

CARITAS OF AUSTIN
(A Nonprofit Corporation)
CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2022 AND 2021

CARITAS OF AUSTIN
(A Nonprofit Corporation)

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Caritas of Austin
Austin, Texas

Opinion

We have audited the accompanying consolidated financial statements of Caritas of Austin (Caritas), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Caritas as of September 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Caritas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Caritas' ability to continue as going concerns within one year after the date that the consolidated financial statements are issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Caritas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Caritas' ability to continue as going concerns for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 March 30, 2023, on our consideration of Caritas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Caritas' 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 Caritas' internal control over financial reporting and compliance.



Austin, Texas
March 30, 2023

CARITAS OF AUSTIN
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,246,330	\$ 3,625,708
Investments	25,994	33,797
Pledges receivable, net	980,061	754,223
Grants and other receivables, net	2,554,899	1,663,548
Prepaid expenses and other assets	307,855	147,190
Property and equipment, net	<u>3,718,885</u>	<u>3,808,417</u>
Total assets	<u>\$ 9,834,024</u>	<u>\$ 10,032,883</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 580,680	\$ 581,321
Accrued expenses and other current liabilities	387,956	342,522
Deferred revenue	7,328	4,278
Debt	<u>2,156,830</u>	<u>2,236,021</u>
Total liabilities	<u>3,132,794</u>	<u>3,164,142</u>
Net assets		
Without donor restrictions	5,076,469	5,405,404
With donor restrictions	<u>1,624,761</u>	<u>1,463,337</u>
Total net assets	<u>6,701,230</u>	<u>6,868,741</u>
Total liabilities and net assets	<u>\$ 9,834,024</u>	<u>\$ 10,032,883</u>

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Governmental grant revenue	\$ 12,485,871	\$ -	\$ 12,485,871
Contribution revenue	3,068,430	310,500	3,378,930
Contributed nonfinancial assets	461,400	-	461,400
Special events income	494,743	-	494,743
Expansion revenue	-	568,771	568,771
Rental income	382,207	-	382,207
Investment return, net	118	-	118
Other revenue	568	-	568
Net assets released from restrictions	717,847	(717,847)	-
	<u>17,611,184</u>	<u>161,424</u>	<u>17,772,608</u>
Total support and revenue			
Expenses			
Program services:			
Best Single Source Plus collaboration	3,714,540	-	3,714,540
Refugee employment	949,938	-	949,938
Supportive housing	7,135,063	-	7,135,063
Employment services	315,054	-	315,054
Food services	745,148	-	745,148
Veterans services	1,623,018	-	1,623,018
Education	226,355	-	226,355
Other program support	848,043	-	848,043
	<u>15,557,159</u>	<u>-</u>	<u>15,557,159</u>
Total program services			
Support services:			
Fundraising	931,364	-	931,364
General and administrative	1,451,596	-	1,451,596
	<u>2,382,960</u>	<u>-</u>	<u>2,382,960</u>
Total support services			
Total expenses	<u>17,940,119</u>	<u>-</u>	<u>17,940,119</u>
Change in net assets	(328,935)	161,424	(167,511)
Net assets at beginning of year	<u>5,405,404</u>	<u>1,463,337</u>	<u>6,868,741</u>
Net assets at end of year	<u>\$ 5,076,469</u>	<u>\$ 1,624,761</u>	<u>\$ 6,701,230</u>

