

# **Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries**

Consolidated Financial Statements and  
Supplementary Information  
June 30, 2015

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RSM US LLP

## Independent Auditor's Report

To the Most Reverend Paul S. Coakley, Archbishop of the Archdiocese of Oklahoma City  
and Board of Directors  
Catholic Charities of the Archdiocese of Oklahoma City, Inc.  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of the Archdiocese of Oklahoma City, Inc. (Catholic Charities) and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows, and the statement of functional expenses (Catholic Charities of the Archdiocese of Oklahoma City, Inc. only) for the year ended June 30, 2015, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Villa Isenbart, Inc., a wholly owned subsidiary, which statements reflect total assets constituting 3 percent of consolidated total assets at June 30, 2015, and total revenues constituting 2 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Villa Isenbart, Inc., is based solely on the report of the other auditors. 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 *Governmental 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities and Subsidiaries as of June 30, 2015, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

The consolidated financial statements of Catholic Charities and Subsidiaries as of and for the year ended June 30, 2014 were audited by other auditors, has been derived from the June 30, 2014 financial statements that were audited by other auditors whose report dated December 22, 2014 expressed an unmodified opinion on those audited financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information for Villa Isenbart, Inc. and 3825 N.W. 19th, Inc. presented on the consolidated statements of financial position and the consolidated statements of activities and the accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purposes of additional analysis rather than to present the financial position and the results of operations of the individual entities, and is not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of other auditors, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing over 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 *Governmental Auditing Standards* in considering Catholic Charities' internal control of financial reporting and compliance.

*RSM US LLP*

Oklahoma City, Oklahoma  
August 9, 2016

**Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
June 30, 2015 and 2014**

	2015			2014	
	Catholic Charities	3825 N.W. 19th, Inc.	Villa Insenbart, Inc.	Consolidated Total	Consolidated Total
<b>Assets</b>					
Current assets:					
Cash:					
Operating	\$ 2,385,591	\$ 658	\$ 6,918	\$ 2,393,167	\$ 2,640,722
Temporarily restricted	4,515,621	-	-	4,515,621	3,995,118
	<u>6,901,212</u>	<u>658</u>	<u>6,918</u>	<u>6,908,788</u>	<u>6,635,840</u>
Unconditional promises-to-give:					
Capital campaign, net (Note 3)	1,769,061	-	-	1,769,061	1,089,915
Other, net (Note 2)	2,714,759	-	-	2,714,759	602,897
	<u>4,483,820</u>	<u>-</u>	<u>-</u>	<u>4,483,820</u>	<u>1,692,812</u>
Receivables:					
United States conference of Catholic Bishops	59,673	-	-	59,673	41,275
Other receivables	344,291	-	1,518	345,809	536,152
	<u>403,964</u>	<u>-</u>	<u>1,518</u>	<u>405,482</u>	<u>577,427</u>
Prepaid expenses	88,325	-	2,363	90,688	119,220
Gift card inventory	5,600	-	-	5,600	5,000
<b>Total current assets</b>	<u>11,882,921</u>	<u>658</u>	<u>10,799</u>	<u>11,894,378</u>	<u>9,030,299</u>
Noncurrent assets:					
Unconditional promises-to-give:					
Capital campaign, net of current portion (Note 3)	3,177,585	-	-	3,177,585	3,873,628
Investments (Notes 5 and 6)	1,474,544	-	-	1,474,544	1,385,028
Endowment assets (Notes 4)	3,475,233	-	-	3,475,233	3,451,314
Beneficial interest in assets held by Oklahoma City Community Foundation, Inc.					
	71,415	-	-	71,415	72,475
Other assets	304	3,860	100,861	105,025	131,461
Notes receivable, net (Note 7)	1,306,262	-	-	1,306,262	1,346,538
Property and equipment at cost, net (Note 8)	3,497,383	-	713,504	4,210,887	2,885,102
<b>Total noncurrent assets</b>	<u>13,002,726</u>	<u>3,860</u>	<u>814,365</u>	<u>13,820,951</u>	<u>13,145,546</u>
<b>Total assets</b>	<u>\$ 24,885,647</u>	<u>\$ 4,518</u>	<u>\$ 825,164</u>	<u>\$ 25,715,329</u>	<u>\$ 22,175,845</u>

See notes to financial statements.

	2015			2014	
	Catholic Charities	3825 N.W. 19th, Inc.	Villa Insenbart, Inc.	Consolidated Total	Consolidated Total
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 673,122	\$ -	\$ 11,220	\$ 684,342	\$ 344,598
Advances from United States Catholic conference	10,000	-	-	10,000	10,000
<b>Total current liabilities</b>	<b>683,122</b>	<b>-</b>	<b>11,220</b>	<b>694,342</b>	<b>354,598</b>
Noncurrent liabilities:					
Tenant security deposits	-	-	11,655	11,655	11,491
Notes Payable (Note 9)	1,652,347	-	-	1,652,347	1,672,751
<b>Total noncurrent liabilities</b>	<b>1,652,347</b>	<b>-</b>	<b>11,655</b>	<b>1,664,002</b>	<b>1,684,242</b>
<b>Total liabilities</b>	<b>2,335,469</b>	<b>-</b>	<b>22,875</b>	<b>2,358,344</b>	<b>2,038,840</b>
Net Assets:					
Unrestricted:					
Operating	5,676,549	658	(181,636)	5,495,571	4,522,231
Designated by the governing board for long-term investment	4,613,986	-	-	4,613,986	4,502,568
Eliminated in consolidation	(3,860)	3,860	-	-	-
Temporarily Restricted (Note 10)	11,988,138	-	983,925	12,972,063	10,835,781
Permanently Restricted (Note 10)	275,365	-	-	275,365	276,425
<b>Total net assets</b>	<b>22,550,178</b>	<b>4,518</b>	<b>802,289</b>	<b>23,356,985</b>	<b>20,137,005</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,885,647</b>	<b>\$ 4,518</b>	<b>\$ 825,164</b>	<b>\$ 25,715,329</b>	<b>\$ 22,175,845</b>

Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries

Consolidated Statements of Activities  
Years Ended June 30, 2015 and 2014

	2015			2014	
	Catholic Charities	3825 N.W. 19th, Inc.	Villa Isenbart, Inc.	Total	Total
Changes in unrestricted net assets:					
Revenues, gains and other support:					
Contributions:					
Catholic Charities appeal (net of uncollectible pledges in the amounts of \$60,634 and \$50,000, respectively)	\$ 2,675,656	\$ -	\$ -	\$ 2,675,656	\$ 2,762,482
Other	34,297	-	-	34,297	163,559
<b>Total contributions</b>	<b>2,709,953</b>	<b>-</b>	<b>-</b>	<b>2,709,953</b>	<b>2,926,041</b>
Fees and grants:					
Federal agencies (Note 13)	662,152	-	-	662,152	701,064
State agencies and local cities	18,365	-	-	18,365	18,365
Other organizations	32,041	-	-	32,041	73,142
<b>Total fees and grants</b>	<b>712,558</b>	<b>-</b>	<b>-</b>	<b>712,558</b>	<b>792,571</b>
Other revenue:					
Program service fees	184,312	-	202,446	386,758	344,444
Investment income (Note 5)	223,687	-	3,022	226,709	642,434
Bequests	6,234	-	-	6,234	(477)
Special events and honorariums	456,704	-	-	456,704	416,762
Other revenue	32,772	(452)	2,773	35,093	96,872
<b>Total other revenue</b>	<b>903,709</b>	<b>(452)</b>	<b>208,241</b>	<b>1,111,498</b>	<b>1,500,035</b>
<b>Total revenue</b>	<b>4,326,220</b>	<b>(452)</b>	<b>208,241</b>	<b>4,534,009</b>	<b>5,218,647</b>
Net assets released from restrictions	6,650,556	-	48,355	6,698,911	2,784,938
<b>Total revenue, gains and other support</b>	<b>10,976,776</b>	<b>(452)</b>	<b>256,596</b>	<b>11,232,920</b>	<b>8,003,585</b>

