

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

Financial Report
December 31, 2023



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Independent Auditor's Report

To the Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities), a non-profit organization, which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Charities as of December 31, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

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The Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 are 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 supplementary information, and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 27, 2024

Catholic Charities, Diocese of Fort Worth, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,119,779	\$ 2,567,943
Accounts and grants receivable, net of allowance \$0 for 2023; and \$13,783 for 2022	40,081,820	24,443,284
Notes receivable	83,333	83,333
Due from related parties	33,556	-
Prepaid expenses	289,800	92,317
Short-term investments	2,675,996	1,860,601
Pledges receivable, net of discount	239,969	1,962
Long-term investments	-	503,122
Interest in net assets of endowment	16,032,890	13,415,922
Ownership interest in a privately held company	209,806	209,806
Operating lease right-of-use assets	543,326	-
Property and equipment, net	9,839,713	10,308,804
	<u>\$ 73,149,988</u>	<u>\$ 53,487,094</u>
Total assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 38,232,508	\$ 23,905,355
Due to related parties	-	361
Deferred revenue	501,491	515,334
Operating lease liabilities - current portion	302,873	-
Operating lease liabilities - long-term portion	355,951	-
Deposits	13,269	13,269
	<u>39,406,092</u>	<u>24,434,319</u>
Total liabilities		
NET ASSETS		
Without donor restrictions	30,650,323	26,625,368
Board designated	2,181,122	2,181,122
With donor restrictions	912,451	246,285
	<u>33,743,896</u>	<u>29,052,775</u>
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,149,988</u>	<u>\$ 53,487,094</u>

The Notes to Financial Statements
are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statements of Activities
Year Ended December 31, 2023
with Comparative Totals for Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total	
			2023	2022
REVENUE AND OTHER SUPPORT				
Contributions	\$ 7,315,688	\$ 3,699,726	\$ 11,015,414	\$ 9,345,384
United Way	170,660	-	170,660	284,040
Fees and grants from governmental agencies				
Texas office for refugees	235,908,603	-	235,908,603	120,547,681
Other governmental sources	35,044,472	-	35,044,472	8,239,066
Program service fees	3,573,347	-	3,573,347	3,437,712
Gain on disposal of assets	33,540	-	33,540	295,094
Gain/(loss) on interest in other entities	3,228,984	-	3,228,984	(2,067,920)
Other income/(expense)	759,852	-	759,852	381,543
Net assets released from restrictions				
Satisfaction of program restrictions	3,033,560	(3,033,560)	-	-
Total revenue and other support	289,068,706	666,166	289,734,872	140,462,600
EXPENSES				
Program services				
Workforce and education	3,065,736	-	3,065,736	3,259,040
Child and family services	642,092	-	642,092	557,318
Financial stabilization services	4,563,184	-	4,563,184	6,720,558
Mental & health services	143,276	-	143,276	152,922
Refugee services	25,919,893	-	25,919,893	6,413,076
Texas office for refugees	239,183,448	-	239,183,448	120,586,409
Social enterprises	3,896,808	-	3,896,808	4,221,624
Supportive programs	1,495,276	-	1,495,276	1,897,176
Total program services	278,909,713	-	278,909,713	143,808,123
Supporting services				
Development and fundraising	1,944,016	-	1,944,016	1,960,962
Management and general	4,190,022	-	4,190,022	1,432,602
Total supporting services	6,134,038	-	6,134,038	3,393,564
Total expenses	285,043,751	-	285,043,751	147,201,687
Change in net assets	4,024,955	666,166	4,691,121	(6,739,087)
NET ASSETS, beginning of year	28,806,490	246,285	29,052,775	35,791,862
NET ASSETS, end of year	\$ 32,831,445	\$ 912,451	\$ 33,743,896	\$ 29,052,775

