

# **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, 2018 and 2017



**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

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September 30, 2018 and 2017

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## REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying financial statements of Caritas of Austin (“Caritas”), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caritas of Austin as of September 30, 2018 and 2017, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 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 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' internal controls over financial reporting and compliance.

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

June 27, 2019  
Austin, Texas

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Statements of Financial Position  
September 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 1,296,878	\$ 1,296,889
Investments	25,139	-
Pledges receivable, net	68,094	151,953
Grants and other receivables	749,590	1,005,857
Prepaid expenses and other current assets	121,955	118,230
Property and equipment, net	1,259,360	1,388,164
Total assets	\$ 3,521,016	\$ 3,961,093
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 451,059	\$ 295,176
Accrued expenses and other current liabilities	284,026	308,137
Total liabilities	735,085	603,313
Net assets:		
Without donor restrictions	2,598,537	2,681,519
With donor restrictions	187,394	676,261
Total net assets	2,785,931	3,357,780
Total liabilities and net assets	\$ 3,521,016	\$ 3,961,093

See report of independent auditor and accompanying notes

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**  
Statement of Activities  
For the Year Ended September 30, 2018

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Support:			
Governmental grant revenue	\$ 7,474,968	\$ -	\$ 7,474,968
Contribution revenue	2,111,134	233,051	2,344,185
In-Kind revenue	285,916	-	285,916
Revenue:			
Special events income	460,529	-	460,529
Clients' rent	198,880	-	198,880
Interest income	2,148	-	2,148
Other revenue	78,782	-	78,782
Net assets released from restrictions	721,918	(721,918)	-
Total support and revenue	<u>11,334,275</u>	<u>(488,867)</u>	<u>10,845,408</u>
Expenses:			
Program services:			
Best Single Source Plus collaboration	3,925,178	-	3,925,178
Refugee resettlement	816,553	-	816,553
Supportive housing	2,364,604	-	2,364,604
Employment services	644,587	-	644,587
Other program support	564,692	-	564,692
Food services	444,810	-	444,810
Veterans services	639,390	-	639,390
Education	160,693	-	160,693
Total program services	<u>9,560,507</u>	<u>-</u>	<u>9,560,507</u>
Support services:			
Fundraising	1,099,602	-	1,099,602
General and administrative	757,148	-	757,148
Total support services	<u>1,856,750</u>	<u>-</u>	<u>1,856,750</u>
Total expenses	<u>11,417,257</u>	<u>-</u>	<u>11,417,257</u>
Change in net assets	(82,982)	(488,867)	(571,849)
Net assets at beginning of year	<u>2,681,519</u>	<u>676,261</u>	<u>3,357,780</u>
Net assets at end of year	<u>\$ 2,598,537</u>	<u>\$ 187,394</u>	<u>\$ 2,785,931</u>

See report of independent auditor and accompanying notes.

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

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</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	<u>727,381</u>	<u>(727,381)</u>	<u>-</u>
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 collaboratic	4,056,650	-	4,056,650
Refugee resettlement	1,395,634	-	1,395,634
Supportive housing	2,296,009	-	2,296,009
Employment services	1,381,649	-	1,381,649
Other program support	382,754	-	382,754
Food services	491,575	-	491,575
Veterans services	651,361	-	651,361
Education	<u>171,116</u>	<u>-</u>	<u>171,116</u>
Total program services	10,826,747	-	10,826,747
Support services:			
Fundraising	1,077,236	-	1,077,236
General and administrative	<u>795,253</u>	<u>-</u>	<u>795,253</u>
Total support services	1,872,489	-	1,872,489
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 report of independent auditor and accompanying notes.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**  
Statement of Functional Expenses  
For the Year Ended September 30, 2018