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Governmental grant revenue	\$ 8,773,554	\$ -	\$ 8,773,554
Contribution revenue	4,328,147	448,494	4,776,641
Contributed nonfinancial assets	539,624	-	539,624
Special events income	164,044	-	164,044
Expansion revenue	-	-	-
Rental income	369,570	-	369,570
Investment return, net	6,456	-	6,456
Other revenue	1,442,801	-	1,442,801
Net assets released from restrictions	381,044	(381,044)	-
	<u>16,005,240</u>	<u>67,450</u>	<u>16,072,690</u>
Total support and revenue	16,005,240	67,450	16,072,690
Expenses			
Program services:			
Best Single Source Plus collaboration	5,089,997	-	5,089,997
Refugee employment	364,053	-	364,053
Supportive housing	3,135,745	-	3,135,745
Employment services	372,357	-	372,357
Food services	577,571	-	577,571
Veterans services	1,373,039	-	1,373,039
Education	190,406	-	190,406
Other program support	530,737	-	530,737
	<u>11,633,905</u>	<u>-</u>	<u>11,633,905</u>
Total program services	11,633,905	-	11,633,905
Support services:			
Fundraising	1,142,743	-	1,142,743
General and administrative	907,143	-	907,143
	<u>2,049,886</u>	<u>-</u>	<u>2,049,886</u>
Total support services	2,049,886	-	2,049,886
Total expenses	<u>13,683,791</u>	<u>-</u>	<u>13,683,791</u>
Change in net assets	2,321,449	67,450	2,388,899
Net assets at beginning of year	<u>3,083,955</u>	<u>1,395,887</u>	<u>4,479,842</u>
Net assets at end of year	<u>\$ 5,405,404</u>	<u>\$ 1,463,337</u>	<u>\$ 6,868,741</u>

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services										General and Administrative	Total
	Best Single Source Plus Collaboration	Refugee Employment	Supportive Housing	Employment Services	Food Services	Veterans Services	Education	Other Program Support	Fundraising			
Direct client assistance												
Rent	\$ 1,495,257	\$ -	\$ 3,408,207	\$ 1,938	\$ -	\$ 230,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,135,939
Utility	167,276	-	305,210	40	-	9,829	-	50	-	-	-	482,405
Food	-	-	1,047	-	132,175	-	-	-	-	-	75	133,297
Financial assistance	54	829,843	521	43	49	21	-	2,800	-	-	727	834,058
Other	323,240	3,600	299,718	8,644	-	550,873	12,704	162,673	8,354	2		1,369,808
Total direct client assistance	1,985,827	833,443	4,014,703	10,665	132,224	791,260	12,704	165,523	8,354	804		7,955,507
Program supporting services												
Salaries	498,372	84,228	1,165,072	171,430	207,980	478,111	127,872	353,155	553,710	301,416		3,941,346
Payroll taxes and benefits	131,398	18,598	311,313	39,097	70,260	121,770	33,627	93,678	114,673	59,396		993,810
Printing, postage, and supplies	12,055	4,042	25,855	6,223	28,844	10,542	12,697	10,222	59,973	46,343		216,796
Communication	9,813	973	27,495	4,417	3,078	10,608	2,700	10,227	2,917	19,848		92,076
Professional and contract services	1,001,774	5,622	1,248,694	44,690	84,687	98,957	25,778	160,071	77,765	328,768		3,076,806
Occupancy costs	31,521	1,743	147,644	15,934	25,570	34,308	8,470	37,483	289	201,403		504,365
Travel and vehicle expenses	4,059	79	28,423	1,045	2,243	9,546	2,427	6,827	2,206	14,999		71,854
Promotional and development	39	3	248	20	802	43	11	47	107,143	27,308		135,664
Insurance	7	-	958	-	-	-	-	-	-	59,557		60,522
Depreciation	-	-	-	-	-	-	-	-	-	122,580		122,580
Contributed nonfinancial assets	36,161	1,207	125,092	21,532	188,488	22,339	25	10,810	245	55,501		461,400
Bad debt expense	-	-	-	-	-	-	-	-	-	31,148		31,148
Other expenses	3,514	-	39,566	1	972	45,534	44	-	4,089	182,525		276,245
Total expenses	\$ 3,714,540	\$ 949,938	\$ 7,135,063	\$ 315,054	\$ 745,148	\$ 1,623,018	\$ 226,355	\$ 848,043	\$ 931,364	\$ 1,451,596		\$ 17,940,119

