

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

SEPTEMBER 30, 2020 AND 2019

CARITAS OF AUSTIN
(A Nonprofit Corporation)

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FINANCIAL SECTION



Independent Auditors' Report

Board of Directors
Caritas of Austin
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Caritas of Austin, which comprise the statement of financial position as of September 30, 2020, 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial statements of Caritas of Austin, as of and for the year ended September 30, 2019, were audited by other auditors, whose report, dated May 21, 2020, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caritas of Austin's internal control over financial reporting and compliance.



Austin, Texas
June 24, 2021

CARITAS OF AUSTIN
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,638,425	\$ 1,359,354
Investments	28,815	26,077
Pledges receivable, net	753,857	487,171
Grants and other receivables, net	1,183,419	854,595
Prepaid expenses and other assets	36,470	71,286
Property and equipment, net	1,020,063	1,135,254
Total assets	\$ 5,661,049	\$ 3,933,737
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 178,143	\$ 329,388
Accrued expenses and other current liabilities	236,012	236,135
Deferred revenue	8,552	-
Line of credit	-	150,000
Long-term debt	758,500	-
Total liabilities	1,181,207	715,523
Net assets		
Without donor restrictions	3,083,955	2,622,830
With donor restrictions	1,395,887	595,384
Total net assets	4,479,842	3,218,214
Total liabilities and net assets	\$ 5,661,049	\$ 3,933,737

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

CARITAS OF AUSTIN
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Governmental grant revenue	\$ 8,459,639	\$ -	\$ 8,459,639
Contribution revenue	2,806,378	1,315,277	4,121,655
In-kind revenue	298,784	-	298,784
Special events income	235,150	-	235,150
Rental income	147,586	-	147,586
Investment return, net	7,213	-	7,213
Other revenue	78,447	-	78,447
Gain/(loss) on disposals	(16,050)	-	(16,050)
Net assets released from restrictions	514,774	(514,774)	-
	<u>12,531,921</u>	<u>800,503</u>	<u>13,332,424</u>
Total support and revenue			
Expenses			
Program services:			
Best Single Source Plus collaboration	4,721,616	-	4,721,616
Refugee resettlement	172,051	-	172,051
Supportive housing	2,782,590	-	2,782,590
Employment services	375,651	-	375,651
Food services	472,747	-	472,747
Veterans services	912,058	-	912,058
Education	140,593	-	140,593
Other program support	973,358	-	973,358
	<u>10,550,664</u>	<u>-</u>	<u>10,550,664</u>
Total program services			
Support services:			
Fundraising	937,829	-	937,829
General and administrative	582,303	-	582,303
	<u>1,520,132</u>	<u>-</u>	<u>1,520,132</u>
Total support services			
	<u>12,070,796</u>	<u>-</u>	<u>12,070,796</u>
Total expenses			
Change in net assets	461,125	800,503	1,261,628
Net assets at beginning of year	<u>2,622,830</u>	<u>595,384</u>	<u>3,218,214</u>
Net assets at end of year	<u>\$ 3,083,955</u>	<u>\$ 1,395,887</u>	<u>\$ 4,479,842</u>

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

CARITAS OF AUSTIN
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Governmental grant revenue	\$ 7,154,981	\$ -	\$ 7,154,981
Contribution revenue	1,910,143	1,088,085	2,998,228
In-kind revenue	347,654	-	347,654
Special events income	593,610	-	593,610
Rental income	191,180	-	191,180
Investment return, net	6,368	-	6,368
Other revenue	38,347	-	38,347
Gain/(loss) on disposals	-	-	-
Net assets released from restrictions	680,095	(680,095)	-
 Total support and revenue	 10,922,378	 407,990	 11,330,368
Expenses			
Program services:			
Best Single Source Plus collaboration	3,784,963	-	3,784,963
Refugee resettlement	97,947	-	97,947
Supportive housing	3,127,284	-	3,127,284
Employment services	307,516	-	307,516
Food services	660,407	-	660,407
Veterans services	685,698	-	685,698
Education	174,598	-	174,598
Other program support	288,694	-	288,694
 Total program services	 9,127,107	 -	 9,127,107
Support services:			
Fundraising	1,086,121	-	1,086,121
General and administrative	684,857	-	684,857
 Total support services	 1,770,978	 -	 1,770,978
 Total expenses	 10,898,085	 -	 10,898,085
 Change in net assets	 24,293	 407,990	 432,283
Net assets at beginning of year	2,598,537	187,394	2,785,931
Net assets at end of year	\$ 2,622,830	\$ 595,384	\$ 3,218,214