**Program Services**

	<b>Best Single Source Collaboration</b>	<b>Refugee Resettlement</b>	<b>Supportive Housing Programs</b>	<b>Employment Services</b>	<b>Other Program Support</b>	<b>Food Services</b>	<b>Veterans Services</b>	<b>Education</b>	<b>Total Program Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total Support</b>	<b>Total</b>
Expenses:													
Direct Client Assistance													
Rent	\$ 1,702,506	\$ 146,564	\$ 1,220,320	\$ 1,050	\$ 33,527	\$ -	\$ 221,055	\$ -	\$ 3,325,022	\$ -	\$ -	\$ -	\$ 3,325,022
Utility	208,445	12,758	79,589	-	3,299	-	24,323	-	328,414	354	-	354	328,768
Food	-	377	567	-	33	40,447	-	19	41,443	883	-	883	42,326
Financial assistance	-	84,037	253	185,663	999	249	-	-	271,201	7	10	17	271,218
Other	244,182	30,306	91,067	43,329	208,304	-	47,147	-	664,335	9,984	9,673	19,657	683,992
<b>Total direct client assistance</b>	<b>2,155,133</b>	<b>274,042</b>	<b>1,391,796</b>	<b>230,042</b>	<b>246,162</b>	<b>40,696</b>	<b>292,525</b>	<b>19</b>	<b>4,630,415</b>	<b>11,228</b>	<b>9,683</b>	<b>20,911</b>	<b>4,651,326</b>
Salaries	582,677	274,921	575,700	212,204	177,335	178,090	238,050	91,800	2,330,777	358,141	483,530	841,671	3,172,448
Payroll taxes and benefits	126,103	59,467	116,486	45,118	38,985	44,917	49,856	20,312	501,244	73,514	92,032	165,546	666,790
<b>Total personnel</b>	<b>708,780</b>	<b>334,388</b>	<b>692,186</b>	<b>257,322</b>	<b>216,320</b>	<b>223,007</b>	<b>287,906</b>	<b>112,112</b>	<b>2,832,021</b>	<b>431,655</b>	<b>575,562</b>	<b>1,007,217</b>	<b>3,839,238</b>
Printing, postage and supplies	12,219	8,022	14,223	7,923	8,137	17,212	1,867	2,341	71,944	78,806	15,522	94,328	166,272
Communication	14,018	9,241	12,370	9,136	4,705	4,155	2,552	1,655	57,832	7,572	4,316	11,888	69,720
Professional and contract services	903,871	78,579	60,077	54,841	7,536	4,928	6,772	19,655	1,136,259	225,410	72,596	298,006	1,434,265
Occupancy costs	64,224	43,850	64,657	45,951	65,923	26,341	16,397	10,036	337,379	36,884	23,548	60,432	397,811
Travel & vehicle expenses	18,555	8,195	31,023	4,597	3,548	3,453	13,539	2,043	84,953	9,741	29,738	39,479	124,432
Promotional and development	-	-	1,237	-	-	-	363	-	1,600	249,970	3,138	253,108	254,708
Insurance	5,883	4,880	3,137	4,699	2,129	1,874	483	812	23,897	3,169	1,381	4,550	28,447
Depreciation	24,699	18,031	20,653	22,566	9,903	7,540	10,149	4,754	118,295	13,985	4,316	18,301	136,596
In-kind	17,123	37,238	69,338	6,243	-	115,601	6,825	6,240	258,608	20,555	6,754	27,309	285,917
Other expenses	673	87	3,907	1,267	329	3	12	1,026	7,304	10,628	10,594	21,222	28,526
	<b>1,061,265</b>	<b>208,123</b>	<b>280,622</b>	<b>157,223</b>	<b>102,210</b>	<b>181,107</b>	<b>58,959</b>	<b>48,562</b>	<b>2,098,071</b>	<b>656,719</b>	<b>171,903</b>	<b>828,622</b>	<b>2,926,693</b>
<b>Total expenses</b>	<b>\$ 3,925,178</b>	<b>\$ 816,553</b>	<b>\$ 2,364,604</b>	<b>\$ 644,587</b>	<b>\$ 564,692</b>	<b>\$ 444,810</b>	<b>\$ 639,390</b>	<b>\$ 160,693</b>	<b>\$ 9,560,507</b>	<b>\$ 1,099,602</b>	<b>\$ 757,148</b>	<b>\$ 1,856,750</b>	<b>\$11,417,257</b>

