

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

Financial Report
December 31, 2019

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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, 2019, 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, 2019, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Catholic Charities' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 August 24, 2020, 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
August 24, 2020

Catholic Charities, Diocese of Fort Worth, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 385,441	\$ 1,850,440
Accounts and grants receivable, net of allowance \$124,697 for 2019; and \$62,748 for 2018	4,170,277	3,287,228
Due from related parties	-	-
Prepaid expenses	101,815	118,757
Short-term investments	1,365,549	2,535,696
Pledges receivable, net of discount	1,070,018	1,851,363
Long-term investments	-	2,000,000
Interest in net assets of endowment	11,870,797	10,407,012
Ownership interest in a privately held company	1,163,736	1,465,748
Deferred tax asset	80,875	53,338
Property and equipment, net	11,327,914	12,167,047
	\$ 31,536,422	\$ 35,736,629
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 2,492,276	\$ 2,610,220
Due to related parties	25	50,000
Deferred revenue	125,867	152,059
Deposits	17,949	-
Capital lease	-	34,445
	2,636,117	2,846,724
NET ASSETS		
Without donor restrictions		
Undesignated	25,900,385	25,363,657
Board designated	-	3,832,668
With donor restrictions	2,999,920	3,693,580
	28,900,305	32,889,905
TOTAL LIABILITIES AND NET ASSETS	\$ 31,536,422	\$ 35,736,629

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, 2019
with Comparative Totals for Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018
REVENUE AND OTHER SUPPORT				
Contributions	\$ 5,637,618	\$ 2,364,006	\$ 8,001,624	\$ 9,056,178
Contribution from related party	-	-	-	-
United Way	637,714	-	637,714	830,805
Fees and grants from				
governmental agencies	13,501,696	-	13,501,696	14,135,548
Program service fees	7,375,355	-	7,375,355	7,020,667
Gain/(loss) on disposal of assets	(24,036)	-	(24,036)	7,276
Gain on interest in other entities	2,057,777	-	2,057,777	102,146
Other income	317,049	-	317,049	127,928
Unrelated business tax benefit/(loss)	18,433	-	18,433	(52,778)
Net assets released from restrictions				
Satisfaction of program restrictions	2,276,006	(2,276,006)	-	-
Satisfaction of time restrictions	781,660	(781,660)	-	-
Total revenue and other support	32,579,272	(693,660)	31,885,612	31,227,770
EXPENSES				
Program services				
Workforce and education	3,386,321	-	3,386,321	2,388,187
Child and family services	445,515	-	445,515	600,653
Homeless services	469,493	-	469,493	420,434
Financial stabilization services	5,162,277	-	5,162,277	4,944,491
Emergency shelter services	903,968	-	903,968	1,601,722
Veteran services	1,268,371	-	1,268,371	1,003,348
Mental & health services	159,586	-	159,586	381,925
Refugee services	2,773,825	-	2,773,825	2,288,242
International foster care	1,499,305	-	1,499,305	2,896,693
North Texas office for refugees	6,392,602	-	6,392,602	5,535,386
Social enterprises	7,505,355	-	7,505,355	7,170,069
Supportive programs	1,885,737	-	1,885,737	2,057,567
Total program services	31,852,355	-	31,852,355	31,288,717

