Net cash used in financing activities		
Net change in cash and cash equivalents	(5,713,258)	7,563,698
CASH AND CASH EQUIVALENTS, beginning of year	7,563,698	-
CASH AND CASH EQUIVALENTS, end of year	\$ 1,850,440	\$ 7,563,698
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 6,220	\$ 12,558
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donation of capitalized equipment	\$ -	\$ 130,448
Interest in a privately held company	\$ (263,527)	\$ (472,233)
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, 2018 with Comparative Totals
For Year Ended December 31, 2017

	Program Services				
	Workforce and Education Services	Child and Family Services	Homeless Services	Financial Stabilization Services	Emergency Shelter Services
Salaries	\$ 1,105,284	\$ 328,880	\$ 94,815	\$ 2,433,356	\$ 830,014
Employee benefits	166,885	64,964	19,679	425,459	122,563
Payroll taxes	89,262	26,664	8,345	190,173	70,161
Total employee compensation	<u>1,361,431</u>	<u>420,508</u>	<u>122,839</u>	<u>3,048,988</u>	<u>1,022,738</u>
Professional fees	2,447	8,848	841	163,334	20,365
Supplies	11,184	11,216	407	22,890	39,327
Telephone	17,135	7,406	2,596	40,972	15,057
Postage	808	244	187	2,766	272
Occupancy	23,762	23,247	2,573	55,544	180,779
Outside printing	5,855	8,904	74	4,902	-
Travel and transportation	23,504	7,026	5,232	61,600	38,134
Conferences and conventions	950	1,268	75	7,262	2,457
Subscriptions and publications	7,647	854	-	1,995	86
Specific assistance	653,620	19,409	236,256	897,516	18,554
Membership dues	-	169	-	8,892	3,738
Equipment - rentals, repair, and maintenance	39,247	19,474	4,994	66,083	30,267
Miscellaneous	-	-	-	40,053	-
Liability insurance	7,738	2,687	1,631	16,606	5,075
Interest expense	-	2	-	-	-
Depreciation expense	17,583	9,317	3,255	69,383	88,260
Bad debt expense	-	5,232	-	-	-
Proration of support services	215,276	54,842	39,474	435,705	136,613
Total expenses	<u><u>\$ 2,388,187</u></u>	<u><u>\$ 600,653</u></u>	<u><u>\$ 420,434</u></u>	<u><u>\$ 4,944,491</u></u>	<u><u>\$ 1,601,722</u></u>

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

<u>Veteran Services</u>	<u>Mental & Health Services</u>	<u>Refugee Services</u>	<u>International Foster Care</u>
\$ 289,439	\$ 244,930	\$ 1,067,290	\$ 946,037
35,817	28,350	239,304	164,899
26,215	18,868	83,320	74,314
<u>351,471</u>	<u>292,148</u>	<u>1,389,914</u>	<u>1,185,250</u>
4,621	22,345	47,336	903,955
2,400	664	6,604	71,426
5,980	4,487	15,469	17,047
548	160	360	629
7,564	8,619	24,960	77,847
2,012	305	722	151
22,021	5,809	21,713	74,830
613	1,110	916	9,256
1	249	172	42
487,498	-	498,646	183,584
146	-	35	5,138
10,860	3,029	32,174	55,902
155	50	-	109
4,018	1,384	8,713	10,266
-	-	-	-
10,296	5,358	33,768	44,406
-	2,570	249	-
<u>93,144</u>	<u>33,638</u>	<u>206,491</u>	<u>256,855</u>
<u>\$ 1,003,348</u>	<u>\$ 381,925</u>	<u>\$ 2,288,242</u>	<u>\$ 2,896,693</u>

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Functional Expenses – Continued
Year Ended December 31, 2018 with Comparative Totals
For Year Ended December 31, 2017