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services										Total
	Best Single Source Plus Collaboration	Refugee Employment	Supportive Housing	Employment Services	Food Services	Veterans Services	Education	Other Program Support	Fundraising	General and Administrative	
Direct client assistance											
Rent	\$ 1,936,359	\$ -	\$ 1,687,924	\$ 30,087	\$ -	\$ 333,736	\$ -	\$ 8,077	\$ 43	\$ -	\$ 3,996,226
Utility	138,202	-	129,536	1,488	-	26,530	-	8,941	42	529	305,268
Food	100	-	197	-	72,362	190	-	60	-	-	72,909
Financial assistance	25	316,486	11	25	-	-	-	154	-	-	316,701
Other	418,386	3,365	140,664	20,123	78	324,558	15,809	34,779	2,891	15,951	976,604
Total direct client assistance	2,493,072	319,851	1,958,332	51,723	72,440	685,014	15,809	52,011	2,976	16,480	5,667,708
Program supporting services											
Salaries	836,710	33,321	639,773	179,694	178,193	418,916	101,941	274,280	476,579	175,951	3,315,358
Payroll taxes and benefits	216,639	9,875	167,878	46,007	55,690	107,203	26,789	65,516	112,115	42,166	849,878
Printing, postage, and supplies	25,596	-	13,267	10,857	20,834	15,105	10,126	18,597	55,977	38,829	209,188
Communication	15,240	236	13,758	4,935	2,862	10,464	2,203	4,837	6,841	6,614	67,990
Professional and contract services	1,379,753	-	107,445	41,751	35,248	73,168	14,484	39,986	234,672	132,122	2,058,629
Occupancy costs	66,544	110	114,026	19,324	26,971	42,809	7,349	34,452	25,199	109,869	446,653
Travel and vehicle expenses	15,547	3	11,285	1,741	1,619	4,632	1,112	10,675	1,901	5,472	53,987
Promotional and development	-	-	-	-	-	500	-	-	210,027	77	210,604
Insurance	228	-	343	44	56	78	23	340	91	56,172	57,375
Depreciation	-	-	-	-	-	-	-	-	-	109,334	109,334
Contributed nonfinancial assets	35,591	653	108,582	16,109	182,876	14,820	8,979	27,273	10,679	134,062	539,624
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,077	4	1,056	172	782	330	1,591	2,770	5,686	79,995	97,463
Total expenses	\$ 5,089,997	\$ 364,053	\$ 3,135,745	\$ 372,357	\$ 577,571	\$ 1,373,039	\$ 190,406	\$ 530,737	\$ 1,142,743	\$ 907,143	\$ 13,683,791

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (167,511)	\$ 2,388,899
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	122,580	109,334
Net realized and unrealized losses (gains) on investments	(536)	-
Non-cash forgiveness of debt	-	(758,500)
Changes in operating assets and liabilities:		
Pledges receivable	(225,838)	(366)
Grants and other receivables	(891,351)	(480,129)
Prepaid expenses and other assets	(160,665)	(110,720)
Accounts payable	(641)	403,178
Accrued expenses and other current liabilities	45,434	106,510
Deferred revenue	3,050	(4,274)
	<u>(1,275,478)</u>	<u>1,653,932</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	9,605	-
Purchase of investments	(1,266)	(4,982)
Purchase of property and equipment	(33,048)	(617,688)
	<u>(24,709)</u>	<u>(622,670)</u>
Cash flows from financing activities:		
Payments on debt	(79,191)	(43,979)
	<u>(79,191)</u>	<u>(43,979)</u>
Net increase (decrease) in cash and cash equivalents	(1,379,378)	987,283
Beginning cash and cash equivalents	<u>3,625,708</u>	<u>2,638,425</u>
Ending cash and cash equivalents	<u><u>\$ 2,246,330</u></u>	<u><u>\$ 3,625,708</u></u>
Cash paid for interest and taxes:		
Interest	<u><u>\$ 87,270</u></u>	<u><u>\$ 53,124</u></u>
Taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION

Caritas of Austin (Caritas), a nonprofit organization incorporated in 1977, was founded in 1964 with the vision that all people deserve to have their basic needs met. Today Caritas of Austin intersects with thousands of people who are experiencing poverty and homelessness. Services focused on housing, food, education, and employment enable people to move toward stability and self-sufficiency. The following is an overview of Caritas' programs:

Best Single Source Plus (BSS Plus) Collaboration program is a collaboration among twelve of the Austin and Travis County area's leading nonprofit service providers, trading competition for collaboration to benefit those most in need. Participating agencies include: Any Baby Can, Caritas of Austin, Catholic Charities of Central Texas, Family Eldercare, Foundation for the Homeless, Front Steps, Goodwill Industries of Central Texas, Lifeworks, Meals on Wheels, SAFE Alliance, Salvation Army, and Vivent Health (formerly AIDS Services of Austin). The BSS Plus program provides comprehensive case management and basic needs (rent, mortgage, utility assistance and housing supports) and services to eligible individuals and families in the Travis County and Austin area. The program's primary purpose is establishing housing stability, preventing, and ending homelessness. Caritas of Austin is the fiscal and administrative agent for BSS Plus and houses a dedicated Program Manager and Coordinator for the project.

Refugee Services for documented refugees begins with their arrival in Austin and includes employment assistance and connection to other community resources. The goal of these services is to help refugees transition to life in the United States and achieve self-sufficiency within their first six months of arrival. Refugees served are approved for resettlement by the United States government.

Supportive Housing programs provide permanent housing with on-site and off-site supportive services for individuals who have experienced long-term homelessness and who are recovering from the trauma they have experienced while being homeless.

Employment Services program provides clients opportunities to find and keep jobs in order to support themselves and their families. Clients receive assistance with short-term job placement as well as long-term career development. Services include: pre-employment preparation such as job readiness training, vocational certification, ESL classes, and assistance with professional recertification; referral and placement; work authorization; logistical support; new hire paperwork assistance; and post-hire support.

Food Services consist of the Caritas Community Kitchen and Food Pantry. Each weekday the Caritas Community Kitchen serves a hot, nutritious lunch to over 300 people, no questions asked. The Food Pantry provides groceries and hygiene items to individuals and families already receiving services from Caritas of Austin.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION - CONTINUED

The Supportive Services for Veteran Families program is designed to increase housing stability for veteran families that are at-risk of homelessness or experiencing homelessness. Supportive services include outreach, case management, help in obtaining VA benefits, emergency financial assistance, and assistance obtaining and coordinating other public benefits.

Education classes provide clients with opportunities to enrich their lives and support their path to self-sufficiency. The program takes a holistic approach by teaching the participants the tools they will need to achieve their personal and financial goals. Caritas' education classes focus on three areas: life skills, money management, and workforce development.

Other Program Support includes classes for highly trained volunteers that mentor persons experiencing poverty and newly-arrived documented refugees as these persons move from crisis-driven lives to stable, self-sufficient lives. It also includes program eligibility screening, scheduling appointments with program staff, and referring individuals to community resources.

9027 Northgate Blvd LLC (NorthGate) was formed December 8, 2020, as a Texas limited liability company, wholly owned by Caritas. NorthGate's purpose is to hold title to real estate, collecting rent and other income there from, and turning over the entire amount thereof, less expenses, to Caritas.

Do Good Deli, LLC was formed on March 5, 2007, and on February 16, 2011, the name was changed to Caritas of Austin Partnership Housing LLC (CAPH), as a Texas limited liability company, wholly owned by Caritas. CAPH's purpose is to hold title to real estate, collecting rent and other income there from, and turning over the entire amount thereof, less expenses, to Caritas. The board voted to dissolve this entity effective in fiscal year 2022.

VBG-Caritas Rutland Austin, LLC (VBG) was formed May 5, 2020, as a Texas limited liability company, wholly owned by Caritas. VBG's purpose is to hold title to real estate, collecting rent and other income there from, and turning over the entire amount thereof, less expenses, to Caritas. The board voted to dissolve this entity effective in fiscal year 2022.

These accompanying consolidated financial statements include the operations of Caritas, NorthGate, CAPH, and VBG (collectively referred to as Caritas).