(Continued)

Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries

Consolidated Statements of Activities (Continued)  
Years Ended June 30, 2015 and 2014

	2015			2014	
	Catholic Charities	3825 N.W. 19th, Inc.	Villa Isenbart, Inc.	Total	Total
Expenses:					
Program:					
Catholic Charities	\$ 9,161,622	\$ -	\$ -	\$ 9,161,622	\$ 6,667,576
Villa Isenbart, Inc.	-	-	271,762	271,762	264,662
Supporting services:					
Catholic Charities	714,778	-	-	714,778	1,271,544
<b>Total expenses</b>	<b>9,876,400</b>	<b>-</b>	<b>271,762</b>	<b>10,148,162</b>	<b>8,203,782</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>1,100,376</b>	<b>(452)</b>	<b>(15,166)</b>	<b>1,084,758</b>	<b>(200,197)</b>
Changes in temporarily restricted net assets:					
United Way of Metro Oklahoma City, Funding for next year (Note 10)	392,352	-	-	392,352	400,300
Contributions:					
Capital campaign (net of change in discount of (\$16,451) and \$213,065)	3,667,772	-	-	3,667,772	5,882,246
May 2013 disaster contributions	3,910,637	-	-	3,910,637	2,045,120
Other contributions	196,318	-	-	196,318	95,296
Fees and grants:					
Federal agencies	-	-	-	-	292,556
American Red Cross	377,433	-	-	377,433	518,375
Resiliency	100,000	-	-	100,000	492,000
Other organizations	177,505	-	-	177,505	225
Investment income on permanently restricted endowments	8,455	-	-	8,455	45,741
Net assets released from restrictions	(6,646,597)	-	(48,355)	(6,694,952)	(3,084,144)
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>2,183,875</b>	<b>-</b>	<b>(48,355)</b>	<b>2,135,520</b>	<b>6,687,715</b>
Changes in permanently restricted net assets:					
Contributions	-	-	-	-	-
Gain on beneficial interest in net assets held by OCCF	2,899	-	-	2,899	9,204
Net assets released from restrictions	(3,959)	-	-	(3,959)	(3,350)
<b>Increase (decrease) in permanently restricted net assets</b>	<b>(1,060)</b>	<b>-</b>	<b>-</b>	<b>(1,060)</b>	<b>5,854</b>
<b>Increase (decrease) in net assets</b>	<b>3,283,191</b>	<b>(452)</b>	<b>(63,521)</b>	<b>3,219,218</b>	<b>6,493,372</b>
Net assets, beginning of year	19,266,987	4,970	865,810	20,137,767	13,644,395
Net assets, end of year	<b>\$ 22,550,178</b>	<b>\$ 4,518</b>	<b>\$ 802,289</b>	<b>\$ 23,356,985</b>	<b>\$ 20,137,767</b>

See notes to financial statements.

Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015			2014	
	Catholic Charities	3825 N.W. 19th, Inc.	Villa Isenbart, Inc.	Total	Total
Cash flows from operating activities:					
Change in net assets	\$ 3,283,953	\$ (452)	\$ (63,521)	\$ 3,219,980	\$ 6,493,372
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	140,588	-	69,522	210,110	194,614
Discounts on pledges receivable	(16,451)	-	-	(16,451)	213,065
Change in value of beneficial interests	(2,899)	-	-	(2,899)	(9,204)
Net realized and unrealized gains	(127,739)	-	(1,375)	(129,114)	(615,994)
Provision for bad debts (annual campaign)	60,634	-	-	60,634	35,000
Contributions restricted for long-term purposes	(3,701,120)	-	-	(3,701,120)	(5,005,396)
Provision for bad debt on notes receivable	-	-	-	-	674,000
(Increase) decrease in assets:					
Pledges receivable	(2,078,514)	-	-	(2,078,514)	(5,159,936)
Other receivables	111,675	-	(364)	111,311	(362,762)
Prepaid expenses	29,097	-	(565)	28,532	(77,316)
Disaster relief—gift card inventory	(600)	-	-	(600)	29,266
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(16,199)	-	4,503	(11,696)	(75,386)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,317,575)</b>	<b>(452)</b>	<b>8,200</b>	<b>(2,309,827)</b>	<b>(3,666,677)</b>
Cash flows from investing activities:					
Purchase of property and equipment	(1,152,092)	-	(32,275)	(1,184,367)	(968,165)
Sales of investments	77,067	-	27,888	104,955	76,517
Purchases of investments	(62,763)	-	-	(62,763)	(83,164)
Receipts of payments on notes receivable	40,276	-	-	40,276	40,526
Distributions from beneficial interests	3,959	-	-	3,959	3,350
Deposits of residual receipts	-	-	(1)	(1)	(1)
<b>Net cash used in investing activities</b>	<b>(1,093,553)</b>	<b>-</b>	<b>(4,388)</b>	<b>(1,097,941)</b>	<b>(930,937)</b>
Cash flows from financing activities:					
Contributions restricted for long-term purposes	3,701,120	-	-	3,701,120	5,005,396
Payments on notes payable	(20,404)	-	-	(20,404)	(24,046)
Proceeds from issuance of notes payable	-	-	-	-	684,839
<b>Net cash provided by financing activities</b>	<b>3,680,716</b>	<b>-</b>	<b>-</b>	<b>3,680,716</b>	<b>5,666,189</b>
<b>Net increase (decrease) in cash</b>	<b>269,588</b>	<b>(452)</b>	<b>3,812</b>	<b>272,948</b>	<b>1,068,575</b>
Cash:					
Beginning of year	6,631,624	1,110	3,106	6,635,840	5,567,265
End of year	\$ 6,901,212	\$ 658	\$ 6,918	\$ 6,908,788	\$ 6,635,840
Supplementary Information:					
Construction in process included in accounts payable and accrued expenses	\$ 351,422	\$ -	\$ -	\$ 351,422	\$ -

See notes to financial statements.

Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses  
(Catholic Charities of the Archdiocese of Oklahoma City, Inc. Only)  
Years Ended June 30, 2015 and 2014

	Program Services											Supporting Services			2015 Total Expense	2014 Total Expense
	Advocacy and Outreach	Regional Offices	Family Support Services	Immigration Legal Services	Refugee Resettlement	Homeless Services	St. Joseph Counseling	Adoption and Pregnancy	Resiliency	May 2013 Disaster Relief	Total	Administration	Fund Raising	Total		
Salaries	\$ 127,707	\$ 409,061	\$ 298,727	\$ 379,236	\$ 290,078	\$ 521,824	\$ 311,442	\$ 89,165	\$ 72,600	\$ 338,137	\$ 2,837,977	\$ 104,418	\$ 6,132	\$ 110,550	\$ 2,948,527	\$ 2,470,743
Employee benefits	27,968	91,751	71,418	81,447	71,503	116,334	68,775	18,268	8,578	70,298	626,340	10,138	2,995	13,133	639,473	542,526
Payroll taxes	10,639	26,103	20,075	23,928	19,045	36,463	21,904	4,759	5,419	21,424	189,759	5,258	(1,174)	4,084	193,843	193,415
<b>Total employee compensation</b>	<b>166,314</b>	<b>526,915</b>	<b>390,220</b>	<b>484,611</b>	<b>380,626</b>	<b>674,621</b>	<b>402,121</b>	<b>112,192</b>	<b>86,597</b>	<b>429,859</b>	<b>3,654,076</b>	<b>119,814</b>	<b>7,953</b>	<b>127,767</b>	<b>3,781,843</b>	<b>3,206,684</b>
Professional fees and contract service payments	1,329	5,455	8,489	6,351	29,458	80,922	4,398	10,594	1,226	32,261	180,483	93,022	18,224	111,246	291,729	437,198
Supplies	1,245	5,265	2,072	13,803	1,902	5,522	1,590	828	5,250	340	37,817	9,401	3,190	12,591	50,408	111,676
Telephone	2,213	9,972	4,594	1,749	6,529	19,681	1,757	1,080	-	6,483	54,058	5,896	3,384	9,280	63,338	46,511
Postage and shipping	298	495	341	10,736	373	443	69	233	-	3	12,991	11,043	9,132	20,175	33,166	28,550
Occupancy	10,655	61,498	91,638	33,021	29,639	146,037	19,814	8,064	2,070	11,486	413,922	41,656	22,403	64,059	477,981	442,162
Transportation	1,915	7,497	1,540	5,772	6,151	2,148	2,939	1,297	10,481	19,504	59,244	5,929	1,005	6,934	66,178	67,123
Advertising	3,124	5,182	2,778	2,816	1,569	2,991	1,881	4,156	-	15,857	40,354	3,070	13,138	16,208	56,562	38,294
Printing and publications	935	1,370	206	1,347	370	303	149	32	-	470	5,182	1,721	34,181	35,902	41,084	47,992
Specific assistance, including disaster relief to individuals	44,206	108,866	183,133	4,606	327,044	74,844	-	8,805	35,790	3,745,810	4,533,104	-	-	-	4,533,104	2,504,712
Conferences, conventions and meetings	9,757	4,835	4,603	8,905	9,554	4,526	3,809	1,469	10,046	5,017	62,521	16,441	192,390	208,831	271,352	100,202
Bad debt expense (note 15)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	674,000
Miscellaneous	5,769	7,302	1,967	9,315	1,509	5,305	2,131	1,751	17	587	35,653	28,964	4,640	33,604	69,257	108,027
<b>Total expenses before depreciation</b>	<b>247,760</b>	<b>744,652</b>	<b>691,581</b>	<b>583,032</b>	<b>794,724</b>	<b>1,017,343</b>	<b>440,658</b>	<b>150,501</b>	<b>151,477</b>	<b>4,267,677</b>	<b>9,089,405</b>	<b>336,957</b>	<b>309,640</b>	<b>646,597</b>	<b>9,736,002</b>	<b>7,813,131</b>
Depreciation of buildings and equipment	417	4,713	25,321	2,364	5,712	29,367	1,397	2,721	205	-	72,217	66,916	1,265	68,181	140,398	125,989
<b>Total expenses</b>	<b>\$ 248,177</b>	<b>\$ 749,365</b>	<b>\$ 716,902</b>	<b>\$ 585,396</b>	<b>\$ 800,436</b>	<b>\$ 1,046,710</b>	<b>\$ 442,055</b>	<b>\$ 153,222</b>	<b>\$ 151,682</b>	<b>\$ 4,267,677</b>	<b>\$ 9,161,622</b>	<b>\$ 403,873</b>	<b>\$ 310,905</b>	<b>\$ 714,778</b>	<b>\$ 9,876,400</b>	<b>\$ 7,939,120</b>
<b>2014 total expenses</b>	<b>\$ 245,932</b>	<b>\$ 688,646</b>	<b>\$ 596,755</b>	<b>\$ 511,123</b>	<b>\$ 791,052</b>	<b>\$ 931,911</b>	<b>\$ 387,712</b>	<b>\$ 147,730</b>	<b>\$ 16,489</b>	<b>\$ 2,350,226</b>	<b>\$ 6,667,576</b>	<b>\$ 1,094,605</b>	<b>\$ 176,939</b>	<b>\$ 1,271,544</b>	<b>\$ 7,939,120</b>	

See notes to financial statements.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of operations:** Catholic Charities of the Archdiocese of Oklahoma City, Inc. (Catholic Charities) is a charitable organization which obtains and maintains funds, income, and real and personal property for use of charitable, benevolent, educational and religious purposes. The subsidiaries of Catholic Charities were organized to provide low income elderly persons with housing facilities specially designed to meet their physical, social, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living (see Notes 10 and 14). The membership of these subsidiaries consists of individuals who are directors or members of Catholic Charities, Archdiocese of Oklahoma City or who have the approval of the board of directors of Catholic Charities.

3825 N.W. 19th, Inc. (the Corporation) is a general partner of Trinity Place, an Oklahoma Limited Partnership, which is an affordable tax credit housing development for the elderly pursuant to Section 42 of the Internal Revenue Code. The Corporation's investment in the partnership is reported in the accompanying financial statements under the equity method of accounting.

Villa Isenbart, Inc. has developed and is operating a facility which contains 40 independent living housing units under the provisions of Section 202 of the National Housing Act. This organization was audited by other auditors for each year presented in these financial statements.

**Basis of presentation:** Catholic Charities reports information regarding financial position and activities according to the following three classes of net assets:

**Principles of consolidation:** The accompanying consolidated financial statements include the accounts of Catholic Charities and its not-for-profit subsidiaries, 3825 N.W. 19th, Inc. and Villa Isenbart, Inc. Inter-organization accounts and transactions, if any have been eliminated in consolidation.

**Unrestricted net assets:** Net assets that are not subject to donor-imposed stipulations. These funds represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of Catholic Charities in accordance with its bylaws.

**Temporarily restricted net assets:** Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of Catholic Charities and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently restricted net assets:** Net assets that are subject to donor-imposed stipulations that neither expire with time nor can be fulfilled or otherwise removed by the actions of Catholic Charities.

**Cash and cash equivalents:** Catholic Charities considers highly liquid investments with original maturities of three months or less to be cash equivalents. However, cash and investments held temporarily until suitable long-term investments are identified, are classified as investments for reporting purposes.