	Program Services			Total Program Services
	North Texas Office for Refugees	Social Enterprises	Supportive Programs	
Salaries	\$ 301,558	\$ 2,534,396	\$ 1,035,938	\$ 11,211,937
Employee benefits	50,297	453,932	168,082	1,940,231
Payroll taxes	22,992	194,654	144,362	949,330
 Total employee compensation	 374,847	 3,182,982	 1,348,382	 14,101,498
Professional fees	5,037,801	2,057,659	56,365	8,325,917
Supplies	3,551	62,015	16,963	248,647
Telephone	3,851	42,648	15,352	188,000
Postage	38	12,014	663	18,689
Occupancy	5,093	51,420	49,043	510,451
Outside printing	201	53,645	11,247	88,018
Travel and transportation	22,612	375,146	34,830	692,457
Conferences and conventions	6,178	17,781	502	48,368
Subscriptions and publications	186	9,429	300	20,961
Specific assistance	-	2,180	239,930	3,237,193
Membership dues	-	1,390	1,024	20,532
Equipment - rentals, repair and maintenance	17,217	102,638	29,308	411,193
Miscellaneous	-	9,489	157	50,013
Liability insurance	1,502	36,469	8,044	104,133
Interest expense	-	6,100	-	6,102
Depreciation expense	6,635	481,119	73,444	842,824
Bad debt expense	-	64,604	-	72,655
Proration of support services	55,674	601,341	172,013	2,301,066
 Total expenses	 \$ 5,535,386	 \$ 7,170,069	 \$ 2,057,567	 \$ 31,288,717

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	2018	2017
\$ 1,076,779	\$ 2,603,349	\$ 3,680,128	\$ 14,892,065	\$ 14,284,121
163,289	366,596	529,885	2,470,116	2,320,730
80,423	232,512	312,935	1,262,265	1,121,553
<u>1,320,491</u>	<u>3,202,457</u>	<u>4,522,948</u>	<u>18,624,446</u>	<u>17,726,404</u>
437,796	494,397	932,193	9,258,110	11,101,977
66,892	75,045	141,937	390,584	371,539
9,248	7,170	16,418	204,418	197,510
5,724	4,077	9,801	28,490	29,471
30,819	65,434	96,253	606,704	592,327
11,438	28,462	39,900	127,918	90,091
22,443	20,232	42,675	735,132	801,311
5,249	43,170	48,419	96,787	144,176
4,126	16,644	20,770	41,731	38,847
1,085	270	1,355	3,238,548	3,882,622
14,024	36,557	50,581	71,113	46,650
56,619	164,394	221,013	632,206	546,838
-	12,816	12,816	62,829	52,724
7,674	18,317	25,991	130,124	121,847
-	118	118	6,220	12,558
20,234	68,658	88,892	931,716	986,287
-	(20,780)	(20,780)	51,875	74,570
203,803	(2,504,869)	(2,301,066)	-	-
<u>\$ 2,217,665</u>	<u>\$ 1,732,569</u>	<u>\$ 3,950,234</u>	<u>\$ 35,238,951</u>	<u>\$ 36,817,749</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:

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.

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.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

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.

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 both mental and physical health services. Counseling and health services are provided on-site and at several parishes in the diocese.

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.

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.

Social Enterprises

The goal of our Catholic Charities social enterprises is to provide key services needed by the community while generating a surplus for Catholic Charities 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.

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 two classes of net assets:

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Without Donor Restriction 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 \$4,143,004 of net assets without donor restrictions, of which \$3,832,668 remained at December 31, 2018. The balance is designated for office space, technology and data enrichment, and vocation program expansion in Stephenville, TX. There were no additional board designations made in 2018.

With Donor Restriction includes funds that represent resources expendable only for those operating purposes specified by the donor. This classification includes funds that have been accepted with donor stipulations requiring the principal be maintained intact in perpetuity with only the income to be utilized. As of December 31, 2018 and 2017, Catholic Charities had no amounts in net assets with donor restrictions that are held in perpetuity.

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 Pledges Receivables

Accounts and grants receivable represent government grant receivables and program service fees billed but uncollected at year end. Pledges receivable 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. At December 31, 2018 and 2017 an allowance for doubtful accounts of \$62,748 and \$47,833 was recorded for accounts and grants receivable, respectively. Management considered all pledges receivable to be fully collectible therefore no allowance has been recorded against pledges receivable for the years ended December 31, 2018 and 2017.

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 net assets with donor restrictions to net assets without donor restrictions at that time. Ownership of certain assets purchased under grant contracts reverts back to the grantor prior to sale or disposal.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

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.

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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are considered released from restriction and reclassified to net assets without donor restrictions.