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

CARITAS OF AUSTIN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services				Program Services				Fundraising	General and Administrative	Total
	Best Single Source Plus Collaboration	Refugee Resettlement	Supportive Housing	Employment Services	Food Services	Veterans Services	Education	Other Program Support			
Direct client assistance											
Rent	\$ 2,458,946	\$ -	\$ 1,487,733	\$ 15,024	\$ -	\$ 283,411	\$ -	\$ -	\$ 3,164	\$ -	\$ 4,248,278
Utility	167,894	-	128,567	2,117	557	14,174	-	3,075	-	-	316,384
Food	1,834	-	479	-	62,331	-	-	19	-	-	64,663
Financial assistance	-	112,301	10	335	108	-	-	1,180	-	-	113,934
Other	229,251	21	139,449	45,388	82	143,288	14,324	222,372	21,614	-	815,789
Total direct client assistance	2,857,925	112,322	1,756,238	62,864	63,078	440,873	14,324	226,646	24,778	-	5,559,048
Program supporting services											
Salaries	586,034	48,478	681,074	229,150	144,630	332,861	88,398	416,932	450,264	293,086	3,270,907
Payroll taxes and benefits	126,440	10,851	150,020	47,629	32,072	72,636	18,339	80,546	87,971	53,808	680,312
Printing, postage, and supplies	13,912	-	14,362	3,766	16,700	9,340	4,167	16,973	66,170	13,686	159,076
Communication	12,823	334	14,117	3,588	3,751	5,966	1,914	12,506	7,189	5,519	67,707
Professional and contract services	1,038,833	-	48,224	6,558	24,658	13,400	3,355	69,148	102,074	69,525	1,375,775
Occupancy costs	46,352	2	71,942	10,570	30,678	18,123	6,158	118,620	25,240	15,898	343,583
Travel and vehicle expenses	11,649	2	17,624	2,664	1,962	9,678	641	13,097	3,827	10,952	72,096
Promotional and development	-	-	20	-	-	-	-	-	77,941	2,500	80,461
Insurance	5,950	-	5,882	1,431	2,058	2,393	819	5,394	3,274	1,992	29,193
Depreciation	-	-	-	-	-	-	-	-	-	98,641	98,641
In kind	14,000	62	22,558	7,419	153,078	6,431	231	12,505	82,500	-	298,784
Other expenses	7,698	-	529	12	82	357	2,247	991	6,601	16,696	35,213
Total expenses	\$ 4,721,616	\$ 172,051	\$ 2,782,590	\$ 375,651	\$ 472,747	\$ 912,058	\$ 140,593	\$ 973,358	\$ 937,829	\$ 582,303	\$ 12,070,796

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

CARITAS OF AUSTIN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services				Program Services				Fundraising	General and Administrative	Total
	Best Single Source Plus Collaboration	Refugee Resettlement	Supportive Housing	Employment Services	Food Services	Veterans Services	Education	Other Program Support			
Direct client assistance											
Rent	\$ 1,704,933	\$ -	\$ 1,507,938	\$ 4,050	\$ -	\$ 231,738	\$ -	\$ 1,699	\$ 2,731	\$ -	\$ 3,453,089
Utility	155,723	-	97,405	-	-	20,473	-	156	483	-	274,240
Food	-	-	938	-	51,660	-	-	-	-	-	52,598
Financial assistance	-	44,573	599	-	39	-	-	-	7	-	45,218
Other	190,861	773	104,719	27,158	58	20,281	12,666	201,914	3,881	1,268	563,579
Total direct client assistance	2,051,517	45,346	1,711,599	31,208	51,757	272,492	12,666	203,769	7,102	1,268	4,388,724
Program supporting services											
Salaries	511,898	42,905	744,830	189,029	155,241	248,035	79,484	214,037	373,162	298,252	2,856,873
Payroll taxes and benefits	112,980	7,801	155,187	37,284	33,238	48,934	17,475	45,924	65,388	49,107	573,318
Printing, postage, and supplies	9,926	2	17,375	1,918	19,032	3,718	1,630	4,688	48,596	11,227	118,112
Communication	13,137	179	22,285	2,860	4,005	5,721	1,890	5,514	7,757	4,455	67,803
Professional and contract services	976,110	(535)	190,408	14,749	22,420	28,785	31,501	32,299	104,034	215,196	1,614,967
Occupancy costs	45,214	138	97,502	8,742	23,505	18,365	6,651	97,136	26,671	11,418	335,342
Travel and vehicle expenses	14,645	69	37,901	2,328	2,276	12,403	458	1,341	9,531	6,975	87,927
Promotional and development	-	-	259	-	-	(1)	-	-	246,683	2,733	249,674
Insurance	5,604	-	8,049	1,074	1,939	2,283	771	2,539	3,384	1,722	27,365
Depreciation	27,603	-	39,646	5,291	9,548	11,243	3,800	12,508	16,665	8,484	134,788
In kind	12,842	2,042	99,111	12,900	337,334	31,113	18,249	(331,498)	140,999	24,562	347,654
Other expenses	3,487	-	3,132	133	112	2,607	23	437	36,149	49,458	95,538
Total expenses	\$ 3,784,963	\$ 97,947	\$ 3,127,284	\$ 307,516	\$ 660,407	\$ 685,698	\$ 174,598	\$ 288,694	\$ 1,086,121	\$ 684,857	\$ 10,898,085