**Promises to give:** Promises to give are recognized when the donor makes a promise to give to Catholic Charities that is, in substance, unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recognized as contributions in the period received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Notes receivable, net:** Notes receivable are stated net of allowance for loan losses in the consolidated statements of financial position at June 30, 2015, and 2014 (see Note 7). Interest income is accrued according to the terms of the loan and included in rent and other receivables in the consolidated statements of financial position. When collection of interest income previously recognized is in doubt, such amounts are reserved through an allowance for uncollectible accounts. Generally, loans are placed on nonaccrual status when interest is considered uncollectible, unless the loan is well collateralized and/or collection of interest is certain. Payments received on nonaccrual loans are applied first to interest and then principal. Once principal and interest are current, the debt instrument is placed back on accrual. Management uses all available information, including financial status of borrower, and history of payments to determine the need for an allowance on notes receivable.

**Investments:** Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments in real estate are carried at their estimated value at the time of donation.

**Fair value measurements:** Catholic Charities follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, which provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy for fair value inputs are described as follows:

**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 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. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period. There were no transfers in 2015 or 2014.

Catholic Charities has certain investments and/or beneficial interest which are measured at net asset value per share (NAV).

For purposes of financial reporting, Catholic Charities has determined that the fair values of its financial instruments, which include cash equivalents, accounts receivable, and accounts payable, approximate the carrying values, based on their short maturities and/or the terms available to Catholic Charities in financial markets. The notes payable are carried at their outstanding principal balances which approximates fair value as current interest rates are similar to market rates for notes with similar terms and maturities.

**Concentrations of credit and market risk:** Financial instruments that potentially expose Catholic Charities to concentrations of credit risk consist principally of cash and cash equivalents. Catholic Charities maintains these assets at high quality financial institutions and, therefore, does not believe significant credit risk exists with these deposits. Catholic Charities has not experienced any losses on its cash and cash equivalents.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

As of June 30, 2015, Catholic Charities held funds in the Parish Deposit and Loan Fund, which is guaranteed by the Pastoral Office of the Archdiocese of Oklahoma City and are included in cash in the consolidated statements of financial position. The Parish Deposit and Loan Funds balances as of June 30, 2015 and 2014, are as follows:

	2015	2014
May 2013 disaster relief	\$ 1,155,050	\$ 2,540,128
Capital campaign	912,644	905,325
Operating	1,525,762	2,409,330
	<u>\$ 3,593,456</u>	<u>\$ 5,854,783</u>

**Beneficial interest in assets:** Catholic Charities recognized contributions to the Oklahoma City Community Foundation, Inc. (OCCF) at fair value and classified them as restricted assets within the financial statements. OCCF is defined as a recipient organization holding assets for specified beneficiaries. When transfers of assets are received by a recipient organization from an entity, who specifies itself or an affiliate as the beneficiary, these transfers are considered reciprocal. The fair value of reciprocal transfers is to be reported in the financial statements of the beneficiary organization as an asset. Contributions from others for the benefit of Catholic Charities, where OCCF is granted variance power, are reported as assets of OCCF only. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary. Under the rules of the OCCF, all principal amounts of donations are retained by OCCF and invested. Resulting earnings are either distributed to the beneficiary or reinvested in the fund at the discretion of the OCCF. Earnings, gains, or losses in value and management fees attributable to Catholic Charities share of the assets held by OCCF are reported as changes in permanently restricted net assets in the financial statements. Distributions received from OCCF attributable to contributions from others are recorded as investment income by Catholic Charities.

The fair value reported by OCCF of the permanently restricted investment assets of Catholic Charities at June 30, 2015 and 2014, was \$71,415 and \$72,475, respectively, with an increase in market value of the investment assets of \$2,899 and \$9,204 for the years ended June 30, 2015 and 2014, respectively. Each year OCCF distributes funds to Catholic Charities representing assets released from restrictions from these invested assets. During the years ended June 30, 2015 and 2014, OCCF distributed \$3,959 and \$3,350, respectively.

The fair value reported by OCCF attributable to contributions from others, over which OCCF has variance power and Catholic Charities has a beneficial interest, was \$96,580 and \$97,876 at June 30, 2015 and 2014, respectively, and with distributions to Catholic Charities of \$5,316 and \$4,468 for the years then ended, respectively.

**Property and equipment:** Catholic Charities and its subsidiaries follow the practice of capitalizing all property and equipment purchased. The fair market value of donated property is capitalized and depreciated over the estimated useful lives of the assets.

**Estimated useful lives:** The estimated useful lives of depreciable assets are:

Buildings and improvements	15-40 years
Autos and trucks	5 years
Furniture and equipment	3-10 years

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Income taxes:** Catholic Charities, 3825 N.W. 19th, Inc. and Villa Isenbart, Inc. are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. They have been classified as organizations that are not private foundations under Section 509(a)(2) of the Internal Revenue Code. Donations, bequests, legacies, transfers, or gifts to Catholic Charities are deductible for federal income tax purposes. Catholic Charities has no excise or unrelated business income and therefore no provision is necessary for income taxes.

Uncertain tax positions, if any, are recorded in accordance with the FASB ASC 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2015.

Federal Forms 990 filed by Catholic Charities are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state and local tax authorities for years 2012 and prior.

**Revenue recognition:** Unconditional promises to give made during the annual fall fund drive are recognized when the donor makes a promise to give that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Gifts of long-lived assets with restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue.

The expiration of donor restrictions is reported ratably over the useful life of the related long-lived assets through an implied time restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service fees from private organizations are recognized as the services are performed. Revenue from events and honorariums is recognized upon the completion of the event. Grant revenue is recorded when related services or requirements have been performed.

**Functional expenses:** Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

**Estimates:** In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

**New accounting pronouncement:** On February 1, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The new ASU simplifies U.S. GAAP by eliminating entity specific consolidation guidance for limited partnerships. It also revises other aspects of the consolidation analysis, including how kick-out rights, fee arrangements and related parties are assessed. ASU No. 2015-02 eliminated the guidance in ASC 810-20, and requires a not-for-profit entity that is a general partner of a for-profit limited partnership (or similar entity) to apply the guidance in ASC 810-10. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. Catholic Charities early adopted the amendments for the year ended June 30, 2015.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

As a result of the adoption, the presumption of 3825 N.W. 19th, Inc.'s control over Trinity Place as a general partner is not required to be overcome and its investment in Trinity Place is recorded under the equity method.

On May 1, 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent) (a consensus of the FASB Emerging Issues Task Force)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU No. 2015-07 is effective for the Catholic Charities for the year ended June 30, 2018 and should be applied retrospectively to all periods presented. Earlier application is permitted and Catholic Charities elected to early implement ASU No. 2015-07 for the year ended June 30, 2015. Implementation of ASU No. 2015-07 resulted in changes to Catholic Charities' fair value measurement disclosures (see Note 6).

**Recently issued accounting pronouncements:** On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, the long-awaited final standard on the recognition and measurement of financial instruments. The ASU applies to all entities that hold financial assets or owe financial liabilities and represents the finalization of just one component of the FASB's broader financial instruments project. The ASU becomes effective for Catholic Charities' year ending June 30, 2020. Early adoption is permitted. Catholic Charities is in the process of evaluating the effects of ASU No. 2016-01 on its consolidated financial statements.

**Reclassifications:** Certain reclassifications were made to the June 30, 2014 financial statements in order to conform to the June 30, 2015 financial statements. These reclassifications had no impact on net assets or changes in net assets.