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. Those expenses include utilities, phone and vehicle expenses including gas and repairs. Utilities are allocated based on employees' actual timecards, the payroll of employees charged to the program and square footage. Telephone expense is allocated based on actual time cards of employees with phones. Vehicle expenses are allocated based on mileage per vehicle and costs of specific vehicles utilized.

Advertising Expense

Catholic Charities expenses advertising costs as incurred. Expenses incurred were approximately \$79,800 and \$28,700 for 2018 and 2017, respectively.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Donated Materials and Services

Donated materials and non-capitalized equipment are recorded at their estimated fair values at the date of receipt. No amounts were received during 2018 or 2017.

During 2018 and 2017, Catholic Charities benefited from services which were valued at \$37,315 and \$26,166, respectively. These amounts have been reported within contribution revenue and various expenses on the statement 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.

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, 2018 may be impaired.

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, 2017, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2017 amounts to conform to the presentation in 2018. The reclassifications had no effect on total net assets or change in net assets.

New Accounting Standard Adopted

In fiscal year 2018, Catholic Charities adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*.

The requirement of ASU 2016-14 applies to the financial statements of all not-for-profit entities. This update reduced the net asset classifications from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (with donor restrictions and without donor restrictions). In addition, this statement added a liquidity disclosure (Note 4) to show the amount of financial assets available within one year from the balance sheet date and added disclosures related to allocation methodologies.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Accounts recognized in net assets related to the prior period have been reclassified to conform to the presentation requirements under ASU 2016-14. The reclassifications have no effect on total net assets or change in net assets.

Subsequent Events

Management evaluated all events or transactions that occurred after December 31, 2018 through June 25, 2019, which is the date these financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment are comprised of the following:

	2018	2017
Land	\$ 306,738	\$ 306,738
Construction in progress	104,641	68,072
Land improvements	654,913	654,913
Building	13,818,343	13,818,343
Equipment	1,172,610	1,123,743
Furniture	886,917	886,917
Software	237,409	320,046
Vehicles	1,865,153	1,968,247
	19,046,724	19,147,019
Less accumulated depreciation	(6,879,677)	(6,161,301)
	\$ 12,167,047	\$ 12,985,718

Catholic Charities received donated assets in the amount of \$130,448 in 2017 that were capitalized and included in vehicles. No amounts were received in 2018.

Note 3. Pledges Receivables

Pledges receivable relate to the kNOw Poverty campaign that started in 2016 to raise money to assist in programs and services with the intent to move 10,000 families out of poverty over 10 years. Pledges receivable for the years ended December 31 are as follows:

	2018	2017
Pledges receivable, net of discount	\$ 1,851,363	\$ 2,757,546

Contributors to the kNOw Poverty campaign have made unconditional promises to give of \$81,500 and \$1,444,864 during the years ended December 31, 2018 and 2017, respectively, on which management has determined no allowance for uncollectible pledges 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 \$28,200 in 2018 and \$67,231 in 2017.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Collection of the receivables is expected through 2023 as follows:

2019	\$	794,890
2020		678,491
2021		347,821
2022		25,884
2023		4,277
	\$	1,851,363

Note 4. Liquidity and Availability of Financial Assets

As a not-for-profit organization, Catholic Charities receives significant funding in the form of contributions and grants from governmental agencies that are restricted for a certain amount of time and/or for a particular manner, respectively. Catholic Charities must maintain sufficient resources to meet those responsibilities to the contributors and governmental agencies. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, the Organization ensures these become available when obligations are due.

The following reflects Catholic Charities' financial assets as of the statement of financial position date, including amounts not available within one year of the balance sheet date. Amounts not available include contractual and donor-imposed restricted contributions and contractually-imposed restrictions on grants from governmental agencies.