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

CARITAS OF AUSTIN
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,261,628	\$ 432,283
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	98,641	134,788
(Gain)/loss on disposal of property and equipment	16,050	-
Changes in operating assets and liabilities:		
Pledges receivable	(266,686)	(419,077)
Grants and other receivables	(328,824)	(105,005)
Prepaid expenses and other assets	34,816	50,669
Accounts payable	(151,245)	(139,800)
Accrued expenses and other current liabilities	(123)	(29,762)
Deferred revenue	8,552	-
Net cash provided (used) by operating activities	672,809	(75,904)
Cash flows from investing activities:		
Purchases of investments	(2,738)	(938)
Proceeds from sale of property and equipment	500	-
Purchase of property and equipment	-	(10,682)
Net cash provided (used) by investing activities	(2,238)	(11,620)
Cash flows from financing activities:		
Net activity on line of credit	(150,000)	150,000
Proceeds from debt issuance	758,500	-
Net cash provided (used) by financing activities	608,500	150,000
Net increase (decrease) in cash and cash equivalents	1,279,071	62,476
Beginning cash and cash equivalents	1,359,354	1,296,878
Ending cash and cash equivalents	\$ 2,638,425	\$ 1,359,354
Cash paid for interest and taxes:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. ORGANIZATION

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

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

Refugee 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.

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

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. ORGANIZATION - CONTINUED

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

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

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

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Caritas and changes therein are classified as follows:

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

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

Board Designated Net Assets - As of September 30, 2020 and 2019, Caritas' Board of Directors designated a total of \$690,451 and \$810,661, respectively, of net assets without donor restriction, to acquire, expand, equip, maintain, repair, or enhance the physical property or building systems located at 611 Neches and for the purchase reserve of Caritas' North Austin facility.

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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. Actual results could differ from these estimates.

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

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

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, 2020 and 2019, respectively.

Contribution Revenue - Contributions received including unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support in the period pledged depending on the existence and nature of any donor restrictions. Contributions received with donor-imposed restrictions that are satisfied in the same reporting period are reported as temporarily restricted revenue and released from restrictions. Conditional promises to give are recognized when the conditions on which they are dependent are substantially met. Caritas uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There is no allowance for uncollectible pledges at September 30, 2020 and 2019, 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.

Reclassification - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

Federal Income Tax Status - Caritas is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for any unrelated business activities. Caritas is subject to routine examinations of its returns; however, there are no examinations currently in progress. The September 30, 2017, and subsequent tax years remain subject to examination by the Internal Revenue Service.

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

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements - Caritas adopted FASB Accounting Standards Update (ASU) No. 2014-09, Revenue from *Contracts with Customers (Topic 606)* and additional ASUs issued to clarify the guidance in ASU 2014-09, which amend the existing accounting standards for revenue recognition. Caritas adopted the new revenue standard utilizing the full retrospective method. Caritas did not restate information reported in prior periods as the adoption of the new revenue standard did not have a material impact on previously reported amounts.

Subsequent Events - Management of Caritas has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued. (see Note 17)

3. PLEDGES RECEIVABLE

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

	2020	2019
Amounts due in:		
Less than one year	\$ 353,852	\$ 42,976
One to five years	426,047	445,067
	779,899	488,043
Less present value discount	(26,042)	(872)
Total	\$ 753,857	\$ 487,171

Pledges are discounted based on the expected timing of receipt. The present value discount was \$26,042 and \$872, for the years ended September 30, 2020 and 2019, respectively.