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, 2019
with Comparative Totals for Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018
Supporting services				
Development and fundraising	2,297,910	-	2,297,910	2,217,665
Management and general	1,724,947	-	1,724,947	1,732,569
Total supporting services	<u>4,022,857</u>	<u>-</u>	<u>4,022,857</u>	<u>3,950,234</u>
Total expenses	<u>35,875,212</u>	<u>-</u>	<u>35,875,212</u>	<u>35,238,951</u>
Change in net assets	(3,295,940)	(693,660)	(3,989,600)	(4,011,181)
NET ASSETS, beginning of year	<u>29,196,325</u>	<u>3,693,580</u>	<u>32,889,905</u>	<u>36,901,086</u>
NET ASSETS, end of year	<u>\$ 25,900,385</u>	<u>\$ 2,999,920</u>	<u>\$ 28,900,305</u>	<u>\$ 32,889,905</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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,989,600)	\$ (4,011,181)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	887,859	931,716
Donation of capitalized equipment	(53,636)	-
(Gain)/loss on disposal of property and equipment	24,036	(7,276)
Changes in operating assets and liabilities		
Accounts and grants receivable, net of allowance	(883,049)	(255,551)
Due from related parties	-	756,733
Prepaid expenses	16,942	(22,792)
Pledges receivable, net of discount	781,345	906,183
Ownership interest in a privately held company	302,012	263,527
Deferred tax asset	(27,537)	52,637
Accounts payable and accrued expenses	(117,944)	164,123
Due to related parties	(49,975)	-
Deferred revenue	(26,192)	(127,642)
Deposits	17,949	-
Net cash used in operating activities	(3,117,790)	(1,349,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(76,387)	(128,299)
Proceeds from disposal of property and equipment	57,261	22,530
Purchase/(sale) of investments	3,170,147	(4,535,696)
(Gain)/loss on interest in other entities	(1,463,785)	317,862
Net cash provided by (used in) investing activities	1,687,236	(4,323,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(34,445)	(40,132)
Net cash used in financing activities	(34,445)	(40,132)
Net change in cash and cash equivalents	(1,464,999)	(5,713,258)
CASH AND CASH EQUIVALENTS, beginning of year	1,850,440	7,563,698
CASH AND CASH EQUIVALENTS, end of year	\$ 385,441	\$ 1,850,440
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 8,810	\$ 6,220
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donation of capitalized equipment	\$ 53,636	\$ -
Ownership interest in a privately held company	\$ (302,012)	\$ (263,527)

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, 2019
with Comparative Totals for Year Ended December 31, 2018

	Program Services				
	Workforce and Education Services	Child and Family Services	Homeless Services	Financial Stabilization Services	Emergency Shelter Services
Salaries	\$ 1,689,021	\$ 173,464	\$ 85,915	\$ 2,490,251	\$ 398,400
Employee benefits	278,800	28,452	13,230	437,674	68,418
Payroll taxes	147,510	14,629	8,572	214,965	41,320
Total employee compensation	<u>2,115,331</u>	<u>216,545</u>	<u>107,717</u>	<u>3,142,890</u>	<u>508,138</u>
Professional fees	6,157	2,830	324	532,314	31,867
Supplies	18,612	8,545	307	15,301	27,014
Telephone	29,437	4,505	2,828	59,807	18,465
Postage	339	136	-	1,578	592
Occupancy	33,570	67,265	4,956	68,695	96,782
Outside printing	3,535	-	172	2,709	-
Travel and transportation	26,182	1,941	5,203	67,259	28,105
Conferences and conventions	1,736	507	-	4,095	-
Subscriptions and publications	108	83	-	564	-
Specific assistance	808,373	17,890	298,642	718,638	25,274
Membership dues	-	-	-	350	17
Equipment - rentals, repair, and maintenance	16,475	16,926	1,709	34,006	21,207
Miscellaneous	-	-	-	-	10,000
Liability insurance	10,030	1,129	1,468	15,228	3,027
Interest expense	-	10	-	-	-
Depreciation expense	12,602	72,453	3,401	68,956	53,525
Bad debt expense	-	-	-	-	-
Proration of support services	303,834	34,750	42,766	429,887	79,955
Total expenses	<u><u>\$ 3,386,321</u></u>	<u><u>\$ 445,515</u></u>	<u><u>\$ 469,493</u></u>	<u><u>\$ 5,162,277</u></u>	<u><u>\$ 903,968</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>
\$ 361,584	\$ 81,725	\$ 1,111,077	\$ 491,180
34,356	16,538	243,498	91,043
32,022	7,939	94,862	50,312
<u>427,962</u>	<u>106,202</u>	<u>1,449,437</u>	<u>632,535</u>
-	20,340	49,465	473,402
3,806	336	9,219	36,666
9,047	2,205	24,424	12,093
135	8	279	148
10,150	3,306	33,911	47,176
3,458	153	303	314
22,484	4,193	34,966	30,503
2,522	1,602	544	150
20	30	138	-
658,470	2,858	863,355	85,510
99	-	-	-
1,751	1,162	16,720	13,532
-	-	-	-
3,747	561	8,379	4,058
-	-	-	-
10,139	2,475	34,906	24,489
-	-	-	-
114,581	14,155	247,779	138,729
<u>\$ 1,268,371</u>	<u>\$ 159,586</u>	<u>\$ 2,773,825</u>	<u>\$ 1,499,305</u>