The Notes to Financial Statements
are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,691,121	\$ (6,739,087)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	616,768	657,733
Operating lease amortization	271,664	-
(Gain)/loss on disposal of property and equipment	(42,272)	(390,341)
Changes in operating assets and liabilities		
Accounts and grants receivable, net of allowance	(15,638,536)	(21,513,364)
Due from related parties	(33,556)	1,262
Notes receivable	-	41,667
Prepaid expenses	(197,483)	53,623
Pledges receivable, net of discount	(238,007)	40,240
Ownership interest in a privately held company	-	90,536
Accounts payable and accrued expenses	14,327,153	20,609,338
Due to related parties	(361)	361
Operating lease liabilities	(156,166)	-
Deferred revenue	(13,843)	(36,990)
Deposits	-	(4,680)
	3,586,482	(7,189,702)
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(138,945)	(746,015)
Proceeds from disposal of property and equipment	33,540	530,000
Sale of investments	(312,273)	(1,583,332)
(Gain)/loss on interest in other entities	(2,616,968)	2,950,226
	(3,034,646)	1,150,879
Net cash provided by (used in) investing activities		
Net change in cash and cash equivalents	551,836	(6,038,823)
CASH AND CASH EQUIVALENTS, beginning of year	2,567,943	8,606,766
CASH AND CASH EQUIVALENTS, end of year	\$ 3,119,779	\$ 2,567,943
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 29	\$ 1,501
Operating lease assets obtained in exchange for lease liabilities, net	\$ 814,990	\$ -
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Ownership interest in a privately held company	\$ -	\$ (90,536)

The Notes to Financial Statements
are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
Statements of Functional Expenses
Year Ended December 31, 2023
with Comparative Totals for Year Ended December 31, 2022

	Program Services				
	Workforce and Education Services	Family Services	Financial Stabilization Services	Mental and Health Services	Refugee Services
Salaries	\$ 1,758,741	\$ 231,430	\$ 2,707,899	\$ 91,890	\$ 4,010,333
Employee benefits	280,596	29,749	426,599	12,959	555,171
Payroll taxes	140,987	18,580	214,368	7,263	317,577
Total employee compensation	2,180,324	279,759	3,348,866	112,112	4,883,081
Professional fees	297	1,539	26,792	10,718	220,999
Supplies	8,594	5,771	16,841	390	103,238
Telephone	24,012	3,929	41,449	1,260	90,780
Postage	593	346	1,790	30	4,418
Occupancy	25,453	133,132	96,146	2,219	534,381
Outside printing	1,845	979	2,735	122	7,815
Travel and transportation	14,549	3,568	17,520	2,766	54,943
Conferences and conventions	1,320	495	1,424	-	1,932
Subscriptions and publications	16,720	2,054	26,277	808	34,546
Specific assistance	760,964	26,986	899,347	8,783	19,716,939
Membership dues	-	603	1,500	-	215
Equipment - rentals, repair, and maintenance	15,192	4,183	25,589	2,332	158,120
Miscellaneous	-	-	-	-	-
Liability insurance	3,900	628	6,251	215	30,596
Interest expense	-	-	-	-	-
Depreciation expense	11,973	178,120	50,657	1,521	77,890
TOTAL EXPENSES	\$ 3,065,736	\$ 642,092	\$ 4,563,184	\$ 143,276	\$ 25,919,893

The Notes to Financial Statements
are an integral part of these statements.

Catholic Charities, Diocese of Fort Worth, Inc.
 Statements of Functional Expenses — Continued
 Year Ended December 31, 2023
 with Comparative Totals for Year Ended December 31, 2022

	Program Services			
	Texas Office for Refugees	Social Enterprises	Supportive Programs	Total Program Services
Salaries	\$ 1,638,999	\$ 2,342,877	\$ 922,596	\$ 13,704,765
Employee benefits	279,119	389,112	137,981	2,111,286
Payroll taxes	123,910	184,930	71,087	1,078,702
 Total employee compensation	 2,042,028	 2,916,919	 1,131,664	 16,894,753
Professional fees	236,203,123	60,573	10,265	236,534,306
Supplies	21,482	82,608	15,065	253,989
Telephone	3,914	36,708	5,837	207,889
Postage	547	7,263	746	15,733
Occupancy	54,533	49,935	40,926	936,725
Outside printing	7,967	6,112	748	28,323
Travel and transportation	158,777	397,218	13,834	663,175
Conferences and conventions	1,145	1,902	1,710	9,928
Subscriptions and publications	549,669	87,676	10,210	727,960
Specific assistance	-	-	208,111	21,621,130
Membership dues	469	4,011	9,335	16,133
Equipment - rentals, repair, and maintenance	30,507	19,825	33,769	289,517
Miscellaneous	-	6,874	-	6,874
Liability insurance	81,453	9,526	1,932	134,501
Interest expense	-	-	-	-
Depreciation expense	27,834	197,294	11,124	556,413
Bad debt expense	-	12,364	-	12,364
 TOTAL EXPENSES	 \$ 239,183,448	 \$ 3,896,808	 \$ 1,495,276	 \$ 278,909,713

The Notes to Financial Statements
 are an integral part of these statements.