Cash and cash equivalents	\$	1,850,440
Accounts and grants receivable, net		3,287,228
Short-term investments		2,535,696
Pledges receivables, net of discount		1,851,363
Long-term investments		2,000,000
Interest in net assets of endowment		10,407,012
Ownership interest in a privately held company		1,465,748
Total financial assets, year end		23,397,487
Less:		
Advanced funded grants - cash		(45,434)
Custodial funds		(3,643)
Accounts and grants receivable		(2,131,183)
Pledges receivable, net of discount		(1,056,473)
Interest in the net assets of the endowment		(10,074,799)
Ownership interest in a privately held company		(1,465,748)
Board designated funds for space, technology, data enrichment and vocation program expansion		(3,832,668)
Total financial assets not available to be used within one year		(18,609,948)
Total financial assets available to meet general expenditures within one year	\$	4,787,539

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 5. Capital Lease

In 2017, Catholic Charities entered into a capital lease on a vehicle. The cost of the vehicle under the capital lease is included in the Statements of Financial Position as property, plant, and equipment in the amount of \$115,000 at December 31, 2018. Accumulated depreciation of the leased vehicle at December 31, 2018 was approximately \$83,100. Depreciation of the vehicle under the capital lease is included in depreciation expense.

The remaining lease payment required under the capital lease is \$36,216 less interest of \$1,771 resulting in present value of the net minimum lease payments at December 31, 2018 of \$34,445.

Note 6. Leased Facilities

Catholic Charities leases equipment under non-cancelable operating lease agreements with terms varying from one to five years. Total lease expense was approximately \$253,700 in 2018 and \$247,000 in 2017. Future minimum lease payments at December 31, 2018, are as follows:

2019	\$	97,662
2020		41,315
2021		5,140
2022		330
		<hr/>
	\$	144,447
		<hr/> <hr/>

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, 2018 and 2017 was \$27,000 each year.

Note 7. Retirement 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 \$440,468 and \$459,425 for the years ended December 31, 2018 and 2017, respectively.

Note 8. Related-Party Transactions

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 owed the Endowment a total of \$50,000 reported as due to related parties for the years ended December 31, 2018 and 2017.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 9. 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 stocks, mutual funds and cash. The Endowment's board determines the timing of transfers to Catholic Charities. The accompanying statements of activities include loss on interest in net assets of endowment as a decrease in net assets without donor restrictions of \$317,862 for the year ended December 31, 2018, and a gain on interest in the net assets of the endowment as an increase in net assets without donor restrictions of \$6,888,569 for the year ended December 31, 2017. \$6,122,444 of the 2017 gain on interest in net assets of endowment represents the proceeds from the sale of properties, which were contributed to the Endowment by Catholic Charities.

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 \$10,407,012 and \$10,724,874 at December 31, 2018 and 2017, respectively. The following table reconciles the changes in Endowment assets for the years ended December 31:

	2018	2017
Endowment assets, beginning	\$ 10,724,874	\$ 3,836,305
Gifts	856,652	205,009
Gift from housing sale	-	6,122,444
Distributions to Catholic Charities	(477,473)	-
Interest and dividend income	204,182	43,419
Realized / unrealized gain	(901,223)	517,697
	\$ 10,407,012	\$ 10,724,874

Note 10. Fair Value Measurements

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.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

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, 2018 and 2017.

Equity securities: valued at the last sales price on the largest securities exchange in which such securities have been traded on the valuation date, and are classified within Level 1 on the fair value hierarchy.

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, and are classified within Level 2 of the fair value hierarchy.

Certificates of deposit: based on estimates using current market rates offered for deposits with similar remaining maturities.

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.

The Endowment held for the benefit of Catholic Charities includes \$7,054,975 in equity securities and \$3,352,037 in mutual funds, which are classified as Level 1 and Level 2, respectively, within the hierarchy.

At December 31, 2018, Catholic Charities has \$4,535,696 in short-term and long-term certificates of deposit that are considered level 2 within the hierarchy.

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, 2018 and 2017, the ownership interest in the company was \$1,465,748 and \$1,729,275, respectively, and is reflected in the statement of financial position. In 2018 and 2017, Catholic Charities' share of the company's losses totaling \$57,465 and \$376,656, respectively, have been reported as other expense in the accompanying statements of activities. The related tax benefit for 2018 and 2017 in the amounts of \$12,925 and \$131,583, 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.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Following is a summary of the financial position as of December 31, 2018 and 2017 and the results of operations for the years then ended of the privately held company interest as follows:

	2018	2017
Current assets	\$ 2,940,655	\$ 3,596,174
Non current assets	101,510	162,883
Total assets	3,042,165	3,759,057
Total liabilities	102,654	325,619
Total equity	\$ 2,939,511	\$ 3,433,438
Sales	\$ 3,761,066	\$ 3,553,964
Cost of sales	2,514,980	3,019,500
Gross profit	1,246,086	534,464
Operating expenses	1,353,679	1,374,715
Operating income (loss)	(107,593)	(840,251)
Other income	63,666	22,558
Net income (loss)	\$ (43,927)	\$ (817,693)

Note 12. Income Taxes

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

	2018	2017
Current federal income taxes benefit	\$ 52,778	\$ (93,904)
Deferred federal income taxes benefit	-	(77,612)
	\$ 52,778	\$ (171,516)

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, 2018 and 2017 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, 2018, Catholic Charities has available unused net operating losses of \$253,911 that may be applied against future taxable income and will begin to expire in 2038.

Supplementary Information

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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	1804TXRCMA	\$ 553,030	\$ 1,752,095	\$ 2,305,125
Refugee Cash and Medical Assistance	93.566	1904TXRCMA	213,578	444,872	658,450
Refugee Social Services	93.566	17ABTXRSOC	-	(15,645)	(15,645)
Refugee Social Services	93.566	18ABTXRSOC	902,930	2,314,949	3,217,879
Refugee Social Services	93.566	19ABTXRSOC	487	100,063	100,550
			<u>1,670,025</u>	<u>4,596,334</u>	<u>6,266,359</u>
Targeted Assistance Grant	93.584	17A1TXRTAG	80,394	417,664	498,058
			<u>80,394</u>	<u>417,664</u>	<u>498,058</u>
Promoting Safe and Stable Families	93.556	24111342	157,565	-	157,565
			<u>157,565</u>	<u>-</u>	<u>157,565</u>
U.S. Catholic Conference					
Refugee School Impact	93.566	1702TXRSOC	193,604	-	193,604
Refugee School Impact	93.566	1702TXRSOC	41,086	-	41,086
Unaccompanied Refugee Minors	93.566	24057426	1,785,484	-	1,785,484
Unaccompanied Refugee Minors	93.566	24057426	619,460	-	619,460
			<u>2,639,634</u>	<u>-</u>	<u>2,639,634</u>
Victims of Trafficking Services Subcontract	93.598	90ZV0121	22,329	-	22,329
			<u>22,329</u>	<u>-</u>	<u>22,329</u>
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	90RV0070-04	295,533	-	295,533
			<u>295,533</u>	<u>-</u>	<u>295,533</u>
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0111-01-01	120,273	-	120,273
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0111-03-00	38,359	-	38,359
			<u>158,632</u>	<u>-</u>	<u>158,632</u>
Unaccompanied Children Program	93.676	90ZU0090	42,849	-	42,849
Unaccompanied Children Program	93.676	90ZU0090	753,240	-	753,240
Unaccompanied Children Program -Transitional Foster Care	93.676	90ZU0163	16,754	-	16,754
Unaccompanied Children Program -Transitional Foster Care	93.676	90ZU0163	193,830	-	193,830
Unaccompanied Children Program - DUCS	93.676	90ZU0090	32,450	-	32,450
Unaccompanied Children Program - DUCS	93.676	90ZU0090	398,116	-	398,116
			<u>1,437,239</u>	<u>-</u>	<u>1,437,239</u>
Total U.S. Department of Health and Human Services			<u>6,461,351</u>	<u>5,013,998</u>	<u>11,475,349</u>
U.S. DEPARTMENT OF STATE					
U.S. Catholic Conference					
Refugee Reception and Placement Program	19.510	SPRMCO16CA1007	137,272	-	137,272
Refugee Reception and Placement Program	19.510	SPRMCO19CA0024	-	-	-
Refugee Reception and Placement Program	19.510	SPRMCO16CA1006	12,425	-	12,425
Refugee Reception and Placement Program	19.510	SPRMCO16CA1007	179,629	-	179,629
Refugee Reception and Placement Program	19.510	SPRMCO19CA0024	-	-	-
Refugee Reception and Placement Program - URM	19.510	N/A	14,000	-	14,000
Total U.S. Department of State			<u>343,326</u>	<u>-</u>	<u>343,326</u>

See Notes to the Schedule of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards – Continued
Year Ended December 31, 2018