Consolidated Financial Statements - In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities Consolidation*, the accompanying consolidated financial statements include the financial statements of Caritas. All interorganizational transactions have been eliminated.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Organizations' consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, Caritas are required to report information regarding their consolidated financial position and activities, as applicable, according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.

Classification of Net Assets - The consolidated financial statements report information regarding Caritas' financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Caritas and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the Board of Directors of Caritas.

Net assets with donor restrictions - Net assets the use of which is subject to stipulations that can be fulfilled by actions of Caritas pursuant to those stipulations.

Board Designated Net Assets - As of September 30, 2022 and 2021, Caritas' Board of Directors designated a total of \$420,000 and \$0, respectively, of net assets without donor restriction, to acquire, expand, equip, maintain, repair, or enhance the physical property or building systems located at 611 Neches and for the purchase reserve of Caritas' North Austin facility.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - Cash equivalents are considered to be investments purchased with original maturities of three months or less.

Property and Equipment - Property and equipment valued at \$1,000 or greater are recorded at cost when purchased. Donated property and equipment is recorded at the fair market value as of the date of the gift. Acquisitions valued at less than \$1,000 are expensed. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, generally 5 years for equipment, 7 years for furniture and fixtures, and 39 years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the current period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government Grant Revenue - Caritas considers all government grants and contracts to be exchange contracts and not contributions. Caritas recognizes revenue from these transactions as services are rendered and expenses are incurred. Caritas uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of accounts. There is no allowance for uncollectible grant receivables at September 30, 2022 and 2021, respectively.

Contribution Revenue - Contributions received including unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period pledged depending on the existence and nature of any donor restrictions. Contributions received with donor-imposed restrictions that are satisfied in the same reporting period are reported as temporarily restricted revenue and released from restrictions. Conditional promises to give are recognized when the conditions on which they are dependent are substantially met. Caritas uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There is no allowance for uncollectible pledges at September 30, 2022 and 2021, respectively.

Contributed nonfinancial assets - Donated services and materials are reflected in the statement of activities as revenue at their fair value on the date of receipt. Donated services are recognized by Caritas if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fair Value Measurements - Caritas measures and discloses fair value measurements in accordance with the fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three general valuation techniques that may be used to measure fair value, as described below:

- A) **Market approach** - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) **Cost approach** - Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost); and
- C) **Income approach** - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Fair value measurements are determined using three levels of inputs: level 1, quoted prices in active markets for identical assets; level 2, significant other observable inputs and level 3, significant unobservable inputs.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses - The costs of providing Caritas' various programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs benefited and supporting services based on estimates provided by management. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function. The significant expenses that are allocated on the basis of time and effort include personnel, office and administration expenses, depreciation and amortization, travel and meeting, insurance, and rent.

Federal Income Tax Status - Caritas is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for any unrelated business activities. Caritas is subject to routine examinations of its returns; however, there are no examinations currently in progress. The September 30, 2019, and subsequent tax years remain subject to examination by the Internal Revenue Service.

Significant Accounting Pronouncements - Caritas has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in consolidated financial statements. It also provided guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as financing or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the consolidated statements of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the consolidated statements of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021, and early adoption is permitted. Caritas is currently evaluating the impact the standard will have on its financial statements.

Newly Adopted Accounting Pronouncements - In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. Caritas adopted the ASU during the year ended September 30, 2022, and applied the ASU retrospectively to the year ended September 30, 2021. See Note 8.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events - Management of Caritas has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following unconditional promises to give at September 30:

	2022	2021
Amounts due in:		
Less than one year	\$ 520,000	\$ 346,309
One to five years	478,070	445,000
	998,070	791,309
Less present value discount	(18,009)	(37,086)
Total	<u>\$ 980,061</u>	<u>\$ 754,223</u>

Pledges are discounted based on the expected timing of receipt. The present value discount was \$18,009 and \$37,086, for the years ended September 30, 2022 and 2021, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	2022	2021
Land	\$ 642,586	\$ 642,586
Buildings	4,500,744	4,482,052
Furniture and fixtures	219,022	204,666
Total	5,362,352	5,329,304
Less accumulated depreciation	(1,643,467)	(1,520,887)
Property and equipment, net	<u>\$ 3,718,885</u>	<u>\$ 3,808,417</u>