Supporting Services			Total Program and Supporting Services	
Development and Fundraising	Management and General	Total Supporting Services	2023	2022
\$ 1,318,149	\$ 2,875,699	\$ 4,193,848	\$ 17,898,613	\$ 15,876,708
167,467	292,872	460,339	2,571,625	2,390,069
99,561	186,308	285,869	1,364,571	1,178,481
<u>1,585,177</u>	<u>3,354,879</u>	<u>4,940,056</u>	<u>21,834,809</u>	<u>19,445,258</u>
130,986	357,942	488,928	237,023,234	118,372,384
67,952	32,225	100,177	354,166	219,856
5,736	7,573	13,309	221,198	173,684
3,892	982	4,874	20,607	20,895
29,033	72,210	101,243	1,037,968	482,968
26,369	10,389	36,758	65,081	60,623
15,935	23,834	39,769	702,944	740,635
1,551	3,069	4,620	14,548	17,592
28,873	122,256	151,129	879,089	45,322
17,785	-	17,785	21,638,915	5,870,529
2,871	38,142	41,013	57,146	51,625
8,023	113,845	121,868	411,385	894,656
-	-	-	6,874	468
6,209	5,916	12,125	146,626	145,958
-	29	29	29	1,501
13,624	46,731	60,355	616,768	657,733
-	-	-	12,364	-
<u>\$ 1,944,016</u>	<u>\$ 4,190,022</u>	<u>\$ 6,134,038</u>	<u>\$ 285,043,751</u>	<u>\$ 147,201,687</u>

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

A general description of the programs at Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities) follows:

Workforce and Education Services

Several programs provide individuals with the resources and opportunities needed to obtain a living wage employment, including educational opportunities in targeted industries and job placement services. Comprehensive support services are provided to low income students with the goal of helping them persist in school and obtain their degree. Services are targeted at helping students overcome obstacles outside of the classroom which might otherwise result in the student having to drop out of college.

Family Services

These programs are designed to support the structure of a healthy family by offering free health assessments, pregnancy through early childhood education, and other support to strengthen families.

Financial Stabilization Services

These programs provide compassionate services by performing an initial needs assessment of a client and linking them to the appropriate Catholic Charities program or other community resources. Some activities include intensive case management, which addresses the needs of the whole person, not based off of funding parameters but by working to build and grow the strengths of each individual. Emergency rental, utility, and other assistance are available to Tarrant County residents and residents of surrounding counties in the Diocese. Disaster response services are also included, which equip staff to respond to and assist in disaster response situations, such as our response with COVID-19 and weather-related disasters.

Mental and Health Services

Licensed professionals provide high quality mental health services for children, adolescents, adults, couples, and families to help with life's challenges. Financial assistance is available to assist with the cost of both mental and physical health services. Counseling and health services are provided on-site and at several parishes in the diocese.

Refugee Services

These services encourage early economic self-sufficiency by incorporating employment services, case management, financial assistance, language training, and community involvement to secure employment and preclude accessing public cash assistance. These services offer employment training and coaching and placement services for refugees, asylees, Special Immigrant Visas (SIVs), victims of trafficking, refugees from Afghanistan and Ukraine, and Cuban parolees.

Social Enterprises

The goal of our Catholic Charities social enterprises is to provide key services needed by the community while generating a surplus for Catholic Charities to grow services in other areas. Our social enterprises of Transportation and Immigration services provide those critical services for the community while our dental clinic addresses the dental needs of low income, uninsured, individuals and families.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Supportive Programs

Several programs provide oversight and strategic planning for operation of Catholic Charities, along with support to programs by ensuring that in-kind donation and volunteer needs are met by donors. They also work with diocesan parishes on their disaster planning and preparedness and to strengthen the relationship between Catholic Charities and the parishes throughout the Diocese.

Texas Office for Refugees

Catholic Charities has served as leader of the North Texas Region since 2017, coordinating the activities of all sub-recipients in the region that provide services to refugees, and disbursing funding from the Office of Refugee Resettlement (ORR) of the U.S. Department of Housing and Human Services to the sub-recipients. During 2021, Catholic Charities was selected to serve as the leader for the entire state of Texas, coordinating the activities of all sub-recipients in the state that provide services to refugees, and dispensing funding from ORR. The Texas Office of Refugees began transitioning into its expanded role during the fall of 2021 and was fully operational in 2022 and 2023.