#### Note 2. Promises to Give

As of June 30, 2015 and 2014, contributors to Catholic Charities have made written, unconditional promises to give, as follows:

	2015	2014
Annual Fall fund drive	\$ 222,353	\$ 236,479
Less allowance for uncollectible accounts	(41,946)	(49,882)
	<u>180,407</u>	<u>186,597</u>
Inasmuch Foundation	110,000	-
United Way of Central Oklahoma, disaster relief	2,000,000	-
United Way of Metro Oklahoma City, funding for next year	392,352	400,300
United Way of Enid & Northwest Oklahoma, funding for next year	17,000	-
United Way of Lawton—Fort Sill, funding for next year	15,000	16,000
Net unconditional promises-to-give	<u>\$ 2,714,759</u>	<u>\$ 602,897</u>

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 3. Capital Campaign—Promises to Give

In April 2014, Catholic Charities launched a Capital Campaign to build the new Catholic Charities building on 912 NW 12th Street, Oklahoma City. Contributors have made written, unconditional promises to give for the Capital Campaign as follows:

Receivable in less than one year	\$ 1,965,674
Receivable in one to five years	3,177,585
Total capital campaign promises-to-give	<u>5,143,259</u>
Less discount to present value	(196,613)
Net capital campaign promises-to-give	<u>\$ 4,946,646</u>

Pledges receivable expected to be received in more than one year are discounted at 1.88 percent for 2015.

#### Note 4. Endowment Assets

Catholic Charities endowments consist of five individual funds established for a variety of purposes. Its endowments include both donor restricted funds and funds designated by Catholic Charities to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including designated by Catholic Charities to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Catholic Charities has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, Catholic Charities has classified its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donation made to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for distribution by Catholic Charities in a manner consistent with the standards set forth in the Act.

In accordance with the Act, Catholic Charities considers the following factors in making a determination to maintain or distribute donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Catholic Charities and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of Catholic Charities, and (7) the investment policies of Catholic Charities.

Catholic Charities invests its endowment funds with the Catholic Foundation of Oklahoma (the Foundation). In doing so, Catholic Charities has inherently accepted the investment policies of the Foundation. Catholic Charities believes the investment policies of the Foundation, when applied to the endowment funds, facilitate Catholic Charities' ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that Catholic Charities must hold in perpetuity or for a donor-specified period as well as board designated funds. Under the Foundation's investment policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 4. Endowment Assets (Continued)**

This investment policy expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 60 percent equity and 40 percent fixed income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return. To satisfy its long-term rate-of-return objectives, Catholic Charities relies on the Foundation's investment policy, which has a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment net asset composition and changes in endowment net assets for the year ended June 30, 2015, is as follows:

Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 131,841	\$ 203,950	\$ 335,791
Board-designated endowment funds	3,139,442	-	-	3,139,442
Total endowment net assets	<u>\$ 3,139,442</u>	<u>\$ 131,841</u>	<u>\$ 203,950</u>	<u>\$ 3,475,233</u>

Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 3,117,540</u>	<u>\$ 129,824</u>	<u>\$ 203,950</u>	<u>\$ 3,451,314</u>
Investment return:				
Investment income	46,026	4,842	-	50,868
Net appreciation (realized and unrealized)	34,335	3,612	-	37,947
Total investment return	80,361	8,454	-	88,815
Appropriation of endowment assets for expenditure	(58,459)	(6,437)	-	(64,896)
Total endowment funds at June 30, 2015	<u>\$ 3,139,442</u>	<u>\$ 131,841</u>	<u>\$ 203,950</u>	<u>\$ 3,475,233</u>

Endowment net asset composition and changes in endowment net assets for the year ended June 30, 2014 is as follows:

Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 129,824	\$ 203,950	\$ 333,774
Board-designated endowment funds	3,117,540	-	-	3,117,540
Total endowment net assets	<u>\$ 3,117,540</u>	<u>\$ 129,824</u>	<u>\$ 203,950</u>	<u>\$ 3,451,314</u>

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 4. Endowment Assets (Continued)**

Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,748,987	\$ 89,514	\$ 203,950	\$ 3,042,451
Investment return:				
Investment income	46,678	4,912	-	51,590
Net appreciation (realized and unrealized)	387,945	40,829	-	428,774
Total investment return	434,623	45,741	-	480,364
Appropriation of endowment assets for expenditure	(66,070)	(5,431)	-	(71,501)
Total endowment funds at June 30, 2014	<u>\$ 3,117,540</u>	<u>\$ 129,824</u>	<u>\$ 203,950</u>	<u>\$ 3,451,314</u>

**Note 5. Investments**

Catholic Charities has invested funds into a pooled investment with participating entities of, and managed by, the Archdiocese of Oklahoma City. Bank One Investment Management Group of Oklahoma City is custodian of the investment pool. Also, under a custodial arrangement, certain investments were held by the Catholic Foundation of Oklahoma, Inc., and Archdiocese of Oklahoma City. These investments are reported at their net asset value per share, as determined by the Archdiocese of Oklahoma City.

Investments, including both unrestricted and restricted balances, as of June 30, are summarized as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
The Archdiocese through Bank One Investment Management Group, as custodian	\$ 1,394,534	\$ 1,474,544	\$ 972,435	\$ 1,385,028
The Catholic Foundation of Oklahoma, Inc.	3,349,106	3,475,233	2,949,683	3,451,314
Total investments	<u>\$ 4,743,640</u>	<u>\$ 4,949,777</u>	<u>\$ 3,922,118</u>	<u>\$ 4,836,342</u>

Catholic Charities receives a portion of the income on these funds for use in its operations. However, principal amounts and reinvested earnings are generally not available for use in current operations due to restrictions designated by donors or the Board of Directors.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 5. Investments (Continued)**

Components of unrestricted investment income for the year ended June 30, were as follows:

	2015			Consolidated
	Catholic Charities	3825 N.W. 19th, Inc.	Villa, Inc.	
Pooled Investments:				
Net realized and unrealized gains	\$ 86,770	\$ -	\$ 3,022	\$ 89,792
Interest, dividends and other investment earnings	57,310	-	-	57,310
Bank, advisory, trust and management fees	(9,208)	-	-	(9,208)
Catholic Foundation of Oklahoma, Inc.:				
Net realized and unrealized gains	37,947	-	-	37,947
Interest, dividends and other investment earnings	65,179	-	-	65,179
Bank, advisory, trust and management fees	(14,311)	-	-	(14,311)
	<u>\$ 223,687</u>	<u>\$ -</u>	<u>\$ 3,022</u>	<u>\$ 226,709</u>
	2014			
	Catholic Charities	3825 N.W. 19th, Inc.	Villa, Inc.	Consolidated
Pooled Investments:				
Net realized and unrealized gains	\$ 192,766	\$ -	\$ 3,019	\$ 195,785
Interest, dividends and other investment earnings	20,736	-	-	20,736
Bank, advisory, trust and management fees	(8,710)	-	-	(8,710)
Catholic Foundation of Oklahoma, Inc.:				
Net realized and unrealized gains	387,945	-	-	387,945
Interest, dividends and other investment earnings	57,183	-	-	57,183
Bank, advisory, trust and management fees	(10,505)	-	-	(10,505)
	<u>\$ 639,415</u>	<u>\$ -</u>	<u>\$ 3,019</u>	<u>\$ 642,434</u>

**Note 6. Fair Value Measurements**

The following is a description of valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2015.