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 HOUSING AND URBAN DEVELOPMENT					
Tarrant County Homeless Coalition					
Emergency Solutions Grant Program	14.231	42170002825	123,791	-	123,791
			123,791	-	123,791
Texas Department of Housing and Community Affairs					
Emergency Solutions Grant Program	14.231	42186010018	23,963	-	23,963
			23,963	-	23,963
City of Arlington					
Community Development Block Grant	14.218	N/A	62,844	-	62,844
			62,844	-	62,844
City of Fort Worth					
Community Development Block Grant	14.218	N/A	27,037	-	27,037
			27,037	-	27,037
Catholic Charities USA					
Housing Counseling Assistance Program	14.169	N/A	1,467	-	1,467
			1,467	-	1,467
Support Housing Program - Master Lease	14.235	TX0289L6T011604	101,763	-	101,763
Support Housing Program - Master Lease	14.235	TX0289L6T011705	8,170	-	8,170
Support Housing Program - Master Lease II	14.235	TX0446L6T011600	105,884	-	105,884
Support Housing Program - Master Lease II	14.235	TX0446L6T011701	9,443	-	9,443
			225,260	-	225,260
Total U.S. Department of Housing and Urban Development			464,362	-	464,362
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Funding					
Citizenship and Integration Direct Services	97.010	17CICET00045	127,322	-	127,322
			127,322	-	127,322
EFS Board of Tarrant County					
Emergency Food & Shelter Program	97.024	N/A - Phase 34	40	-	40
Emergency Food & Shelter Program	97.024	N/A - Phase 35	232,018	-	232,018
			232,058	-	232,058
Total U.S. Department of Homeland Security			359,380	-	359,380
U.S. DEPARTMENT OF VETERAN AFFAIRS					
Direct Funding					
SSVF - Veteran Services	64.033	12-TX-075	814,614	-	814,614
SSVF - Veteran Services	64.033	12-TX-075	185,799	-	185,799
Total U.S. Department of Veteran Affairs			1,000,413	-	1,000,413
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Catholic Charities USA					
AmeriCorps National Direct Program - Refugee Resettlement	94.006	16NDHVA001	20,347	-	20,347
Total Corporation for National and Community Service			20,347	-	20,347

See Notes to the Schedule
of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards – Continued
Year Ended December 31, 2018

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					
Transit Services Programs Cluster:					
Tarrant County					
Tarrant Riders Network	20.513	N/A	112,610	-	112,610
North Central Texas Council of Governments					
Job Access and Reverse Commute Program	20.516	TRN1934	39,510	-	39,510
Job Access and Reverse Commute Program	20.516	TRN1934	32,848	-	32,848
Total Transit Services Programs Cluster			<u>184,968</u>	<u>-</u>	<u>184,968</u>
Total U.S. Department of Transportation			<u>184,968</u>	<u>-</u>	<u>184,968</u>
Total federal awards			<u>\$ 8,834,147</u>	<u>\$ 5,013,998</u>	<u>\$ 13,848,145</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, 2018

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. Uniform Guidance allows non-federal entities, such as the Organization, to elect to charge a de minimis rate of ten percent of modified direct costs as its indirect cost rate that may be used indefinitely. The Organization chose not to utilize the de minimis rate in the current year.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Catholic Charities provided \$4,596,334 and \$417,664 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.

**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.

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, 2018, 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 25, 2019.

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.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 25, 2019

**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.

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, 2018. 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, 2018.

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

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, material weaknesses may exist that have not been identified.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 25, 2019

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2018

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? ___ Yes X 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)? ___ Yes X No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.566	Refugee and Entrant Assistance Program
63.044	Supportive Services for Veteran Families Program

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, 2018

Section II – Financial Statement Findings

There were no matters reported.

Section III – Federal Award Findings and Questioned Costs

No findings reported.

Catholic Charities, Diocese of Fort Worth, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018

Finding 2017-001:

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

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.

Corrective Action Plan: Management of the North Texas Office for Refugees implemented procedures to ensure that administrative costs are properly allocated between the three component programs. The procedures were fully implemented by July 2018 by the Director of Finance.

Status: Corrected

Finding 2017-002:

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

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.

Corrective Action Plan: Management of the North Texas Office for Refugees implemented 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 were fully implemented by July 2018 by the Director of Finance.

Status: Corrected

Prepared by Management