See report of independent auditor and accompanying notes



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

**Program Services**

	Program Services								Total Program Services	Fundraising	General and Administrative	Total Support	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	\$ 1,616,697	\$ 373,125	\$ 1,167,402	\$ -	\$ 9,721	\$ -	\$ 203,820	\$ -	\$ 3,370,764	\$ 8,486	\$ 400	\$ 8,886	\$ 3,379,650
Utility	285,344	29,856	53,247	66	15	-	16,609	-	385,137	1,192	-	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	-	1,547	1,083,220
Other	256,083	113,975	35,758	157,392	36,655	115	62,548	-	662,526	23,995	4,050	28,045	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	39,670	5,594,116
Salaries	620,481	292,758	613,051	225,972	188,840	189,644	253,494	97,756	2,481,996	381,377	514,901	896,278	3,378,273
Payroll taxes and benefits	134,688	63,515	124,416	48,190	41,639	47,975	53,250	21,695	535,367	78,519	98,297	176,816	712,183
Total personnel	755,168	356,273	737,467	274,161	230,479	237,619	306,745	119,451	3,017,363	459,895	613,198	1,073,094	4,090,457
Printing, postage and supplies	11,305	7,422	13,159	7,330	7,528	15,924	1,727	2,166	66,562	72,910	14,361	87,271	153,832
Communication	13,013	8,579	11,484	8,481	4,368	3,857	2,369	1,536	53,688	7,029	4,007	11,036	64,723
Professional and contract services	980,487	85,240	65,169	59,490	8,175	5,346	7,346	21,321	1,232,574	244,517	78,750	323,266	1,555,840
Occupancy costs	67,900	46,360	68,358	48,581	69,696	27,849	17,336	10,610	356,691	38,996	24,896	63,892	420,582
Travel & vehicle expenses	18,940	8,365	31,667	4,692	3,622	3,525	13,820	2,085	86,716	9,943	30,355	40,298	127,014
Promotional and development	-	-	779	-	-	-	229	-	1,008	157,479	1,977	159,456	160,464
Insurance	5,921	4,911	3,157	4,729	2,143	1,886	486	817	24,050	3,189	1,390	4,579	28,629
Depreciation	24,760	18,076	20,704	22,622	9,928	7,559	10,174	4,766	118,589	14,020	4,327	18,346	136,935
In-kind	20,428	44,425	82,721	7,448	-	137,913	8,142	7,444	308,522	24,522	8,058	32,580	341,101
Other expenses	603	78	3,498	1,134	295	3	11	919	6,540	9,516	9,486	19,001	25,541
	1,143,357	223,456	300,696	164,508	105,754	203,861	61,640	51,665	2,254,938	582,121	177,605	759,725	3,014,663
Total expenses	\$ 4,056,650	1,395,634	2,296,009	1,381,649	382,754	491,575	651,361	171,116	10,826,747	1,077,236	795,253	1,872,489	\$ 12,699,236

See report of independent auditor and accompanying notes.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Statements of Cash Flows  
September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (571,849)	\$ 315,900
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	136,596	136,935
Changes in operating assets and liabilities:		
Pledges receivable, net	83,859	(24,800)
Grants and other receivables	256,267	516,491
Prepaid expenses and other assets	(3,725)	(36,474)
Accounts payable	155,883	20,901
Accrued expenses and other current liabilities	(24,111)	(106,609)
	32,920	822,344
Cash flows from investing activities:		
Purchases of investments	(25,139)	-
Purchases of property and equipment	(7,792)	(18,898)
Net cash used in investing activities	(32,931)	(18,898)
Cash flows from financing activities:	-	-
Net change in cash and cash equivalents	(11)	803,446
Cash and cash equivalents at beginning of year	1,296,889	493,443
Cash and cash equivalents at end of year	\$ 1,296,878	\$ 1,296,889

See report of independent auditor and accompanying notes.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2018

**NOTE 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's 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.

**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.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements

September 30, 2018 and 2018

(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 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.

**NOTE 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's 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 the Organization.

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

***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, 2018 and 2017, balances in these accounts may have exceeded Federal Deposit Insurance Corporation (FDIC) insured limits, however 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.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements

September 30, 2018 and 2018

(continued)

***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.

The Organization reviews the carrying value of fixed assets for possible impairment whenever circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized to the extent the sum of undiscounted estimated cash flows expected from the use of the asset is less than the carrying amount. There were no events that occurred during the years ended December 31, 2018 or 2017 that would indicate an impairment of the Organization's fixed assets.

***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, 2018 and 2017, respectively.

***Contribution Revenue*** - Contributions received including unconditional promises to give are recorded as support with donor restrictions, or support without donor restrictions 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, 2018 and 2017 were \$872 and \$2,560, 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's 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.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2018  
(continued)

***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, 2018 and 2017, 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, 2018 and 2017 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, 2015.

