



Caritas of Austin (A Nonprofit Corporation)

Report of Independent Auditor and
Financial Statements with Reports on
Federal Award Programs in Accordance
with the *Uniform Guidance*

September 30, 2017 and 2016

PMB Helin Donovan

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Table of Contents
September 30, 2017 and 2016

Report of Independent Auditor	1
-------------------------------	---

Financial Statements:

Statements of Financial Position as of September 30, 2017 and 2016	3
Statement of Activities for the year ended September 30, 2017	4
Statement of Activities for the year ended September 30, 2016	5
Statement of Functional Expenses for the year ended September 30, 2017	6
Statement of Functional Expenses for the year ended September 30, 2016	7
Statements of Cash Flows for the years ended September 30, 2017 and 2016	8
Notes to the Financial Statements	9

Government Audit Information

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 <i>Government Auditing Standards</i>	18
---	----

Single Audit Information

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with <i>Uniform Guidance</i>	20
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	24

Report of Independent Auditor

To the Board of Directors
Caritas of Austin
Austin, Texas:

Report on the Financial statements

We have audited the accompanying financial statements of Caritas of Austin (“Caritas”), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PMB Helin Donovan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caritas of Austin as of September 30, 2016, 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.

Other Matters

Predecessor Auditor

The financial statements of Caritas of Austin for the year ended September 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on December 27, 2016.

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 January 23, 2018 on our consideration of Caritas of Austin's 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caritas of Austin's internal controls over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

January 23, 2018
Austin, Texas

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Statements of Financial Position
September 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,296,889	\$ 493,443
Pledges receivable, net	151,953	127,153
Grants and other receivables	1,005,857	1,522,348
Prepaid expenses and other current assets	118,230	81,756
Property and equipment, net	<u>1,388,164</u>	<u>1,506,201</u>
 Total assets	 <u><u>\$ 3,961,093</u></u>	 <u><u>\$ 3,730,901</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 295,176	\$ 274,275
Accrued expenses and other current liabilities	<u>308,137</u>	<u>414,746</u>
Total liabilities	<u><u>603,313</u></u>	<u><u>689,021</u></u>
 Net assets:		
Unrestricted	2,295,750	2,452,788
Unrestricted, board designated	385,769	281,376
Temporarily restricted	<u>676,261</u>	<u>307,716</u>
Total net assets	<u><u>3,357,780</u></u>	<u><u>3,041,880</u></u>
 Total liabilities and net assets	 <u><u>\$ 3,961,093</u></u>	 <u><u>\$ 3,730,901</u></u>

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Statement of Activities
For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Support:			
Governmental grant revenue	\$ 9,190,749	\$ -	\$ 9,190,749
Contribution revenue	1,789,678	1,095,926	2,885,604
In-Kind revenue	341,101	-	341,101
Revenue:			
Special events income	360,491	-	360,491
Clients' rent	182,259	-	182,259
Interest income	546	-	546
Other revenue	54,386	-	54,386
Net assets released from restrictions	727,381	(727,381)	-
Total support and revenue	<u>12,646,591</u>	<u>368,545</u>	<u>13,015,136</u>
Expenses:			
Program services:			
Best Single Source Plus collaboration	3,843,653	-	3,843,653
Refugee resettlement	1,724,496	-	1,724,496
Supportive housing	2,093,514	-	2,093,514
Employment services	1,795,822	-	1,795,822
Other program support	551,799	-	551,799
Food services	470,448	-	470,448
Veterans services	777,992	-	777,992
Education	207,524	-	207,524
Total program services	<u>11,465,248</u>	<u>-</u>	<u>11,465,248</u>
Support services:			
Fundraising	904,419	-	904,419
General and administrative	329,568	-	329,568
Total support services	<u>1,233,988</u>	<u>-</u>	<u>1,233,988</u>
Total expenses	<u>12,699,236</u>	<u>-</u>	<u>12,699,236</u>
Change in net assets	(52,645)	368,545	315,900
Net assets at beginning of year	<u>2,734,164</u>	<u>307,716</u>	<u>3,041,880</u>
Net assets at end of year	<u>\$ 2,681,519</u>	<u>\$ 676,261</u>	<u>\$ 3,357,780</u>