Depreciation expense for the years ended September 30, 2022 and 2021, was \$122,580 and \$109,334, respectively.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

5. ENDOWMENT FUNDS

During the 2006 fiscal year, Caritas established the Caritas of Austin Endowment Fund (the Fund), a permanent endowment fund, at the Austin Community Foundation (the Foundation). The assets are irrevocably held by the Foundation and are managed to accomplish Caritas' designated charitable purpose. The Fund's assets are not recorded in the statement of financial position of Caritas as the Foundation reserves the power to modify any condition or restriction on the distributions from the Fund. The balance in the Fund as of September 30, 2022 and 2021, was \$131,030 and \$156,845, respectively. There were no transfers from Caritas to the Fund during the years ended September 30, 2022 and 2021.

Annually, the Foundation's Board of Governors makes a determination of the amount to grant to Caritas, based on the Foundation's spending policy. The Foundation's current spending policy is that five percent of the Fund's value as of December 31 each year shall be the available for distribution in the following year. Such distribution will be available to Caritas pursuant to a letter of instruction from Caritas, but subject to the Foundation's Board of Governors' approval. If the amount available to grant is not distributed in a single year, any remaining balance available to grant will carry over to subsequent years. During the years ended September 30, 2022 and 2021, the Fund provided \$1,900 and \$1,900, respectively, in grant revenue to Caritas.

6. INVESTMENTS

Investments consisted of the following at September 30:

	2022	2021
Mutual funds	\$ 24,978	\$ 32,351
Exchange-traded funds	999	1,446
Money market	17	-
Total investments	<u>\$ 25,994</u>	<u>\$ 33,797</u>

Investment return consisted of the following at September 30:

	2022	2021
Interest and dividends	\$ 8,918	\$ 2,367
Realized gains (losses)	(8,382)	2,827
Unrealized gains (losses)	-	1,580
Investment fees	(418)	(318)
Investment return, net	<u>\$ 118</u>	<u>\$ 6,456</u>

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at September 30:

	2022	2021
Capital expansion	\$ 1,205,696	\$ 636,925
Infrastructure	240,000	750,000
Housing Stability	93,690	33,980
Homeless Youth	45,375	-
Homeless Veterans	40,000	-
Refugee employment	-	26,024
Supportive Housing	-	10,000
Education	-	6,408
	<u>\$ 1,624,761</u>	<u>\$ 1,463,337</u>

Net assets with donor restrictions released from restriction during the years ended September 30:

	2022	2021
Infrastructure	\$ 510,000	\$ -
Supportive Housing	85,000	-
Housing Stability	75,790	241,569
Refugee employment	26,024	6,309
Food service	10,000	-
Education	6,408	5,093
Homeless Youth	4,625	-
Capital expansion	-	113,726
Employment	-	6,930
Fundraising	-	6,309
Other program support	-	1,108
	<u>\$ 717,847</u>	<u>\$ 381,044</u>

8. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets that have been recognized and reported as in-kind revenue in the consolidated financial statements consisted of the following at September 30:

	2022	2021
Donated materials	\$ 204,313	\$ 226,817
Donated services	257,087	312,807
	<u>\$ 461,400</u>	<u>\$ 539,624</u>

Additional donated services to various programs were received by Caritas but did not meet the criteria for recognition in the consolidated financial statements.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

8. CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED

Donated materials include food, clothing, and hygiene products provided to various programs. These materials were valued at fair value based on an average of \$1.92 per pound as determined by Feeding America.

Donated services include office rent, bus passes, and instructional services provided to various programs. These services were valued at fair value based on the service provided and what the service provider would have charged for those services.

9. CONTINGENCIES

Caritas receives government grants for specific purposes that are subject to review and audit by government agencies. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the appropriate agency. In the opinion of Caritas' management, such disallowances, if any, would not be significant.