Financial Statement Presentation

The financial statements of Catholic Charities have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Catholic Charities is required to report information regarding its financial position and activities according to the following two classes of net assets:

Without Donor Restriction includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations in accordance with its bylaws. During 2021, the Board designated \$2,181,122 of net assets without donor restrictions, of which \$2,181,122 remained at December 31, 2023. The balance is designated for use in Social Enterprises programs, including investment in current businesses and acquisition or creation of new businesses.

With Donor Restriction includes grants, contributions, and other program income expendable only for specified purposes or time periods. This classification also includes funds that have been accepted with donor stipulations requiring the principal be maintained intact in perpetuity with only the income to be utilized. As of December 31, 2023 and 2022, Catholic Charities had no amounts in net assets with donor restrictions that are held in perpetuity.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Catholic Charities maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Catholic Charities has not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Accounts, Grants and Pledges Receivables

Accounts and grants receivable represent government grant receivables and program service fees billed but uncollected at year end. Pledges receivable represent pledges that have not been collected at year end. Catholic Charities uses the allowance method to account for uncollectible accounts receivable. The allowance is based on experience, third-party contracts, and other circumstances. Management periodically reviews receivables and charges off uncollectible accounts when they determine the receivable will not be collected. At December 31, 2023 and 2022 an allowance for doubtful accounts of \$0 and \$13,783 was recorded for accounts receivable, respectively. Management considered all pledges receivable to be fully collectible therefore no allowance has been recorded against pledges receivable for the years ended December 31, 2023 and 2022.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their fair value at the time of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Catholic Charities reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Catholic Charities reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Ownership of certain assets purchased under grant contracts reverts back to the grantor prior to sale or disposal.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are considered released from restriction and reclassified to net assets without donor restrictions.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Income Taxes

Catholic Charities is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509(a) of the Code.

Deferred income taxes and liabilities are computed annually for differences between financial and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to be realized.

Catholic Charities recognizes in its financial statements the financial effects of a tax position, if that position is more likely than not, of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken by Catholic Charities have been reviewed, and management is of the opinion that material tax positions taken by Catholic Charities would more likely than not be sustained by examination. Accordingly, Catholic Charities has not recorded an income tax liability for uncertain tax positions.

Allocated Expenses

Expenses have been allocated among program and supporting service classifications on the basis of estimates made by Catholic Charities' management. Those expenses include utilities, phone and vehicle expenses including gas and repairs. Utilities are allocated based on employees' actual timecards, the payroll of employees charged to the program and square footage. Telephone expense is allocated based on actual time cards of employees with phones. Vehicle expenses are allocated based on mileage per vehicle and costs of specific vehicles utilized.

Advertising Expense

Catholic Charities expenses advertising costs as incurred. Expenses incurred were approximately \$25,000 and \$12,300 for 2023 and 2022, respectively.

Donated Materials and Services

Donated materials, non-capitalized equipment and donated services are recorded at their estimated fair values at the date of receipt. No materials or non-capitalized equipment were received during 2023 or 2022.

During 2023 and 2022, Catholic Charities benefited from services which were valued at \$7,990 and \$11,501, respectively. These amounts have been reported within contribution revenue and various expenses on the statement of activities. Catholic Charities only recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of time to Catholic Charities' activities; however, these services do not meet the criteria for financial statement recognition.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Revenue Recognition

Catholic Charities records grant revenue as the related expenditure is incurred or on a per capita basis in accordance with the grant agreement, contributions as they are received or unconditionally pledged, special event revenue at the time of the event in the period in which they relate, and program fees in the period to which they relate.

Catholic Charities participates in various grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Catholic Charities or its subrecipients have not complied with the rules and regulations governing the grants, additional amounts owed or refunds of any money received may be required and the collectability of any amounts recorded at December 31, 2023 may be impaired.

Prior Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards board ("FASB") issued Accounting Standards update ("ASU") 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaced the current incurred loss impairment methodology for measurement of credit losses on financial instruments, including Catholic Charities' accounts receivable, with a methodology (the "current expected credit losses model" or "CECL model") that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the CECL model, the allowance for losses on financial assets, measured at amortized cost, reflects management's estimate of credit losses over the remaining expected life of such assets.