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Statement of Activities
For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Support:			
Governmental grant revenue	\$ 9,752,348	\$ -	\$ 9,752,348
Contribution revenue	1,736,391	327,253	2,063,644
In-Kind revenue	361,375	-	361,375
Revenue:			
Special events income	435,932	-	435,932
Clients' rent	191,232	-	191,232
Interest income	90	-	90
Other revenue	51,679	-	51,679
Net assets released from restrictions	302,370	(302,370)	-
Total support and revenue	<u>12,831,417</u>	<u>24,883</u>	<u>12,856,300</u>
Expenses:			
Program services:			
Best Single Source Plus collaboration	3,923,579	-	3,923,579
Refugee resettlement	2,133,116	-	2,133,116
Supportive housing	1,784,561	-	1,784,561
Employment services	1,914,217	-	1,914,217
Other program support	639,489	-	639,489
Food services	479,449	-	479,449
Veterans services	779,637	-	779,637
Education	108,950	-	108,950
Total program services	<u>11,762,998</u>	<u>-</u>	<u>11,762,998</u>
Support services:			
Fundraising	780,126	-	780,126
General and administrative	309,689	-	309,689
Total support services	<u>1,089,815</u>	<u>-</u>	<u>1,089,815</u>
Total expenses	<u>12,852,813</u>	<u>-</u>	<u>12,852,813</u>
Change in net assets	(21,396)	24,883	3,487
Net assets at beginning of year	<u>2,755,560</u>	<u>282,833</u>	<u>3,038,393</u>
Net assets at end of year	<u>\$ 2,734,164</u>	<u>\$ 307,716</u>	<u>\$ 3,041,880</u>

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Statement of Functional Expenses
For the year ended September 30, 2017

	Program Services										General and Administrative	Total
	Best Single Source Collaboration	Refugee Resettlement	Supportive Housing Programs	Employment Services	Other Program Support	Food Services	Veterans Services	Education	Total Program Services	Fundraising		
Expenses:												
Direct Client Assistance												
Rent	\$ 1,616,697	373,125	1,167,402	-	9,721	-	203,820	-	3,370,764	8,486	400	\$ 3,379,650
Utility	285,344	29,856	53,247	66	15	-	16,609	-	385,137	1,192	-	386,329
Food	-	4,552	55	7	65	49,667	-	-	54,346	-	-	54,346
Financial assistance	-	294,397	1,383	785,515	65	313	-	-	1,081,673	1,547	-	1,083,220
Other	256,083	113,975	35,758	157,392	36,655	115	62,548	-	662,526	23,995	4,050	690,571
Total direct client assistance	2,158,124	815,905	1,257,846	942,979	46,521	50,095	282,976	-	5,554,446	35,220	4,450	5,594,116
Salaries	545,878	500,282	472,677	512,378	223,049	176,446	321,615	108,963	2,861,288	359,964	157,022	3,378,273
Payroll taxes and benefits	109,914	111,164	104,280	110,953	45,666	40,293	66,131	21,911	610,312	73,728	28,143	712,183
Total personnel	655,792	611,446	576,957	623,331	268,715	216,740	387,746	130,874	3,471,600	433,692	185,165	4,090,457
Printing, postage and supplies	13,744	18,043	11,450	13,735	8,392	15,090	6,890	4,575	91,919	48,860	13,053	153,832
Communication	9,826	9,925	11,992	8,926	5,097	3,401	6,453	1,355	56,974	5,646	2,103	64,723
Professional and contract services	887,961	99,697	70,052	92,870	141,065	3,480	11,271	40,939	1,347,334	156,253	52,252	1,555,840
Occupancy costs	55,957	50,868	88,154	48,957	62,803	27,163	33,638	9,670	377,209	31,902	11,471	420,582
Travel & vehicle expenses	18,406	7,443	17,391	8,051	5,070	2,703	17,813	2,040	78,919	6,639	41,457	127,014
Fundraising expenses	-	-	-	-	-	-	-	-	-	160,464	-	160,464
Insurance	4,941	4,618	4,114	4,230	1,800	1,658	2,848	864	25,072	2,637	920	28,629
Depreciation	23,336	22,707	19,476	20,028	8,522	7,839	14,205	4,048	120,161	12,479	4,296	136,935
In-kind	14,512	83,816	35,573	32,592	2,867	142,276	14,142	12,933	338,711	944	1,447	341,101
Other expenses	1,053	28	510	123	948	5	11	226	2,904	9,684	12,954	25,541
	1,029,737	297,145	258,712	229,512	236,564	203,614	107,270	76,650	2,439,203	435,507	139,953	3,014,663
Total expenses	\$ 3,843,653	1,724,496	2,093,514	1,795,822	551,799	470,448	777,992	207,524	11,465,248	904,419	329,568	\$ 12,699,236