**Pooled investments:** Valued using the practical expedient. The practical expedient allows for the use of NAV of the proportionate share of the units held at year-end either as reported by the Archdiocese of Oklahoma City and the Catholic Foundation of Oklahoma, Inc.

**Beneficial interest in assets held by others:** Carried at fair value and based on the fair value of the cash and investment assets held by OCCF for the benefit of Catholic Charities. Fair value is based on the NAV per share as determined by OCCF and provided to Catholic Charities.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 6. Fair Value Measurements (Continued)**

The investments are directed by the Community Foundation and are designated to achieve endowment returns consistent with their investment policies.

Investments in this category cannot be redeemed at the current NAV price per share, as Catholic Charities is the only beneficiary of the investments earnings, which are distributed in accordance with OCCF's spending policy.

Certain of Catholic Charities' assets are reported at fair value in the accompanying statement of position on a recurring basis. All assets reported at fair value are valued using NAV as a practical expedient and as such are not categorized in the fair value hierarchy. The following table summarizes assets reported at fair value on a recurring basis at June 30, 2015 and 2014:

	2015	2014
Recurring fair value measurements:		
Pooled investments	\$ 4,949,777	\$ 4,836,342
Beneficial interest in assets held by others	71,415	72,475
Total recurring fair value measurements	<u>\$ 5,021,192</u>	<u>\$ 4,908,817</u>

The following table provides additional information describing the nature and risk of assets carried at NAV by major class:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
Archdiocese of Oklahoma City	\$ 1,474,544	\$ -	Daily	None
Catholic Foundation of Oklahoma, Inc.	3,475,233	-	Daily	None
Total pooled investment funds:	<u>4,949,777</u>	-		
Beneficial interest in assets held by others	71,415	-	N/A	N/A
	<u>\$ 5,021,192</u>	<u>\$ -</u>		

**Note 7. Notes Receivable**

Following is a summary of notes receivable as of June 30:

	2015	2014
Trinity Place retirement project (Note 14)	\$ 1,882,065	\$ 1,922,342
Columbia Square housing project (Note 14)	98,197	98,196
	<u>1,980,262</u>	<u>2,020,538</u>
Less allowance for uncollectible notes receivable (Note 14)	(674,000)	(674,000)
	<u>\$ 1,306,262</u>	<u>\$ 1,346,538</u>

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 8. Property and Equipment**

The following is a detail of property and equipment as of June 30:

	2015		
	Catholic Charities	Villa Isenbart, Inc.	Total
Land	\$ 802,039	\$ 51,000	\$ 853,039
Building and improvements	2,513,297	1,904,751	4,418,048
Automobiles	238,452	-	238,452
Furniture and equipment	497,475	29,136	526,611
Construction in progress	1,585,578	-	1,585,578
Equipment with reversionary interest (see below)	21,098	-	21,098
	5,657,939	1,984,887	7,642,826
Less accumulated depreciation	(2,160,556)	(1,271,383)	(3,431,939)
	<u>\$ 3,497,383</u>	<u>\$ 713,504</u>	<u>\$ 4,210,887</u>

	2014		
	Catholic Charities	Villa Isenbart, Inc.	Total
Land	\$ 802,039	\$ 51,000	\$ 853,039
Building and improvements	2,494,857	1,872,476	4,367,333
Automobiles	238,452	-	238,452
Furniture and equipment	488,203	29,136	517,339
Construction in progress	109,776	-	109,776
Equipment with reversionary interest (see below)	21,098	-	21,098
	4,154,425	1,952,612	6,107,037
Less accumulated depreciation	(2,019,968)	(1,201,967)	(3,221,935)
	<u>\$ 2,134,457</u>	<u>\$ 750,645</u>	<u>\$ 2,885,102</u>

Equipment acquired under grants received under the Cooperative Agreement between the United States Department of State and the United States Conference of Catholic Bishops (USCCB) is considered to be owned by Catholic Charities while it is used by the program for which it was purchased or in future authorized programs. The grantors, however, have a reversionary interest in the equipment and proceeds from its disposition.

Construction in progress includes architecture fees and other costs associated with the building of the new Catholic Charities building on Northwest 12th Street. During 2015, the Catholic Charities has entered into a construction contract for the construction of the building totaling \$7,065,236 at June 30, 2015. The balance to finish as of June 30, 2015, is \$5,981,292.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

**Note 9. Notes Payable**

Following is a summary of notes payable as of June 30:

	2015	2014
Trinity Place retirement project (Note 14)	\$ 800,000	\$ 800,000
Casa Maria housing project (Note 14)	174,467	192,831
12th Street building PDLF loan	677,880	679,920
	<u>\$ 1,652,347</u>	<u>\$ 1,672,751</u>

The 12th Street building PDLF loan is a loan with the Archdiocese of Oklahoma City with no stated maturity date. Interest is payable on the loan monthly at a variable PDLF loan rate (1.88 percent at June 30, 2015).

**Note 10. Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes or periods as of June 30:

	2015	2014
Funding for 2016 operations:		
United Way of Metro Oklahoma City, funding for next year	\$ 392,352	\$ 400,300
United Way of Enid/NW Oklahoma	7,516	-
United Way of Lawton	17,000	16,000
Capital campaign	7,905,794	5,882,246
Capital grant advances (Note 14)	983,925	1,032,280
Disaster relief	3,104,279	3,141,163
Accumulated earnings on permanently restricted investments	131,841	129,824
Immigration attorney wages	165,000	55,000
Housing development	33,400	34,000
Various other charitable purposes	230,956	144,968
	<u>\$ 12,972,063</u>	<u>\$ 10,835,781</u>

Permanently restricted net assets as of June 30 consist of:

	2015	2014
C. Harold & Constance brand endowment for the benefit of the maternity home	\$ 203,950	\$ 203,950
Beneficial interest in assets held by Oklahoma City Community Foundation, Inc.	71,415	72,475
	<u>\$ 275,365</u>	<u>\$ 276,425</u>

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 11. Related-Party Transactions

Catholic Charities, in the normal course of business, engages in transactions with other organizations related through common purpose and management, principally the Archdiocese of Oklahoma City. Catholic Charities participates in a retirement plan sponsored by the Archdiocese of Oklahoma City (Note 12), maintains pooled investments with the Archdiocese of Oklahoma City and the Catholic Foundation of Oklahoma, Inc. (Note 4) and sponsored the formation of two not-for-profit organizations and a limited partnership (Note 14).

#### Note 12. Retirement Plan

The Archdiocese of Oklahoma City sponsors a tax sheltered annuity plan covering all lay employees of the diocese (including affiliated entities) who are at least 18 years of age and who have completed one year of service. The plan is funded by a combination of employer contributions, voluntary employee contributions and employer matching contributions. Employer contributions are 3 percent of a participant's compensation. The plan provides for employer matching contributions of 50 percent of voluntary employee contributions up to a maximum additional percentage of 2 percent. Plan participants are fully vested at all times in their voluntary contributions and gradually vest in employer contributions and are fully vested upon completion of six years of service. Catholic Charities' retirement expense under this plan for the years ended June 30, 2015 and 2014 totaled \$75,795 and \$56,929, respectively.