***Recent Accounting Pronouncements*** - In February 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-02, *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, 2018.

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, 2017 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, 2018 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.

***Date of Management’s Review*** - Caritas evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before the financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which Caritas’ financial statements are available for issue. For the financial statements, as of and for the year ending September 30, 2018, this date was June 27, 2019.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2018  
(continued)

**NOTE 3 - LIQUIDITY**

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,296,878
Investments	25,139
Pledges receivable, net	68,094
Grants and other receivables	749,590
	<u>\$ 2,139,701</u>

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Receivable balances are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet normal operating expenses. As part of its liquidity management, the entity invests cash in excess of daily requirements in various short-term investments including cash and mutual funds.

Total net assets without donor restrictions as of September 30, 2018 were approximately \$2.6 million. This is ample capital to fund the anticipated growth of the Organization in the subsequent year as well as any unanticipated contingencies or losses. Additionally, \$7.1 million of grants have been renewed which will assist in funding operations during the following twelve months, and the Organization has approximately \$750,000 of undrawn credit available if there is an unforeseen need for cash.

**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	2018	2017
Land	\$ 220,800	\$ 220,800
Buildings	2,041,187	2,033,395
Furniture and fixtures	234,166	249,220
Total	2,496,153	2,503,415
Less: accumulated depreciation	(1,236,793)	(1,115,251)
Property and equipment, net	\$ 1,259,360	\$ 1,388,164

Depreciation expense for the years ended September 30, 2018 and 2017 was \$136,596 and \$136,935, respectively.

**CARITAS OF AUSTIN  
(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2018  
(continued)

**NOTE 5 - ENDOWMENT FUNDS**

During the 2006 fiscal year, Caritas established the Caritas of Austin Endowment Fund (the “Fund”), a permanent endowment fund, at Austin Community Foundation (the “Foundation”). The assets are irrevocably held by the Foundation and are managed to accomplish Caritas's 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, 2018 and 2017, was \$121,387 and \$121,977, respectively. There were no transfers from Caritas to the Fund during the years ended September 30, 2018 and 2017.

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, 2018 and 2017, the Fund provided \$3,100, each year, in grant revenue to Caritas.

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Supportive housing	\$ 3,189	\$ 2,256
Housing stability	4,124	67,599
Education	25,521	102,660
Infrastructure	15,395	35,000
Resettlement	33,860	109,919
Employment	31,789	26,021
Veterans	11,468	-
Capital expansion	<u>62,048</u>	<u>332,806</u>
Total	<u>\$ 187,394</u>	<u>\$ 676,261</u>



**CARITAS OF AUSTIN  
(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2018  
(continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2018</u>	<u>2017</u>
Supportive housing	\$ 35,406	\$ 313,239
Housing stability	55,137	70,612
Education	89,639	44,326
Food services	12,500	-
Infrastructure	19,605	60,000
Resettlement	91,059	155,223
Employment	66,731	83,981
Veterans	81,082	-
Capital expansion	<u>270,759</u>	<u>-</u>
Total	<u>\$ 721,918</u>	<u>\$ 727,381</u>

**Board Designated Net Assets** - As of September 30, 2018 and 2017, Caritas's Board of Directors designated unrestricted net assets in the amount \$62,048 and \$385,769, 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's North facility.

**NOTE 7 - DONATED SERVICES AND MATERIALS**

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

	<u>2018</u>	<u>2017</u>
Donated materials	\$ 140,911	\$ 30,998
Donated services	<u>145,005</u>	<u>310,103</u>
Total	<u>\$ 285,916</u>	<u>\$ 341,101</u>

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.

**NOTE 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's 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, 2018, Caritas is contingently liable for rental payments of approximately \$102,000, which will be covered through the use of future grant funds for housing assistance.

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**

Notes to the Financial Statements  
September 30, 2018 and 2017  
(continued)

**NOTE 9 - CONCENTRATIONS**

For the year ended September 30, 2018, Caritas received grant funding from one government entity which accounted for 34% of total grant revenue and 38% of grants receivable. For the year ended September 30, 2017, Caritas received grant funding from three government entities which, when combined, accounted for 29% of grant revenue and 42% grants receivable.