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Statement of Functional Expenses
For the year ended September 30, 2016

	Program Services								Total Program Services	Fundraising	General and Administrative	Total
	Best Single Source Collaboration	Refugee Resettlement	Supportive Housing Programs	Employment Services	Other Program Support	Food Services	Veterans Services	Education				
Expenses:												
Direct Client Assistance												
Rent	\$ 1,600,391	553,184	1,071,105	1,755	29,573	-	179,633	-	3,435,641	-	480	\$ 3,436,121
Utility	398,598	43,377	25,298	-	7,840	-	28,219	-	503,332	-	-	503,332
Food	16,163	389,643	138	967,700	2,962	523	837	-	1,377,966	-	-	1,377,966
Financial assistance	-	8,344	726	1,229	65	56,367	-	786	67,517	-	-	67,517
Other	317,859	174,705	13,247	100,622	112,997	-	50,222	4,024	773,676	673	273	774,622
Total direct client assistance	2,333,011	1,169,253	1,110,514	1,071,306	153,437	56,890	258,911	4,810	6,158,132	673	753	6,159,558
Salaries	475,715	495,945	415,948	472,785	209,033	157,206	326,239	42,189	2,595,060	356,971	146,320	3,098,351
Payroll taxes and benefits	98,508	109,417	90,400	102,200	38,636	33,884	67,933	7,652	548,630	73,059	56,457	678,146
Total personnel	574,223	605,362	506,348	574,985	247,669	191,090	394,172	49,841	3,143,690	430,030	202,777	3,776,497
Printing, postage and supplies	39,925	9,582	8,888	20,562	27,626	35,855	9,619	3,909	155,966	38,433	14,709	209,108
Communication	13,852	14,321	12,611	13,361	8,516	4,154	9,711	874	77,400	6,803	2,450	86,653
Professional and contract services	847,896	129,690	32,646	107,195	102,825	5,221	16,898	30,360	1,272,731	34,669	42,343	1,349,743
Occupancy costs	55,318	52,424	44,762	50,383	73,668	31,486	36,566	4,235	348,842	27,918	9,010	385,770
Travel & vehicle expenses	16,962	12,742	11,555	9,311	9,205	2,860	25,939	3,212	91,786	6,089	26,811	124,686
Fundraising expenses	-	-	-	-	-	-	-	-	-	198,499	-	198,499
Insurance	5,059	4,558	3,834	4,364	1,742	1,493	3,136	353	24,539	2,355	634	27,528
Depreciation	24,896	24,554	19,757	18,690	12,722	8,327	15,430	1,808	126,184	13,565	3,658	143,407
In-kind	11,886	110,559	31,879	43,121	1,954	142,054	8,876	9,522	359,851	637	887	361,375
Other expenses	551	71	1,767	939	125	19	379	26	3,877	20,455	5,657	29,989
	1,016,345	358,501	167,699	267,926	238,383	231,469	126,554	54,299	2,461,176	349,423	106,159	2,916,758
Total expenses	\$ 3,923,579	2,133,116	1,784,561	1,914,217	639,489	479,449	779,637	108,950	11,762,998	780,126	309,689	\$12,852,813

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Statements of Cash Flows
September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 315,900	\$ 3,487
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	136,935	143,407
Gain on sale of property and equipment	-	(3,531)
Changes in operating assets and liabilities:		
Pledges receivable, net	(24,800)	(61,186)
Grants and other receivables	516,491	201,399
Prepaid expenses and other assets	(36,474)	(21,716)
Accounts payable	20,901	(60,701)
Accrued expenses and other current liabilities	(106,609)	135,696
	822,344	336,855
Cash flows from investing activities:		
Purchases of property and equipment	(18,898)	9,574
Proceeds from the sale of property and equipment	-	(58,052)
Net cash used in investing activities	(18,898)	(48,478)
Cash flows from financing activities:	-	-
Net change in cash and cash equivalents	803,446	288,377
Cash and cash equivalents at beginning of year	493,443	205,066
Cash and cash equivalents at end of year	\$ 1,296,889	\$ 493,443

See accompanying notes to financial statements

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Notes to the Financial Statements
September 30, 2017 and 2016

1. Organization

Caritas of Austin (“Caritas” or the “Organization”), 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”) program is a collaboration among thirteen 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: Aids Services of Austin, Any Baby Can, The Arc of the Capital Area, Caritas of Austin, Catholic Charities of Central Texas, Family Eldercare, Foundation for the Homeless, Front Steps, Goodwill Industries of Central Texas, Meals on Wheels and More, Safeplace, and Salvation Army. The BSS Plus program provides comprehensive case management and basic needs such as rent, mortgage, utility assistance and housing support; 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 Coordinator for the project.