Catholic Charities adopted ASU 2016-13 as of January 1, 2023 using the modified retrospective method, and the adoption did not have a material impact on its financial statements.

Subsequent Events

Catholic Charities has evaluated subsequent events that occurred after December 31, 2023, through June 27, 2024, the date which the financial statements were available to be issued.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Note 2. Property and Equipment

Property and equipment are comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 265,758	\$ 265,758
Land improvements	707,886	707,886
Building	13,349,522	13,349,522
Equipment	1,263,052	1,179,654
Furniture	885,106	893,723
Software	174,475	174,475
Vehicles	1,688,971	2,019,056
	<u>18,334,770</u>	<u>18,590,074</u>
Less accumulated depreciation	<u>(8,495,057)</u>	<u>(8,281,270)</u>
	<u>\$ 9,839,713</u>	<u>\$ 10,308,804</u>

Catholic Charities received no donated assets which were capitalized above during 2023 or 2022.

Note 3. Pledges Receivables

Pledges receivable for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable, net of discount	<u>\$ 239,969</u>	<u>\$ 1,962</u>

There were no unconditional promises to give made during 2023 or 2022. Management has determined no allowance for uncollectible pledges is necessary. These promises to give are scheduled to be paid at various times in the future and, accordingly, have been discounted to the present value of the future cash payments using a discount rate of 1.93%, resulting in an unamortized discount of \$0 in 2023 and \$38 in 2022.

Note 4. Liquidity and Availability of Financial Assets

As a not-for-profit organization, Catholic Charities receives significant funding in the form of contributions and grants from governmental agencies that are restricted for a certain amount of time and/or for a particular manner, respectively. Catholic Charities must maintain sufficient resources to meet those responsibilities to the contributors and governmental agencies. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, the Organization ensures these become available when obligations are due.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

The following reflects Catholic Charities' financial assets as of the statement of financial position date, including amounts not available within one year of the balance sheet date. Amounts not available include contractual and donor-imposed restricted contributions and contractually-imposed restrictions on grants from governmental agencies.

Cash and cash equivalents	\$ 3,119,779
Accounts and grants receivable, net	40,081,820
Notes receivable	83,333
Short-term investments	2,675,996
Pledges receivables, net of discount	239,969
Interest in net assets of endowment	16,032,890
Ownership interest in a privately held company	<u>209,806</u>
Total financial assets, year end	62,443,593
Less	
Time and purpose restrictions	(912,451)
Board designated funds	(2,181,122)
Interest in the net assets of the endowment	(16,032,890)
Ownership interest in a privately held company	<u>(209,806)</u>
Total financial assets not available to be used within one year	<u>(19,336,269)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 43,107,324</u>

Note 5. Lease Agreements

Lessor

Catholic Charities leases certain building and office space to other organizations with terms approximating one year. Rental income under the operating leases was approximately \$367,000 and \$386,000 for the years ended December 31, 2023 and 2022, respectively.

Lessee

Catholic Charities leases office facilities under a long-term, non-cancelable lease agreement. Catholic Charities determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the statement of financial position. Finance leases are included in finance lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities, and financing leases ROU assets liabilities, are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, Catholic Charities uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. The ROU assets also include any lease pre-payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

In evaluating contracts to determine if they qualify as a lease, Catholic Charities considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of Catholic Charities' lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. Catholic Charities has no sublease agreements. Catholic Charities performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and Catholic Charities did not recognize an impairment expense associated with operating lease assets during 2023 or 2022.

The present value of Catholic Charities' lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain Catholic Charities will exercise such an option. The exercise of lease renewal options is generally at Catholic Charities' discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. Catholic Charities has elected to apply the short-term lease exemption whereby leases that are less than twelve months in duration are not included as ROU assets and lease liabilities. Catholic Charities has also made an accounting policy election as a private entity to use a risk-free discount rate for its leases by asset class. The classes of underlying assets to which the elections are applied are office equipment and office space.

Catholic Charities has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Catholic Charities' leases contain various terms and expire at various dates through 2025. For leases containing renewal options, Catholic Charities has evaluated whether it is reasonably certain to renew.

There were no agreements recorded as operating or financing leases as of December 31, 2022.