4. PROPERTY AND EQUIPMENT

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

	2020	2019
Land	\$ 220,800	\$ 220,800
Buildings	2,018,612	2,050,671
Furniture and fixtures	192,205	235,364
Total	2,431,617	2,506,835
Less accumulated depreciation	(1,411,554)	(1,371,581)
Property and equipment, net	\$ 1,020,063	\$ 1,135,254

Depreciation expense for the years ended September 30, 2020 and 2019, was \$98,641 and \$134,788, respectively.

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, was \$123,990 and \$123,405, respectively. There were no transfers from Caritas to the Fund during the years ended September 30, 2020 and 2019.

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, 2020 and 2019, the Fund provided \$1,900 and \$2,000, respectively, in grant revenue to Caritas.

6. INVESTMENTS

Investments consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 27,786	\$ 24,929
Exchange-traded funds	989	1,121
Money market	40	27
Total investments	<u>\$ 28,815</u>	<u>\$ 26,077</u>

Investment return consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 7,040	\$ 5,509
Realized gains (losses)	(979)	(79)
Unrealized gains (losses)	2,738	938
Investment fees	(1,586)	-
Investment return, net	<u>\$ 7,213</u>	<u>\$ 6,368</u>

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Supportive Housing	\$ -	\$ 18,132
Housing Stability	52,682	-
Education	-	5,269
Food Services	1,500	-
Infrastructure	750,000	-
Resettlement	6,309	9,462
Employment	6,930	53,741
Fundraising	6,309	
Capital expansion	<u>572,157</u>	<u>508,780</u>
	<u>\$ 1,395,887</u>	<u>\$ 595,384</u>

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

	<u>2020</u>	<u>2019</u>
Supportive Housing	\$ 56,372	\$ 48,195
Housing Stability	88,112	52,635
Education	5,269	105,252
Food service	33,032	40,360
Infrastructure	-	700
Resettlement	-	33,860
Employment	61,361	75,048
Veteran	36,583	34,257
Fundraising	37,048	69,477
Other program support	3,875	8,622
Capital expansion	<u>193,122</u>	<u>211,689</u>
	<u>\$ 514,774</u>	<u>\$ 680,095</u>

8. 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>2020</u>	<u>2019</u>
Donated materials	\$ 215,763	\$ 250,559
Donated services	<u>83,021</u>	<u>97,095</u>
	<u>\$ 298,784</u>	<u>\$ 347,654</u>

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

8. DONATED SERVICES AND MATERIALS - CONTINUED

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.

9. CONTINGENCIES

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

Caritas also has rental agreements with area apartment complexes for placement of those in need of housing assistance. As of September 30, 2020, Caritas is contingently liable for rental payments of approximately \$520,863. This contingency will be covered by using grant funds for housing assistance.

10. CONCENTRATIONS

Financial instruments that potentially subject Caritas to credit risk consist of cash and cash equivalents and receivables. Caritas places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. At September 30, 2020, Caritas held \$2,127,635 in deposits in excess of the Federal Deposit Insurance Corporation insurance coverage. Management believes no significant risk exists with respect to cash and cash equivalents. Caritas does not maintain collateral for its receivables and does not believe significant risk exists at September 30, 2020 and 2019.

For the year ended September 30, 2020, Caritas received grant funding from three government entities which, combined, accounted for 49% of grant revenue and 64% grants receivable. For the year ended September 30, 2019, Caritas received grant funding from three government entities which, combined, accounted for 49% of total revenue and 47% grants receivable.

11. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of Caritas contributed \$190,145 and \$760,245, to Caritas during the years ended September 30, 2020 and 2019, respectively. Caritas disbursed \$0 and \$0 for services from vendors owned by members of the Board of Directors during the years ended September 30, 2020 and 2019, respectively.

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

12. OPERATING LEASE COMMITMENTS

Caritas has entered into several non-cancelable operating leases for office equipment and office space. Total rent expense was \$118,929 and \$122,663 during the years ended September 30, 2020 and 2019, respectively. Future minimum lease payments as of September 30, 2020, are as follows:

Year Ending	
2021	\$ 88,608
2022	90,854
2023	76,960
2024	63,159
2025	15,943
Total	\$ 335,524

13. RETIREMENT PLAN

Caritas participates in a 403b plan through One Voice Central Texas that allows employee elective deferrals up to the maximum amount allowed by law. Participants may make a separate election to defer up to 90% of any bonus compensation. Caritas makes matching contributions equal to 50% of the participant's elective deferrals up to 6% of a participant's compensation. Caritas made matching contributions of \$28,849 and \$27,341, for the years ended September 30, 2020 and 2019, respectively.