Resettlement services for documented refugees begins with their arrival in Austin and includes housing, cultural orientation, 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 and onsite 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.

Other program support includes classes for highly trained volunteers that partner with clients to rebuild well being in their lives. It includes program eligibility screening, scheduling appointments with program staff, and referring individuals to community resources.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Notes to the Financial Statements
September 30, 2017 and 2016

1. Organization-continued

Food services consist of the Caritas Community Kitchen and food pantries. Each weekday the Caritas Community Kitchen serves a hot, nutritious lunch to over 200 people, no questions asked. The food pantries provide groceries and hygiene items to individuals and families already receiving services from Caritas of Austin.

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 help them reach their full potential. 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.

2. Summary of significant accounting policies

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board Accounting Standards Codification.

Classification of Net Assets - The financial statements report information regarding Caritas' financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Directors. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of Caritas and/or the passage of time or the occurrence of a specific event.

Permanently restricted net assets - Net assets whose amounts are not currently available for use in the operations of Caritas and whose limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Caritas. There were no permanently restricted net assets at September 30, 2017 and 2016.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statement- continued
September 30, 2017 and 2016

2. Summary of significant accounting policies- continued

Use of Estimates - The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for doubtful accounts, useful lives of depreciable property and equipment and the allocation of functional expenses. Actual results could differ from these estimates.

Concentration of Credit Risk - Caritas maintains cash balances at federally insured financial institutions. At various times during the years ended September 30, 2017 and 2016, balances in these accounts may have exceeded Federal Deposit Insurance Corporation (FDIC) insured limits. At September 30, 2017 and 2016, Caritas had cash exceeding the FDIC insured limits of approximately \$729,322 and \$323,969, respectively. Caritas has not experienced and does not anticipate any credit losses on these deposits.

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. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets, generally 5 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.

Board Designated Net Assets - As of September 30, 2017 and 2016, Caritas' Board of Directors designated unrestricted net assets in the amount \$385,769 and \$281,376, respectively, 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 facility.

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, 2017 and 2016, respectively.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Notes to the Financial Statements
September 30, 2017 and 2016

2. Summary of significant accounting policies- continued

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. Allowances for uncollectible pledges as of September 30, 2017 and 2016 were \$2,560 and \$3,000, respectively.

Donated Services and Materials - Donated services and materials are reflected in the statement of activities as in-kind 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.

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.

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. Unrelated business income, of which Caritas had no significant amounts for the years September 30, 2017 and 2016, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.

Management has analyzed the tax positions taken by Caritas, and has concluded that as of September 30, 2017 and 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to its fiscal year ended September 30, 2013.

Recent Accounting Pronouncements- In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public companies, the ASU is effective for years beginning after December 15, 2019. Early adoption is permitted. Caritas has elected not to early adopt this ASU as of September 30, 2017.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statements- continued
September 30, 2017 and 2016

2. Summary of significant accounting policies- continued

Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also:

- Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.
- Continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method.
- Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes.
- Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. Caritas has elected not to early adopt this ASU as of September 30, 2017.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue Recognition (Topic 606)*. This ASU provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. The new standard, as initially released, would be effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and early adoption would not be permitted. In July 2015, the FASB deferred the effective date of the new revenue standard by one year resulting in the new revenue standard being effective for fiscal years and interim periods beginning after December 15, 2017 and allowing entities to adopt one year earlier if they so elect. The new standard allows for two alternative implementation methods: the use of either (1) full retrospective application to each prior reporting period presented or (2) modified retrospective application in which the cumulative effect of initially applying the revenue standard is recognized as an adjustment to the opening balance of retained earnings in the period of adoption. The Organization plans to adopt the new standard for the fiscal year ending September 30, 2019 but has not yet determined the method by which the standard will be adopted. The Organization is currently evaluating the impact of the standard on its financial statements.