Caritas also has rental agreements with area apartment complexes for placement of those in need of housing assistance. As of September 30, 2022, Caritas is contingently liable for rental payments of approximately \$439,672. This contingency will be covered by using grant funds for housing assistance.

10. CONCENTRATIONS

Financial instruments that potentially subject Caritas to credit risk consist of cash and cash equivalents and receivables. Caritas places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. At September 30, 2022, Caritas held \$1,798,458 in deposits in excess of the Federal Deposit Insurance Corporation insurance coverage. Management believes no significant risk exists with respect to cash and cash equivalents. Caritas does not maintain collateral for its receivables and does not believe significant risk exists at September 30, 2022 and 2021.

For the year ended September 30, 2022, Caritas received grant funding from three government entities that accounted for 90% of grant revenue and three government entities that accounted for 91% grants receivable. For the year ended September 30, 2021, Caritas received grant funding from three government entities that accounted for 93% of grant revenue and four government entities that accounted for 89% grants receivable.

11. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of Caritas contributed \$158,507 and \$432,731, to Caritas during the years ended September 30, 2022 and 2021, respectively.

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

12. OPERATING LEASE COMMITMENTS

Caritas has entered into several non-cancelable operating leases for office equipment and office space. Total rent expense was \$50,344 and \$118,481 during the years ended September 30, 2022 and 2021, respectively. Future minimum lease payments as of September 30, 2022, are as follows:

<u>Year Ending</u>	
2023	\$ 16,979
2024	749
2025	749
2026	749
2027	624
Total	<u>\$ 19,850</u>

13. RETIREMENT PLAN

Caritas participates in a 403b plan through One Voice Central Texas that allows employee elective deferrals up to the maximum amount allowed by law. Participants may make a separate election to defer up to 90% of any bonus compensation. Caritas makes matching contributions equal to 50% of the participant's elective deferrals up to 6% of a participant's compensation. Caritas made matching contributions of \$16,589 and \$33,477, for the years ended September 30, 2022 and 2021, respectively.

14. LINE OF CREDIT

At September 30, 2022 and 2021, Caritas had available a line of credit with a financial institution. Maximum borrowings available under this line of credit were \$1,000,000 as of September 30, 2022 and \$1,000,000 as of September 30, 2021. Interest on the line is based on the prime rate published in the Wall Street Journal in the "Money Rates" section plus 0.750% . The interest rate in effect as of September 30, 2022, was 4%. The line matures on November 2, 2023. The balances on the line of credit were \$0 and \$0 as of September 30, 2022 and 2021, respectively.

15. NOTE PAYABLE

On February 4, 2021, NorthGate purchased property valued at \$2,850,000. This purchase was financed with a loan in the amount of \$2,280,000, with an interest rate of 3.99% for the first 5 years of the loan, then the lesser of the U.S. Prime Rate plus 0.05% or 3.99%. Principal and interest payments of \$13,872 will be due on the 5th day of each month beginning on March 5, 2021 through February 5, 2026, and then the payment will be adjusted and agreed upon annually starting on March 5, 2026 and maturing on February 5, 2041.

	<u>2022</u>	<u>2021</u>
	<u>\$ 2,156,830</u>	<u>\$ 2,236,021</u>
Total long-term debt	<u>\$ 2,156,830</u>	<u>\$ 2,236,021</u>

CARITAS OF AUSTIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

15. NOTE PAYABLE - CONTINUED

Future maturities of long-term debt are as follows:

<u>Year Ending</u>	
2023	\$ 166,464
2024	166,464
2025	166,464
2026*	166,464
2027 and Thereafter*	<u>1,490,974</u>
Total	<u><u>\$ 2,156,830</u></u>

* Final amounts are yet to be determined based on debt agreement having a change in terms starting March 5, 2026.