Catholic Charities, Diocese of Fort Worth, Inc.
Statement of Functional Expenses – Continued
Year Ended December 31, 2019
with Comparative Totals for Year Ended December 31, 2018

	Program Services			Total Program Services
	North Texas Office for Refugees	Social Enterprises	Supportive Programs	
Salaries	\$ 385,228	\$ 2,801,899	\$ 1,032,106	\$ 11,101,850
Employee benefits	60,337	466,966	153,250	1,892,562
Payroll taxes	30,672	246,227	87,291	976,321
Total employee compensation	<u>476,237</u>	<u>3,515,092</u>	<u>1,272,647</u>	<u>13,970,733</u>
Professional fees	5,758,218	2,019,432	21,828	8,916,177
Supplies	8,255	74,450	10,938	213,449
Telephone	4,688	50,657	16,496	234,652
Postage	238	12,564	270	16,287
Occupancy	6,098	62,337	60,946	495,192
Outside printing	201	23,145	3,846	37,836
Travel and transportation	30,948	434,040	30,945	716,769
Conferences and conventions	3,890	7,494	3,584	26,124
Subscriptions and publications	384	11,584	100	13,011
Specific assistance	-	1,275	212,103	3,692,388
Membership dues	-	5,382	1,287	7,135
Equipment - rentals, repair and maintenance	11,286	103,214	18,558	256,546
Miscellaneous	-	1,755	9,901	21,656
Liability insurance	420	33,039	5,995	87,081
Interest expense	-	1,087	-	1,097
Depreciation expense	6,004	462,134	50,149	801,233
Bad debt expense	-	41,449	-	41,449
Proration of support services	85,735	645,225	166,144	2,303,540
Total expenses	<u><u>\$ 6,392,602</u></u>	<u><u>\$ 7,505,355</u></u>	<u><u>\$ 1,885,737</u></u>	<u><u>\$ 31,852,355</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	2019	2018
\$ 1,193,345	\$ 2,660,014	\$ 3,853,359	\$ 14,955,209	\$ 14,892,065
188,480	313,435	501,915	2,394,477	2,470,116
97,119	108,147	205,266	1,181,587	1,262,265
<u>1,478,944</u>	<u>3,081,596</u>	<u>4,560,540</u>	<u>18,531,273</u>	<u>18,624,446</u>
266,412	670,500	936,912	9,853,089	9,258,110
37,784	57,890	95,674	309,123	390,584
14,004	22,061	36,065	270,717	204,418
4,962	5,523	10,485	26,772	28,490
49,179	68,983	118,162	613,354	606,704
29,754	14,521	44,275	82,111	127,918
39,600	11,894	51,494	768,263	735,132
29,327	47,139	76,466	102,590	96,787
4,000	46,679	50,679	63,690	41,731
235	138	373	3,692,761	3,238,548
5,447	37,356	42,803	49,938	71,113
103,022	96,162	199,184	455,730	632,206
224	-	224	21,880	62,829
7,197	15,138	22,335	109,416	130,124
-	7,713	7,713	8,810	6,220
21,449	65,177	86,626	887,859	931,716
-	(13,613)	(13,613)	27,836	51,875
206,370	(2,509,910)	(2,303,540)	-	-
<u>\$ 2,297,910</u>	<u>\$ 1,724,947</u>	<u>\$ 4,022,857</u>	<u>\$ 35,875,212</u>	<u>\$ 35,238,951</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 health assessments, children's savings programs, pregnancy through early childhood education and other support to strengthen families.

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 encourage 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 \$0 and \$3,832,668 remained at December 31, 2019 and 2018, respectively. The balance was designated for office space, technology and data enrichment, and vocation program expansion in Stephenville, TX. There were no additional board designations made in 2019 or 2018.

With Donor Restriction includes grants, contributions, and other program income expendable only for specified purposes or time periods. This classification also 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, 2019 and 2018, 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, 2019 and 2018 an allowance for doubtful accounts of \$124,697 and \$62,748 was recorded for accounts 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, 2019 and 2018.