Subsequent Events - Management of Caritas evaluate subsequent events for disclosure through the date the financial statements were available to be issued. For the financial statements as of and for the year ending September 30, 2017, this date was January 23, 2018.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statements- continued
September 30, 2017 and 2016

3. Pledges Receivable

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

Amounts due in:

	2017	2016
Less than one year	\$ 152,013	\$ 70,673
One to five years	2,500	60,333
Total	<u>154,513</u>	<u>131,006</u>
Less: discount	(60)	(853)
Less: allowance for doubtful accounts	(2,500)	(3,000)
Pledges receivable, net	<u>\$ 151,953</u>	<u>\$ 127,153</u>

Pledges are discounted based on the expected timing of receipt.

4. Property and equipment

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

	2017	2016
Land	\$ 220,880	\$ 220,800
Buildings	2,033,395	2,028,495
Furniture and fixtures	249,220	235,222
Total	<u>2,503,415</u>	<u>2,484,517</u>
Less accumulated depreciation	(1,115,251)	(978,316)
Property and equipment, net	<u>\$ 1,388,164</u>	<u>\$ 1,506,201</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$136,935 and \$143,407, respectively.

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, 2017 and 2016, was \$121,977 and \$113,005, respectively. There were no transfers from Caritas to the Fund during the years ended September 30, 2017 and 2016.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statements- continued
September 30, 2017 and 2016

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, 2017 and 2016, the Fund provided \$3,100, respectively, in grant revenue to Caritas.

6. Temporarily restricted net assets

Temporarily restricted net assets were restricted for the following purposes at September 30:

	2017	2016
Supportive housing	\$ 2,256 \$	171,715
Housing stability	67,599	86,281
Education	102,660	24,487
Food services	-	10,666
Infrastructure	35,000	10,000
Resettlement	109,919	4,567
Employment	26,021	-
Capital expansion	332,806	-
Total temporarily restricted net assets	\$ 676,261 \$	307,716

Temporarily restricted net assets released from restriction during the year were as follows:

	2017	2016
Supportive housing	\$ 2,256 \$	171,715
Housing stability	67,599	86,281
Education	102,660	24,487
Food services	-	10,666
Infrastructure	35,000	10,000
Resettlement	109,919	4,567
Employment	26,021	-
Capital expansion	332,806	-
Total temporarily restricted net assets	\$ 727,381 \$	302,370

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statements- continued
September 30, 2017 and 2016

7. Donated services and materials

Donated services and materials that have been recognized and reported as in-kind revenue in the financial statement consisted of the following at September 30:

	2017	2016
Donated materials	\$ 30,998	\$ 205,733
Donated services	310,103	155,642
Total	\$ 341,101	\$ 361,375

Donated services include office rent, bus passes, and instructional services provided to various programs. Additional donated services to various programs were received by Caritas but did not meet the criteria for recognition in the financial statements.

8. 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, 2017, Caritas is contingently liable for rental payments of approximately \$101,604. This contingency will be covered by using grant funds for housing assistance.

9. Concentrations

For the year ended September 30, 2017, Caritas received grant funding from one government entity which accounted for 29% of total grant revenue and 42% grants receivable. For the year ended September 30, 2016, Caritas received grant funding from three government entities which, when combined, accounted for 49% of grant revenue and 64% grants receivable.

10. Operating lease commitments

Caritas has entered into several non-cancelable operating leases for office equipment and office space. Total rent expense was \$65,588 and \$60,732 during the years ended September 30, 2017 and 2016, respectively. Future minimum lease payments as of September 30, 2017, are as follows:

Year ending:	
2018	\$ 80,544
2019	82,416
2020	27,680
Total	\$ 190,640

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Notes to the Financial Statements- continued
September 30, 2017 and 2016

11. Related party transactions

Certain members of the Board of Directors of Caritas contributed \$440,463 and \$95,177 to Caritas during the years ended September 30, 2017 and 2016, respectively.

12. 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 participants compensation. Caritas made matching contributions of \$39,632 and \$31,927 for the years ended September 30, 2017 and 2016, respectively.

13. Line of credit

At September 30, 2017 and 2016, Caritas had available a line of credit with a financial institution. Maximum borrowings available under this line of credit are \$300,000. Interest on the line is based on the prime rate published in the Wall Street Journal in the "Money Rates" section plus 0.750% (5% at September 30, 2017). The line matures on September 2, 2018. There have been no draws on the line of credit as of September 30, 2017.