#### Note 13. Fees and Grants from Federal Agencies

**Department of State:** Catholic Charities receives funds from the USCCB, which is assisted financially by the Department of State under the authority of the Immigration and Nationality Act, as amended, for administration and to reimburse refugee sponsors for expenses under a grant for the Migration and Refugee Resettlement and Placement Program and the Migration and Refugee Match Grant. The USCCB funding to the Migration and Refugee Resettlement and Placement Program was \$260,894 and \$303,515 for the years ended June 30, 2015 and 2014, respectively. The USCCB funding to the Migration and Refugee Match Grant was \$54,743 and \$48,859 for the years ended June 30, 2015 and 2014, respectively.

In addition, the Refugee Program held \$7,500 in cash advances from the USCCB at June 30, 2015 and 2014. These advances must be repaid upon the completion of the program.

**Department of Health and Human Services (DHHS):** During the year ended June 30, 2002, the Refugee Cash Assistance (RCA) Program was established. This program is administered by the Office of Refugee Resettlement (ORR) and funds are disbursed by the Oklahoma Department of Human Services (DHS). The Oklahoma DHS funding to the RCA program for the years ended June 30, 2015 and 2014 was \$182,545 and \$129,785, respectively.

During the year ended June 30, 2013, the Refugee Social Services (RSS) Program was established. This program is administered by the Office of Refugee Resettlement (ORR) and funds are disbursed by the Oklahoma Department of Human Services (DHS). The Oklahoma DHS funding to the RSS program for the years ended June 30, 2015 and 2014 was \$169,591 and \$153,310, respectfully.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 13. Fees and Grants from Federal Agencies (Continued)

Following is a summary of fees and grants received from Federal agencies for the years ended June 30:

	2015	2014
Fees and grants from federal agencies:		
Department of State—USCCB:		
Migration and refugee match grant	\$ 54,743	\$ 48,859
Migration and refugee resettlement and placement program	260,894	303,515
Department of Health and Human Services:		
Refugee cash assistance program	182,545	129,785
Refugee social services program	169,591	153,310
	667,773	635,469
Less write-off of federal grant receivable	(5,621)	(9,615)
Total fees and grants from federal agencies	<u>\$ 662,152</u>	<u>\$ 625,854</u>

#### Note 14. Affordable Housing Developments

**Casa Maria:** Casa Maria is a housing project that involved an acquisition and refurbishment of a property at 613 N.W. 30th Street in Oklahoma City for approximately \$396,000. The property was acquired under a Forgivable Loan Agreement pursuant to the Title II Cranston Gonzalez National Affordable Housing Act of 1990 (Public Law 101-625) (the Law) using HUD funding. This property provides six apartments for housing of low income families meeting certain requirements of the Law and, if Catholic Charities meets the requirements of the Law over a period of twenty years, the loan will be forgiven five percent each year. The loan with the City of Oklahoma City bears no interest and the lender, pursuant to a mortgage, must look only to the property as collateral. At June 30, 2015 and 2014, the amount of the construction loan is \$174,467 and \$192,831 after loan forgiveness of \$18,365 and \$18,365, respectively.

**Villa Isenbart, Inc.:** Villa Isenbart, Inc., a wholly owned subsidiary of Catholic Charities, has developed and is operating a facility which contains 40 independent living housing units. The corporation is operating under the provisions of Section 202 of the National Housing Act, with mortgage insurance provided by the National Housing Administration of the Department of Housing and Urban Development. The responsibility for the ongoing management of the facility is contracted to an unrelated third party property management company. Compensation for such services is as determined under the bylaws of the corporation and a management agreement.

Pursuant to the Capital Grant Agreement with HUD, Villa Isenbart, Inc. received advances not to exceed \$1,934,200 for costs incurred in the acquisition and rehabilitation of property. Under the terms of the grant, the Corporation must own the property for a period of not less than 40 years. Failure to do so could require all or a portion of the grant to be repaid to HUD.

In accordance with generally accepted accounting principles, capital grant advances have been recorded as temporarily restricted revenue when received. The Corporation reports the expiration of HUD's restrictions ratably over the useful life of the related long-lived asset through an implied time restriction.

The membership of Villa Isenbart, Inc. consists of individuals who are directors of Catholic Charities, or who have the approval of the Board of Directors of Catholic Charities.

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 14. Affordable Housing Developments (Continued)

**Trinity Place (3825 N.W. 19th, Inc.):** 3825 N.W. 19th, Inc., a wholly owned subsidiary of Catholic Charities, is a 1 percent general partner and, as of June 9, 2010, Catholic Charities of Southwest Oklahoma, Inc., a wholly owned subsidiary of the Archdiocese of Oklahoma City, is a 99 percent limited partner of Trinity Place, an Oklahoma Limited Partnership, which is an affordable tax credit housing development for the elderly pursuant to Section 42 of the Internal Revenue Code. Prior to June 9, 2010, Federal National Mortgage Association (Fannie Mae) was the limited partner.

**Trinity Place (an Oklahoma Limited Partnership):** This partnership is to assist in the development, financing, and operation of the Trinity Gardens Retirement Project, a fifty-eight (58) unit apartment complex. As of June 30, 2010, Catholic Charities of Southwest Oklahoma, Inc. is the limited partner of Trinity Place, and the general partner is 3825 N.W. 19th, Inc. The following is a summary of the transactions related to these projects:

- On December 27, 1995, Catholic Charities sold the former St. Ann's Home building and property to the limited Partnership (Trinity) for \$338,000 secured by a note receivable (Sale of Land and Buildings) with an interest rate of 1.5 percent maturing on December 26, 2025. The facility was developed into a fifty-eight (58) unit, affordable apartment complex for elderly persons.
- On October 23, 1996, Catholic Charities received a non-interest-bearing note receivable of \$216,000, maturing December 26, 2012 from Mercy Housing, Inc. (Mercy), a Nebraska nonprofit corporation. This note was received as full payment of the outstanding principal and interest obligation owing to Catholic Charities by Trinity under a promissory note in the original amount of \$250,000 dated December 27, 1995. Payments to be received from the Mercy note receivable are secured by, and are to be equal to, payments received by Mercy under a \$216,000 note receivable (Development Loan) from Trinity. As of June 30, 2004, the total advanced was \$216,000. On December 24, 2012, the agreement was amended, so that Mercy was dropped from the agreement, and the note was renewed with a maturity date of December 26, 2025. The agreement is between Catholic Charities and Trinity.
- On November 6, 1996, the partnership agreement of Trinity Place, an Oklahoma Limited Partnership, was amended and Fannie Mae replaced Catholic Charities as the limited partner. The general partner remains as 3825 N.W. 19th, Inc. a not-for-profit corporation. In addition, Catholic Charities has guaranteed to Fannie Mae (the limited partner) the payment and performance of the general partner's (3825 N.W. 19th, Inc.) obligations.
- On June 9, 2010, the partnership agreement of Trinity Place, an Oklahoma Limited Partnership, was amended and Catholic Charities of Southwest Oklahoma, Inc. replaced Fannie Mae as the limited partner. The general partner remains as 3825 N.W. 19th, Inc. a not-for-profit corporation.
- On December 27, 1995, Catholic Charities entered into a thirty-year non-interest bearing, no recourse loan agreement with the City of Oklahoma City (City) under the National Affordable Housing Act of 1990, Home Investment Partnerships Program (HOME), whereby Catholic Charities borrowed \$800,000 to be used to advance interim construction funds to Trinity for the construction of the Trinity Place Retirement Project. The loan is secured by Catholic Charities' interest in the project. Principal payments to be made are based on a formula derived from Excess Cash Funds generated by the Trinity Place Retirement Project, using a residual receipts concept. Funds advanced to Trinity Place by Catholic Charities are secured by a second mortgage agreement (assigned to the City). The loan matures on January 24, 2026.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 14. Affordable Housing Developments (Continued)**