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 \$33,200 and \$79,800 for 2019 and 2018, 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 2019 or 2018.

During 2019 and 2018, Catholic Charities benefited from services which were valued at \$26,703 and \$37,315, 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 in the period in which they relate, 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, 2019 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, 2018, from which the summarized information was derived.

New Accounting Standard Adopted

In May 2014, the FASB issued ASU 2014-09, which amends ASC Topic 606, "Revenue from Contracts with Customers". The amendments in this ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. Certain revenue streams, such as grants, contributions and investment income, were scoped out. Catholic Charities has adopted the guidance as of January 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of Catholic Charities' recognition of revenue, there was no adjustment to net assets needed as part of adoption of the new standard.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which amends ASC Topic 958, "Not-for-Profit Entities". The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction, and requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 in which the entity serves as the resource recipient. Catholic Charities has adopted the guidance as of January 1, 2019 using the modified prospective basis. The adoption of this guidance did not change the timing or amount of Catholic Charities' recognition of revenue for grants or contributions, as revenue recognition policies in place were consistent with revenue recognition policies noted in this amendment.

Note 2. Property and Equipment

Property and equipment are comprised of the following:

	2019	2018
Land	\$ 306,738	\$ 306,738
Construction in progress	40,000	104,641
Land improvements	654,913	654,913
Building	13,854,138	13,818,343
Equipment	1,211,270	1,172,610
Furniture	886,917	886,917
Software	237,409	237,409
Vehicles	1,601,081	1,865,153
	18,792,466	19,046,724
Less accumulated depreciation	(7,464,552)	(6,879,677)
	\$ 11,327,914	\$ 12,167,047

Catholic Charities received donated assets in the amount of \$53,636 in 2019 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:

	2019	2018
Pledges receivable, net of discount	\$ 1,070,018	\$ 1,851,363

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Contributors to the kNOw Poverty campaign have made unconditional promises to give of \$81,500 during the year ended December 31, 2018. There were no unconditional promises to give made during 2019. 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 \$7,370 in 2019 and \$28,200 in 2018.

Collection of the receivables is expected through 2022 as follows:

2020	\$	690,114
2021		377,979
2022		1,925
		<u>1,925</u>
	\$	<u>1,070,018</u>

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	\$	385,441
Accounts and grants receivable, net		4,170,277
Short-term investments		1,365,549
Pledges receivables, net of discount		1,070,018
Interest in net assets of endowment		11,870,797
Ownership interest in a privately held company		<u>1,163,736</u>
Total financial assets, year end		20,025,818
Less:		
Restricted cash		(26,960)
Long-term portion of accounts and grants receivable		(1,757,819)
Long-term portion of pledges receivable, net of discount		(379,904)
Interest in the net assets of the endowment		(11,870,797)
Ownership interest in a privately held company		<u>(1,163,736)</u>
Total financial assets not available to be used within one year		<u>(15,199,216)</u>
Total financial assets available to meet general expenditures within one year	\$	<u>4,826,602</u>

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 5. 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 \$146,100 in 2019 and \$253,700 in 2018. Future minimum lease payments at December 31, 2019, are as follows:

2020	\$	43,536
2021		8,151
2022		2,286
		<hr/>
	\$	53,973
		<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, 2019 and 2018 was \$27,000 each year.

Note 6. 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 \$396,755 and \$440,468 for the years ended December 31, 2019 and 2018, respectively.

Note 7. 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 \$25 and \$50,000 reported as due to related parties for the years ended December 31, 2019 and 2018, respectively.

Note 8. 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 gain on interest in net assets of endowment as an increase in net assets without donor restrictions of \$1,463,785 for the year ended December 31, 2019, and a loss on interest in the net assets of the endowment as a decrease in net assets without donor restrictions of \$317,862 for the year ended December 31, 2018.

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 \$11,870,797 and \$10,407,012 at December 31, 2019 and 2018, respectively. The following table reconciles the changes in Endowment assets for the years ended December 31:

	2019	2018
Endowment assets, beginning	\$ 10,407,012	\$ 10,724,874
Gifts	31,449	856,652
Distributions to Catholic Charities	(701,140)	(477,473)
Interest and dividend income	283,426	204,182
Realized / unrealized gain	1,850,050	(901,223)
	\$ 11,870,797	\$ 10,407,012

Note 9. 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.