14. LINE OF CREDIT

At September 30, 2020 and 2019, Caritas had available a line of credit with a financial institution. Maximum borrowings available under this line of credit were \$750,000 as of September 30, 2020 and 2019. Interest on the line is based on the prime rate published in the Wall Street Journal in the "Money Rates" section plus 0.750% . The interest rate in effect as of September 30, 2020, was 5.5%. The line matures on September 2, 2021. The balances on the line of credit were \$0 and \$150,000 as of September 30, 2020 and 2019, respectively.

15. NOTE PAYABLE

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In April 2020, Caritas entered into an unsecured loan agreement in the amount of \$758,500 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration, and is part of the CARES Act. The loan has an interest rate of 1% and is due April 20, 2022. (see Note 17)

CARITAS OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

16. LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,638,425	\$ 1,359,354
Investments	28,815	26,077
Pledges receivable, net	753,857	487,171
Grants and other receivables	<u>1,183,419</u>	<u>854,595</u>
 Total financial assets at year-end	 <u>4,604,516</u>	 <u>2,727,197</u>
 Less assets that are not available for operations		
Board designated net assets	690,451	810,661
Net assets with restrictions	<u>1,395,887</u>	<u>595,384</u>
	<u>2,086,338</u>	<u>1,406,045</u>
 Financial assets available to meet cash needs for general expenditures over the next twelve months	 <u>\$ 2,518,178</u>	 <u>\$ 1,321,152</u>

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

17. SUBSEQUENT EVENTS

On January 25, 2021, the PPP loan obtained by Caritas was deemed fully forgiven by the U.S. Small Business Administration.

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

SUPPLEMENTARY INFORMATION



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

Board of Directors
Caritas of Austin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Caritas of Austin (Caritas), which comprise the statement of financial position as of September 30, 2020, 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 June 24, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caritas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Atchley & Associates, LLP".

Austin, Texas
June 24, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Caritas of Austin

Report on Compliance for Each Major Federal Program

We have audited Caritas of Austin's (Caritas), a non-profit organization, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Caritas' major federal programs for the year ended September 30, 2020. Caritas' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of Caritas' 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 are 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 of Federal Awards* (Uniform Guidance). Those standards and 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 Caritas' 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 on Caritas' compliance.

Opinion on Each Major Federal Program

In our opinion Caritas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Caritas 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 Caritas' 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Caritas of Austin'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 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
June 24, 2021

CARITAS OF AUSTIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures	Pass Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct				
Continuum of Care	14.267	TX0030L6J031810	\$ 1,504,922	-
Continuum of Care	14.267	TX0040L6J031710	956	-
Continuum of Care	14.267	TX0031L6J031708	25,524	-
Passthrough LifeWorks			1,531,402	-
Rapid Rehousing Plus Collaborative	14.276	TX04416J031600	408,529	-
Total U.S. Department of Housing and Urban Development			1,939,931	-
Veteran's Administrations				
Supportive Services for Veteran Families	64.033	20-TX-072	561,225	-
Supportive Services for Veteran Families	64.033	20-TX-072-CA	257,511	-
Total Veteran's Administration			818,736	-
U.S. Department of Health and Human Services				
Passthrough				
Central Texas Office for Refugees				
Refugee Social Services and Targeted Assistance Grant	93.566	CTOR2020COARSS	213,952	-
Refugee Social Services and Targeted Assistance Grant	93.566	CTOR2020COARSS	7,622	-
Cash and Medical Assistance Program	93.566	CTOR2020COACMA	164,878	-
Cash and Medical Assistance Program	93.566	CTOR2020COACMA	8,930	-
Total U.S. Department of Health and Human Services			395,382	-
U.S. Department of Homeland Security:				
Passthrough				
Austin and Williamson County				
Emergency Food and Shelter National Board Program	97.024	Phase 36	9,674	-
Emergency Food and Shelter National Board Program	97.024	Phase CARES	13,187	-
Emergency Food and Shelter National Board Program	97.024	Phase 37	10,735	-
Total U.S. Department of Homeland Security			33,596	-
Total Expenditures of Federal Awards			\$ 3,187,645	-

CARITAS OF AUSTIN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Caritas under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Caritas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Caritas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATES

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

CARITAS OF AUSTIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
64.033	Supportive Services for Veteran Families

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

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

CARITAS OF AUSTIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020

None reported