The components of lease expense, cash flow information, and other information for the year-ended December 31, 2023 were as follows:

	<u>2023</u>
Lease cost	
Operating lease cost, included in occupancy expenses	\$ 300,380
Short-term lease cost, included in occupancy expenses	<u>54,621</u>
Total lease cost	<u>\$ 355,001</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 271,664
Operating lease assets obtained in exchange for lease liabilities, net	\$ 814,990
Weighted-average remaining lease term - operating leases	3.00 years
Weighted-average discount rate - operating leases	4.18%

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

Future minimum lease payments and break-out of the current and long-term portion of the lease liabilities under non-cancellable leases as of December 31, 2023 are as follows:

Year Ending December 31,	Operating Leases
2024	\$ 325,148
2025	364,062
Total future minimum lease payments	689,210
Less imputed interest	(30,386)
	<u>\$ 658,824</u>

Note 6. Retirement Plan

On April 1, 2011, Catholic Charities established a 403(b) plan which covers substantially all employees regardless of tenure or position and has no minimum age requirement. Catholic Charities' matching contributions are dollar for dollar for the first 6% of salaries. Contributions made to employees totaled \$665,698 and \$564,039 for the years ended December 31, 2023 and 2022, respectively.

Note 7. Related-Party Transactions

In 2011, Catholic Charities, Diocese of Fort Worth Endowment, Inc. (the Endowment) was created as a separate entity for the sole purpose of holding contributions and earning interest on those contributions. At times, Catholic Charities may receive contributions for the Endowment. The contributions are transferred to the Endowment when received. Catholic Charities was owed \$33,556 from the Endowment and owed \$361 to the Endowment as of December 31, 2023 and 2022, respectively.

Note 8. Interest in Net Assets of Endowment

Catholic Charities, Diocese of Fort Worth Endowment, Inc. (the Endowment) was created as a separate and distinct legal entity during 2011 to receive and maintain a fund and to use the whole or any part of the income to support Catholic Charities. Catholic Charities records its interest in the assets held by the Endowment and adjusts that interest for changes in its share of the net assets of the Endowment. The assets of the Endowment are managed solely by their board and consist of stocks, mutual funds and cash. The Endowment's board determines the timing of transfers to Catholic Charities. The accompanying statements of activities include gain/(loss) on interest in net assets of endowment as a change in net assets without donor restrictions of \$3,228,984 and \$(2,067,920) for the years ended December 31, 2023 and 2022, respectively.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

The interest in the Endowment is reflected at fair value on the statement of financial position as interest in net assets of endowment in the amounts of \$16,032,890 and \$13,415,922 at December 31, 2023 and 2022, respectively. The following table reconciles the changes in Endowment assets for the years ended December 31:

	2023	2022
Endowment assets, beginning	\$ 13,415,922	\$ 16,366,148
Gifts	766,103	566,370
Support services paid	-	(76,915)
Distributions to Catholic Charities	(612,016)	(824,483)
Interest and dividend income	310,164	283,873
Realized / unrealized gain	2,152,717	(2,899,071)
	<u>\$ 16,032,890</u>	<u>\$ 13,415,922</u>

Note 9. Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis, accounting principles generally accepted in the United States of America establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Equity securities: valued at the last sales price on the largest securities exchange in which such securities have been traded on the valuation date, and are classified within Level 1 on the fair value hierarchy.

Mutual funds: valued at the net asset value (NAV) of shares held. The NAV is based on the value of underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding, and are classified within Level 2 of the fair value hierarchy.

Certificates of deposit: based on estimates using current market rates offered for deposits with similar remaining maturities.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Catholic Charities believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2023, the Endowment held for the benefit of Catholic Charities includes \$10,806,637 in equity securities and \$5,060,001 in mutual funds, which are classified as Level 1 and Level 2, respectively, within the hierarchy.

At December 31, 2022, Catholic Charities has \$1,589,752 in equity securities that are considered Level 1 within the hierarchy, \$946,005 in securities that are considered Level 2 within the hierarchy, and \$140,239 in securities which are valued at NAV and therefore are excluded from the hierarchy.

Note 10. Ownership Interest in Privately Held Companies

In March 2014, Catholic Charities inherited a 44.5% ownership interest in a privately held company. The interest in the company has been reported under the equity method. Catholic Charities does not have control of the company, as defined by accounting principles generally accepted in the United States of America, and therefore it is not consolidated in the accompanying financial statements.