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, 2019 and 2018.

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.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

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.

At December 31, 2019, the Endowment held for the benefit of Catholic Charities includes \$8,141,720 in equity securities and \$3,729,077 in mutual funds, which are classified as Level 1 and Level 2, respectively, within the hierarchy.

At December 31, 2019, Catholic Charities has \$1,365,549 in short-term and long-term certificates of deposit that are considered level 2 within the hierarchy.

Note 10. 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, 2019 and 2018, the ownership interest in the company was \$1,163,736 and \$1,465,748, respectively, and is reflected in the statement of financial position. In 2019 and 2018, Catholic Charities' share of the company's losses totaling \$107,148 and \$57,465, respectively, have been reported as other expense in the accompanying statements of activities. The related tax benefit for 2019 and 2018 in the amounts of \$23,420 and \$12,925, 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, 2019 and 2018 and the results of operations for the years then ended of the privately held company interest as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,349,178	\$ 2,940,655
Non current assets	<u>67,704</u>	<u>101,510</u>
Total assets	2,416,882	3,042,165
Total liabilities	<u>191,454</u>	<u>102,654</u>
Total equity	<u>\$ 2,225,428</u>	<u>\$ 2,939,511</u>
Sales	\$ 2,985,512	\$ 3,761,066
Cost of sales	<u>2,184,996</u>	<u>2,514,980</u>
Gross profit	800,516	1,246,086
Operating expenses	<u>1,163,012</u>	<u>1,353,679</u>
Operating income (loss)	<u>(362,496)</u>	<u>(107,593)</u>
Other income	<u>73,415</u>	<u>63,666</u>
Net income (loss)	<u>\$ (289,081)</u>	<u>\$ (43,927)</u>

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 11. Income Taxes

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

	2019	2018
Current federal income taxes benefit	\$ (18,433)	\$ 52,778
	\$ (18,433)	\$ 52,778

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, 2019 and 2018 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, 2019, Catholic Charities has available unused net operating losses of \$385,118 that may be applied against future taxable income and will begin to expire in 2039.

Note 12. Subsequent Events

Catholic Charities has evaluated subsequent events that occurred after December 31, 2019, through August 24, 2020, the date which the financial statements were available to be issued.

COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on Catholic Charities has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. Currently, Catholic Charities is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain.

On April 17, 2020, Catholic Charities secured a loan through the Small Business Administration's Paycheck Protection Program (PPP) in the amount of \$3,020,700. Under this program, and if Catholic Charities complies, up to the full principal amount of the loan and any accrued interest may be forgiven; however, due to the strong possibility of continuing regulatory changes, the amount to be forgiven is uncertain as of August 24, 2020, the date which the financial statements were available to be issued. To the extent that principal and interest are not forgiven, the loan bears interest at 1% to be repaid in 18 monthly payments beginning in November 2020.