16. LIQUIDITY

The following represents Caritas' financial assets at September 30,:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,246,330	\$ 3,625,708
Investments	25,994	33,797
Pledges receivable, net	980,061	754,223
Grants and other receivables	<u>2,554,899</u>	<u>1,663,548</u>
Total financial assets at year-end	<u>5,807,284</u>	<u>6,077,276</u>
Less assets that are not available for operations		
Net assets with restrictions	<u>1,624,761</u>	<u>1,463,337</u>
	<u>1,624,761</u>	<u>1,463,337</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$ 4,182,523</u></u>	<u><u>\$ 4,613,939</u></u>

Caritas has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet normal operating expenses. Management believes this to be sufficient capital to fund the anticipated growth of Caritas in the subsequent year as well as any unanticipated contingencies or losses.

SUPPLEMENTARY INFORMATION



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

Board of Directors
Caritas of Austin

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 Caritas of Austin (Caritas), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caritas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Atchley & Associates LLP". The signature is written in a cursive, flowing style.

Austin, Texas

March 30, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors
Caritas of Austin

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caritas of Austin's (Caritas), a non-profit organization, compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Caritas' major federal programs for the year ended September 30, 2022. Caritas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Caritas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Caritas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Caritas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Caritas' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Caritas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Caritas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Caritas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Caritas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Caritas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The signature is written in a cursive, handwritten style. It reads "Atchley & Associates LLP". The letters are dark and fluid, with some loops and flourishes typical of a handwritten signature.

Austin, Texas
March 30, 2023

CARITAS OF AUSTIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures	Pass Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct				
Continuum of Care	14.267	TX0030L6J032012	\$ 1,808,170	\$ -
Passthrough				
LifeWorks				
Continuum of Care	14.267	TX0506Y6J032002	251,672	-
SAFE				
Continuum of Care	14.267	TX0514D6J031901	11,687	-
Continuum of Care	14.267	TX0514D6J032002	25,562	-
			<u>2,097,091</u>	<u>-</u>
Passthrough				
Austin Public Health - City of Austin				
Emergency Solutions Grant	14.231	E-20-MW-48-0500	3,054,575	2,853,824
			<u>5,151,666</u>	<u>2,853,824</u>
Total U.S. Department of Housing and Urban Development				
Veteran's Administrations				
Supportive Services for Veteran Families	64.033	20-TX-072-20	445,120	-
Supportive Services for Veteran Families	64.033	20-TX-072-C3	261,546	-
Supportive Services for Veteran Families	64.033	20-TX-072-21	642,374	-
Supportive Services for Veteran Families	64.033	20-TX-072-22	462,384	-
Supportive Services for Veteran Families	64.033	20-TX-072-SS	11,615	-
			<u>1,823,039</u>	<u>-</u>
Total Veteran's Administration				
U.S. Department of Health and Human Services				
Passthrough				
Central Texas Office for Refugees				
Refugee and Entrant Assistance - State - Administered Program	93.566	CTOR2021COARSS	40,945	-
Refugee and Entrant Assistance - State - Administered Program	93.566	CTOR2021COACMA	67,326	-
Texas Office for Refugees (TXOR)				
Refugee and Entrant Assistance - State - Administered Program	93.566	FFY2022-27927C-RSS	105,510	-
Refugee and Entrant Assistance - State - Administered Program	93.566	FFY2022-27927C-RCMA	927,718	-
			<u>1,141,499</u>	<u>-</u>
Total U.S. Department of Health and Human Services				

CARITAS OF AUSTIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures	Pass Through to Subrecipients
U.S. Department of Homeland Security:				
Passthrough				
Austin and Williamson County				
Emergency Food and Shelter National Board Program	97.024	Phase 38 for Served Meals	\$ 4,278	\$ -
Emergency Food and Shelter National Board Program	97.024	Phase 39 for Served Meals	51,052	-
Emergency Food and Shelter National Board Program	97.024	Phase ARPA-R	29,069	-
Total U.S. Department of Homeland Security			84,399	-
Total Expenditures of Federal Awards			\$ 8,200,603	\$ 2,853,824

CARITAS OF AUSTIN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Caritas of Austin (Caritas) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Caritas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Caritas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATES

Caritas has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CARITAS OF AUSTIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
14.231	Emergency Solutions Grant Program
93.566	Refugee and Entrant Assistance - State - Administered Programs

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

**CARITAS OF AUSTIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022**

None reported