During the year ended December 31, 2021, the privately held company began the process of liquidation, which was completed by December 31, 2022. Accordingly, Catholic Charities has recorded a loss of (\$90,537), which is included in other income on the statement of activities for the year ended December 31, 2022. Additionally, Catholic Charities also received a final distribution of \$289,180, which is also recorded in other income on the statement of activities for the year ended December 31, 2022.

In May 2020, Catholic Charities inherited a 20.0% ownership interest in a privately held company. Investments in which Catholic Charities is unable to influence operational or financial decisions are accounted for using the cost method. Under the cost method, an investment is initially recorded at cost and adjusted for additional capital contributions and distributions in excess of the investor's share of income. Distributions are recorded as income to the extent they do not exceed the investor's share of income. Cost method investments were \$209,806 at December 31, 2023 and 2022.

Note 11. Income Taxes

Catholic Charities' provision for income taxes was evaluated for the years ended December 31, 2023 and 2022. No provision was deemed necessary for the years ended December 31, 2023 and 2022.

Deferred income taxes reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary difference that gives rise to the deferred tax assets is net operating losses carryforwards.

Catholic Charities, Diocese of Fort Worth, Inc.

Notes to Financial Statements

As of December 31, 2021, Catholic Charities had assessed the ability of deferred tax assets to be realized and determined that it was more likely than not that all of the deferred tax asset would not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Catholic Charities considered projected future taxable income in making this assessment. Due to the uncertainty of realizing the deferred tax asset, Catholic Charities had placed a valuation allowance against the entire deferred tax asset at December 31, 2021. As of December 31, 2022, the balance of the deferred tax asset and valuation allowance recorded against the entire deferred tax asset were reversed due to the liquidation of the privately held company mentioned in Note 10.

Note 12. Concentrations

Catholic Charities receives grant funding from the U.S. Department of Health and Human Services for administration of grants to provide services to refugees across the State of Texas. Revenues recorded related to amounts funded by the U.S. Department of Health and Human Services are approximately 93% and 90% of total revenue and other support recorded for the years ended December 31, 2023 and 2022, respectively. Receivables recorded related to amounts to be collected from the U.S. Department of Health and Human Services are approximately 98% and 94% of total receivables recorded for the years ended December 31, 2023 and 2022, respectively.

Note 13. Contributions of Non-Financial Assets

Contributed nonfinancial assets for the year ended December 31, 2023, consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>
Professional services	\$ 7,990	Client services	No associated donor restrictions

Contributed nonfinancial assets for the year ended December 31, 2022, consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>
Professional services	\$ 11,501	Client services	No associated donor restrictions

Professional services were valued based on the Value of Volunteer Time report, Independent Sector, from the Do Good Institute.