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

To the Board of Directors
Caritas of Austin:

We have audited 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, the financial statements of Caritas of Austin (the "Organization"), which comprise the statements of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine our auditing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PMB Helin Donovan

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 purposes.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP

January 23, 2018

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

To the Board of Directors,
Caritas of Austin:

Report on Compliance for Each Major Federal

We have audited Caritas of Austin's (the "Organization") 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 the Organization's major federal programs for the year ended September 30, 2017. The Organization's 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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization 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 the Organization's major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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, 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 the Organization's 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 federal programs 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Purpose of this Report

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.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP

January 23, 2018

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

<u>Grantor/Pass-through Agency</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Subrecipient</u>	<u>Federal Expenditures</u>
Veteran's Administrations				
Supportive Services for Veteran Families	64.033	12-TX-072	\$ -	\$ 559,510
Supportive Services for Veteran Families	64.033	C15-TX-503A	-	50,352
Total Veteran's Administration			<u>-</u>	<u>609,862</u>
U.S. Department of Homeland Security:				
Direct programs:				
Emergency Food and Shelter National Board	97.024	Phase 33	-	10,386
Emergency Food and Shelter National Board	97.024	Phase 34	-	29,134
			<u>-</u>	<u>39,520</u>
Pass-through programs from:				
United States Conference of Catholic Bishops:				
Cuban/ Haitian Entrant Program	97.009	N/A	-	204,722
Total U.S. Department of Homeland Security			<u>-</u>	<u>244,242</u>
U.S. Department of State:				
Pass-through programs from:				
United States Conference of Catholic Bishops:				
U.S. Refugee Admissions Program	19.510	N/A	-	821,741
Total U.S. Department of State			<u>-</u>	<u>821,741</u>
U.S. Department of Health and Human Services:				
Pass-through programs from:				
United States Conference of Catholic Bishops:				
Refugee and Entrant Assistance Voluntary Agency Program	93.567	N/A	-	270,534
Texas Health and Human Services Commission				
Office of Immigration and Refugee Affairs:				
Refugee Social Services Employment Program	93.566	529-14-0009-00030, 529-13-0021-00004, 529-14-0096-00009	-	577,966
Refugee Social Services Employment Program	93.584	529-14-0009-00030, 529-14-0096-00009	-	41,575
			<u>-</u>	<u>619,540</u>
Central Texas Office for Refugees				
Refugee Social Services and Targeted Assistance Grant	93.566	CTOR2017COARSS, CTOR2017COACMA	-	1,033,832
			<u>-</u>	<u>1,033,832</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>1,923,906</u>
U.S. Department of Housing and Urban Development:				
Direct programs:				
Supportive Housing Program	14.235	TX0030L6J031507	-	268,370
Supportive Housing Program	14.235	TX0030L6J031608	-	96,748
Supportive Housing Program	14.235	TX0040L6J031407	-	15,453
Supportive Housing Program	14.235	TX0040L6J031508	-	213,394
Supportive Housing Program	14.235	TX0031L6J031405	-	17,015
Supportive Housing Program	14.235	TX0031L6J031506	-	213,138
Supportive Housing Program	14.235	TX0317L6J031504	-	706,445
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>1,530,564</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,130,315</u>

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 31, 2017

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal (the “Schedule”) includes the activity of all federal grant programs administered by Caritas of Austin (“Caritas”). Caritas’ organization is defined in Note 1 of Caritas’ basic financial statements.

(b) Basis of Presentation

The Schedule presents total federal expended for each individual program in accordance with the Uniform Guidance and the *Uniform Grant Management Standards*.

(c) Basis of Accounting

The expenditures for the federal and state financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of Caritas’ basic financial statements.

(2) Relationship to Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of Caritas of Austin.

Total federal awards per schedule of expenditures	\$ 5,130,315
Plus non-federal funding sources	<u>7,884,821</u>
Total revenue per statement of activities	<u><u>\$ 13,015,136</u></u>

(3) Indirect Cost Rate

Caritas of Austin does not have a negotiated indirect cost rate and, therefore, was eligible to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance, section 414.

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2017

Section I - Summary of Auditor's Results

A Financial Statements

Type of auditor's report issued:	Unqualified opinion
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified that are not considered to be material weaknesses? 	None reported
Noncompliance material to financial statements noted?	No

B. Federal Awards

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.235	Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None reported

Section III – Federal Award Findings

None reported

CARITAS OF AUSTIN
(A NONPROFIT CORPORATION)
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section IV – Summary Schedule of Prior Audit Findings

None reported