Supplementary Information

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

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	1904TXRCMA	\$ 762,896	\$ 1,973,030	\$ 2,735,926
Refugee Cash and Medical Assistance	93.566	2004TXRCMA	282,337	634,720	917,057
Refugee Social Services	93.566	19ABTXRSOC	1,109,124	3,138,054	4,247,178
Refugee Social Services	93.566	20ABTXRSOC	1,035	-	1,035
			<u>2,155,392</u>	<u>5,745,804</u>	<u>7,901,196</u>
U.S. Catholic Conference					
Refugee School Impact	93.566	1902TXRSOC	118,719	-	118,719
Refugee School Impact	93.566	2002TXRSOC	37,573	-	37,573
Unaccompanied Refugee Minors	93.566	1902TXRCMA	1,275,099	-	1,275,099
			<u>1,431,391</u>	<u>-</u>	<u>1,431,391</u>
Subtotal CFDA 93.566			<u>3,586,783</u>	<u>5,745,804</u>	<u>9,332,587</u>
Victims of Trafficking Services Subcontract	93.598	90ZV0121	4,067	-	4,067
			<u>4,067</u>	<u>-</u>	<u>4,067</u>
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	90RV0070-04	28,012	-	28,012
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	1901DCRVMG	372,856	-	372,856
			<u>400,868</u>	<u>-</u>	<u>400,868</u>
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0111-03-00	111,641	-	111,641
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0111-03-00	34,016	-	34,016
			<u>145,657</u>	<u>-</u>	<u>145,657</u>
Unaccompanied Children Program	93.676	90ZU0199	80,414	-	80,414
Unaccompanied Children Program	93.676	90ZU0199	574,537	-	574,537
Unaccompanied Children Program -Transitional Foster Care	93.676	90ZU0199	25,088	-	25,088
Unaccompanied Children Program -Transitional Foster Care	93.676	90ZU0199	198,961	-	198,961
Unaccompanied Children Program - DUCS	93.676	90ZU0163	26,268	-	26,268
Unaccompanied Children Program - DUCS	93.676	90ZU0163	219,965	-	219,965
			<u>1,125,233</u>	<u>-</u>	<u>1,125,233</u>
Total U.S. Department of Health and Human Services			<u>5,262,608</u>	<u>5,745,804</u>	<u>11,008,412</u>
U.S. DEPARTMENT OF STATE					
U.S. Catholic Conference					
Refugee Reception and Placement Program	19.510	SPRMCO19CA0024	185,907	-	185,907
Refugee Reception and Placement Program	19.510	SPRMCO19CA0024	297,786	-	297,786
Refugee Reception and Placement Program - URM	19.510	1702TXRCMA	24,974	-	24,974
			<u>508,667</u>	<u>-</u>	<u>508,667</u>
Total U.S. Department of State			<u>508,667</u>	<u>-</u>	<u>508,667</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, 2019

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					
Texas Department of Housing and Community Affairs					
Emergency Solutions Grant Program	14.231	42186010018	118,455	-	118,455
			118,455	-	118,455
Catholic Charities USA					
Support Housing Program - Master Lease	14.235	TX0289L6T011705	98,509	-	98,509
Support Housing Program - Master Lease II	14.235	TX0446L6T011701	108,219	-	108,219
			206,728	-	206,728
Total U.S. Department of Housing and Urban Development			325,183	-	325,183
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Funding					
Citizenship and Integration Direct Services	97.010	17CICET00045	94,883	-	94,883
Citizenship and Integration Direct Services	97.010	19CICET00102	28,516	-	28,516
			123,399	-	123,399
EFS Board of Tarrant County					
Emergency Food & Shelter Program	97.024	Phase 35	717	-	717
Emergency Food & Shelter Program	97.024	Phase 36	208,077	-	208,077
			208,794	-	208,794
Total U.S. Department of Homeland Security			332,193	-	332,193
U.S. DEPARTMENT OF VETERAN AFFAIRS					
Direct Funding					
SSVF - Veteran Services	64.033	12-TX-075	804,709	-	804,709
SSVF - Veteran Services	64.033	12-TX-075	383,203	-	383,203
Total U.S. Department of Veteran Affairs			1,187,912	-	1,187,912
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Catholic Charities USA					
AmeriCorps National Direct Program - Refugee Resettlement	94.006	16NDHVA001	20,791	-	20,791
Total Corporation for National and Community Service			20,791	-	20,791
U.S. DEPARTMENT OF TRANSPORTATION					
Transit Services Programs Cluster:					
North Central Texas Council of Governments					
Job Access and Reverse Commute Program	20.516	TRN1934	72,066	-	72,066
Job Access and Reverse Commute Program	20.516	TRN1934	46,472	-	46,472
Total Transit Services Programs Cluster			118,538	-	118,538
Total U.S. Department of Transportation			118,538	-	118,538
Total federal awards			<u>\$ 7,755,892</u>	<u>\$ 5,745,804</u>	<u>\$ 13,501,696</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, 2019

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 Catholic Charities, 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 Catholic Charities 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 \$5,745,804 in federal awards to subrecipients as part of the Refugee and Entrant Assistance program, CFDA number 93.566.

**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, 2019, 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 August 24, 2020.

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
August 24, 2020

**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, 2019. 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, 2019.

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
August 24, 2020

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

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 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
93.676	Unaccompanied Children 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 – Continued
Year Ended December 31, 2019

Section II – Financial Statement Findings

There were no findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no findings reported.

Section VI – Summary Schedule of Prior Audit Findings

There were no findings reported.