Supplementary Information

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number	Grant Funds Expended	Pass-through Amount to Subrecipients	Total Expenditures
FEDERAL AWARDS					
U.S. DEPARTMENT OF THE TREASURY					
Wichita Falls, Texas					
Wichita Falls American Rescue Plan Act Nonprofit Grant Program - COVID-19	21.027	N/A	\$ 56,923	\$ -	\$ 56,923
Total U.S. Department of the Treasury			56,923	-	56,923
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Direct Programs					
Refugee Cash and Medical Assistance	93.566	2204TXRCMA	-	(98,189)	(98,189)
Refugee Cash and Medical Assistance	93.566	2304TXRCMA	36,559,069	117,487,075	154,046,144
Refugee Cash and Medical Assistance	93.566	2404TXRCMA	13,431,753	34,061,384	47,493,137
Refugee Support Services	93.566	22ABTXRSSS	21,996,052	41,543,037	63,539,089
Refugee Support Services	93.566	23ABTXRSSS	10,612	1,938,330	1,948,942
Total Direct Programs			71,997,486	194,931,637	266,929,123
U.S. Catholic Conference					
Refugee Support Services	93.566	2302TXRSSS	427,687	-	427,687
Refugee Support Services	93.566	2402TXRSSS	186,055	-	186,055
Total Passed Through U.S. Catholic Conference			613,742	-	613,742
U.S. Committee for Refugees and Immigrants					
Refugee Health Promotion	93.566	2024-RHP-CCOFW-FORT WORTH TX-01	34,397	-	34,397
Subtotal Assistance Listing Number 93.566			72,645,625	194,931,637	267,577,262
Direct Programs					
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	2301DCRVMG	933,491	-	933,491
Refugee and Entrant Assistance, Voluntary Program - Match Grant	93.567	2302NYRVMG	101,253	-	101,253
Subtotal Assistance Listing Number 93.567			1,034,744	-	1,034,744
Direct Programs					
Refugee and Entrant Assistance/Preferred Communities	93.576	90RP0121-01-00	167,354	-	167,354
Refugee and Entrant Assistance	93.576	90RP0121-02-00	168,557	-	168,557
Refugee and Entrant Assistance	93.576	90RP1021-01-00	386,525	-	386,525
Subtotal Assistance Listing Number 93.576			722,436	-	722,436
Total U.S. Department of Health and Human Services			74,402,805	194,931,637	269,334,442
U.S. DEPARTMENT OF STATE					
U.S. Catholic Conference					
Refugee Reception and Placement Program	19.510	SPRMC023CA0005	77,840	-	77,840
Refugee Reception and Placement Program	19.510	SPRMC023CA0023	657,295	-	657,295
Refugee Reception and Placement Program	19.510	SPRMC023CA0065	49,280	-	49,280
Refugee Reception and Placement Program	19.510	SPRMC023CA0066	131,719	-	131,719
Total U.S. Department of State			916,134	-	916,134
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Programs					
Citizenship and Integration Direct Services	97.010	19CICET00102	78,363	-	78,363
Citizenship and Integration Direct Services	97.010	22CICET00218	41,095	-	41,095
Total Direct Programs			119,458	-	119,458
EFS Board of Tarrant County					
Emergency Food and Shelter Program	97.024	Phase 39	4,475	-	4,475
Emergency Food and Shelter Program	97.024	Phase 40	218,262	-	218,262
Emergency Food and Shelter Program - COVID-19	97.024	Phase ARPA	110,964	-	110,964
Total Passed Through EFS Board of Tarrant County			333,701	-	333,701
Total U.S. Department of Homeland Security			453,159	-	453,159

See Notes to the Schedule of Expenditures of Federal Awards

Catholic Charities, Diocese of Fort Worth, Inc.
 Schedule of Expenditures of Federal Awards — Continued
 Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number	Grant Funds Expended	Pass-through Amount to Subrecipients	Total Expenditures
FEDERAL AWARDS - CONTINUED					
Total Federal Awards			<u>\$ 75,829,021</u>	<u>\$ 194,931,637</u>	<u>\$ 270,760,658</u>
Program to Support Refugees Resettled from Nauru and Papua New Guinea (NRPP) ⁽¹⁾			<u>192,417</u>	<u>-</u>	<u>192,417</u>
Total federal awards, reconciled to fees and grants from governmental agencies			<u>\$ 76,021,438</u>	<u>\$ 194,931,637</u>	<u>\$ 270,953,075</u>

(1) Program is not considered federal financial assistance subject to requirements in accordance with Uniform Guidance

Catholic Charities, Diocese of Fort Worth, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities, Diocese of Fort Worth, Inc. (Catholic Charities) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Uniform Guidance allows non-federal entities, such as Catholic Charities, to elect to charge a de minimis rate of ten percent of modified direct costs as its indirect cost rate that may be used indefinitely. Catholic Charities chose not to utilize the de minimis rate in the current year.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Catholic Charities provided \$194,931,637 in federal awards to subrecipients as part of the Refugee and Entrant Assistance program, Assistance Listing Number 93.566.



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

To the Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities Diocese of Fort Worth, Inc. (Catholic Charities), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905

The Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

Purpose of This Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 27, 2024



**Independent Auditor's Report on Compliance for each
Major Federal Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance**

To the Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Catholic Charities, Diocese of Fort Worth, Inc.'s (Catholic Charities) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended December 31, 2023. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Catholic Charities complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Catholic Charities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Catholic Charities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

The Board of Directors of
Catholic Charities, Diocese of Fort Worth, Inc.

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
June 27, 2024

Catholic Charities, Diocese of Fort Worth, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that is not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that is not considered to be material weaknesses? Yes None Reported
- Type of auditor's report issued on compliance for major programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.566	Refugee and Entrant Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Catholic Charities, Diocese of Fort Worth, Inc.
Schedule of Findings and Questioned Costs – Continued
Year Ended December 31, 2023

Section II – Financial Statement Findings

There were no findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no findings reported.

Section IV – Summary Schedule of Prior Audit Findings

There were no findings reported.