**NOTE 10 - OPERATING LEASES**

Caritas has entered into several non-cancelable operating leases for office equipment and office space. Total rent expense was \$66,760 and \$65,588 during the years ended September 30, 2018 and 2017, respectively. Future minimum lease payments as of September 30, 2018, are as follows:

<u>Year ending</u>	
2019	\$ 82,416
2020	<u>27,608</u>
	<u><u>\$ 110,024</u></u>

**NOTE 11 - RELATED PARTIES**

Certain members of the Board of Directors of Caritas contributed \$128,370 and \$440,463 to Caritas during the years ended September 30, 2018 and 2017, respectively.

**NOTE 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 participant's compensation. Caritas made matching contributions of \$35,814 and \$39,632 for the years ended September 30, 2018 and 2017, respectively.

**NOTE 13 - LINE OF CREDIT**

At September 30, 2018 and 2017, Caritas had available a line of credit with a financial institution. Maximum borrowings available under this line of credit are \$750,000 and \$300,000, as of September 30, 2018 and 2017, respectively. Interest on the line is based on the prime rate published in the Wall Street Journal in the "Money Rates" section plus 0.750% (6% at September 30, 2018). The line matures on September 2, 2019. There have been no draws on the line of credit during the years ended September 30, 2018 and 2017.



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

To the Board of Directors of  
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 (the “Organization”), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

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



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

June 27, 2019  
Austin, Texas



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

To the Board of Directors of  
Caritas of Austin

**Report on Compliance for Each Major Program**

We have audited the compliance of Caritas of Austin (the “Organization”) 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, 2018. The Organization’s major federal programs are identified on 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 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 Award (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 the major federal programs 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 the Organization’s major federal programs. 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 has complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2018.



## 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

June 27, 2019  
Austin, Texas

**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2018

<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	\$ -	\$ 552,312
<b>Total Veteran's Administration</b>			<u>-</u>	<u>552,312</u>
U.S. Department of Homeland Security:				
Pass-through programs from:				
United States Conference of Catholic Bishops:				
Cuban/ Haitian Entrant Program	97.009	N/A	-	25,852
<b>Total U.S. Department of Homeland Security</b>			<u>-</u>	<u>25,852</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	-	278,344
<b>Total U.S. Department of State</b>			<u>-</u>	<u>278,344</u>
U.S. Department of Health and Human Services:				
Pass-through programs from:				
Texas Health and Human Services Commission				
Office of Immigration and Refugee Affairs:				
Refugee Social Services Employment Program	93.566	18AETXRSOC & 17A2TXRTAG	-	265,928
Refugee Social Services Employment Program	93.584	1806TXRCMA	-	404,777
<b>Total U.S. Department of Health and Human Services</b>			<u>-</u>	<u>670,705</u>
U.S. Department of Housing and Urban Development:				
Supportive Housing Program	14.235	TX0030L6J031608	-	335,303
Supportive Housing Program	14.235	TX0040L6J031609	-	223,840
Supportive Housing Program	14.235	TX0031L6J031607	-	228,068
Supportive Housing Program	14.235	TX0317L6J031605	-	686,445
<b>Total U.S. Department of Housing and Urban Development</b>			<u>-</u>	<u>1,473,656</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 3,000,869</u>

See accompanying notes to the Schedule of Federal Awards

**CARITAS OF AUSTIN  
(A NONPROFIT CORPORATION)**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

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

**(b) Basis of Presentation**

The Schedule presents total federal awards expended for each individual program in accordance with the Uniform Guidance.

**(c) Basis of Accounting**

The expenditures for the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of Caritas’s 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 federal expenditures	\$ 3,000,869
Plus: non-federal funding sources	<u>4,474,099</u>
Total revenue per statement of activities	<u><u>\$ 7,474,968</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.

**(4) Subsequent Events**

The Organizations’ management has evaluated and disclosed subsequent events through June 27, 2019, the date the financial statements were available to be issued.



**CARITAS OF AUSTIN**  
**(A NONPROFIT CORPORATION)**  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2018

**Section I - Summary of Auditor's Results**

**A Financial Statements**

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

**B. Federal Awards**

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

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
14.235	U.S. Department of Urban Housing-Supportive Housing

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

**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, 2018

**Section IV – Summary Schedule of Prior Audit Findings**

None reported