- On October 28, 1996, Catholic Charities borrowed from Northwest Bank, now MidFirst Bank, additional funds of \$120,000 for the Trinity Place construction program. The conditions of this non-interest bearing loan call for forgiveness of the debt each year of acceptable operation by Trinity Place for a fifteen year period. Accordingly, Catholic Charities has recorded in its financial statements a note payable to the bank reflecting a yearly deduction in the original amount of the loan of \$8,040 since inception for the Trinity Place facility. These funds were then lent to Trinity Place, evidenced by a secured note (Construction Loan) to Catholic Charities. This note bears interest at a rate of 1.5 percent per annum maturing on December 31, 2025.
- On April 25, 2011, Catholic Charities was assigned a note (Renewal Loan) that was initially payable by Trinity Place to MidFirst Bank. Upon assignment, a modification of the original note was signed. The principal balance of the modified loan as of April 25, 2011, was \$574,915. The note is payable in fixed monthly payments of \$4,000, with an adjustable interest rate of the PDLF loan rate plus 1 percent, adjustable monthly on the last day of each month. The loan matures on October 15, 2017. As of June 30, 2015, the unpaid principal balance of the loan was \$451,718.
- In October 2014, Catholic Charities passed a resolution to create an allowance to reduce the Construction Loan, the Development Loan, and the Sale of Land and Building notes receivable balances as of June 30, 2014, to properly reflect the ultimate collectability of the project.

The following is a summary of the balances of the above transactions as of June 30:

	2015	2014
Investment in Partnership:		
3825 N.W. 19th, Inc.—1% partnership capital contribution in Trinity Place	\$ 3,860	\$ 3,860
Notes receivable from Trinity Place, an Oklahoma limited partnership:		
Construction loan	\$ 120,000	\$ 120,000
Development loan	216,000	216,000
Sale of land and buildings	338,000	338,000
Construction funds advanced (HOME)	800,000	800,000
Renewal loan	408,065	451,718
	1,882,065	1,925,718
Less allowance for uncollectible notes receivable	(674,000)	(674,000)
Total notes receivable	\$ 1,208,065	\$ 1,251,718
Note payable to the city of Oklahoma City:		
Construction funds received (HOME)	\$ 800,000	\$ 800,000

## Catholic Charities of the Archdiocese of Oklahoma City, Inc.

### Notes to Consolidated Financial Statements

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#### Note 14. Affordable Housing Developments (Continued)

Catholic Charities has elected not to accrue interest on certain notes receivable from Trinity Place as collectability is not certain. Catholic Charities has decided that the low probability of receiving the interest on these notes does not justify the inclusion of this interest income in the financial statements. If Catholic Charities had accrued interest on the notes, accrued interest of \$625,390 and \$583,837 would be included in the consolidated statements of financial position at June 30, 2015 and 2014, respectively.

**Villanova Apartments (Formerly Columbia Square Apartments):** Villanova Apartments is a 64 unit housing project fully owned by Lawton Apartments Limited Partnership (LALP), that involves an acquisition and refurbishment of property located in Lawton, Oklahoma.

Columbia Square, Inc., a wholly owned subsidiary of the Archdiocese of Oklahoma City, is a 1 percent general partner, and Enterprise Housing Alliance Fund II, LP and Enterprise Housing Partners XV Limited Partnership are 99 percent limited partners of LALP.

On May 14, 2007, Catholic Charities advanced \$116,000 and received a note receivable from LALP. This note bears interest at 6.15 percent per annum with accrued interest and principal due on the maturity date of June 1, 2049. Catholic Charities has elected not to accrue interest on the note receivable from LALP. Catholic Charities has decided that the low probability of receiving the interest on this note does not justify the inclusion of this interest income in the financial statements. If Catholic Charities had accrued interest on the note, accrued interest in the amount of \$68,449 and \$61,315 would be included in the consolidated financial statements as of June 30, 2015 and 2014, respectively.

Additionally, on May 16, 2007, Catholic Charities entered into a guaranty agreement with LALP, where Catholic Charities guarantees the following relating to the Columbia Square housing project:

**Operating Deficit Guaranty:** Catholic Charities has entered into an Operating Deficit Guaranty, whereas, if an operating deficit exists by LALP and the general partner of LALP does not have the ability to fund this operating deficit, then Catholic Charities will advance funds to LALP to cover the operating deficit up to \$146,000. This guaranty shall terminate on the date that the following have occurred simultaneously: (1) the project has operated at break-even for at least three consecutive months; and (2) the balance of the operating reserve equals or exceeds \$146,198.

**Villanova Apartments (Formerly Columbia Square Apartments):** Guaranty of Obligation to Purchase Interest of Limited Partner: Catholic Charities has entered into a Guaranty of Obligation to Purchase Interest of Limited Partner, whereas, if the general partner of LALP is obligated to purchase the limited partner's interest and fails to do so within the requirements of the LALP partnership agreement, then Catholic Charities will advance the funds to purchase the interest. This guaranty expires upon the purchase of the limited partner's interest.

Effective October 1, 2013, the HUD-insured mortgage note was refinanced through Bellwether Enterprise Real Estate Capital, LLC. Interest only was payable November 1, 2013. The original loan of \$2,700,000 is payable in monthly installments of \$14,402 (including 5.65 percent interest) beginning on December 1, 2013 through December 1, 2053. The mortgage note is nonrecourse and is secured by the rental property.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 15. Contingencies**

Catholic Charities receives certain revenue from government grants and contracts. These grants and contracts are subject to audit by the grantor agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government and, until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Catholic Charities believes that no liability will result from such audits.

**Note 16. Subsequent Events**

Catholic Charities has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 9, 2016, the date the financial statements were available to be issued.

**Reports Required by  
*Government Auditing Standards*  
and OMB Circular A-133**

**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**

**Independent Auditor's Report**

To the Most Reverend Paul S. Coakley, Archbishop of the Archdiocese of Oklahoma City  
and Board of Directors  
Catholic Charities of the Archdiocese of Oklahoma City, Inc.  
Oklahoma City, Oklahoma

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 consolidated financial statements of Catholic Charities of the Archdiocese of Oklahoma City, Inc. (Catholic Charities), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows and the statement of functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2016. Our report includes a reference to other auditors who audited the financial statements of Villa Isenbart, Inc., as described in our report on Catholic Charities' financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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.

#### **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 on 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.

*RSM US LLP*

Oklahoma City, Oklahoma  
August 9, 2016

**Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB  
Circular A-133**

**Independent Auditor's Report**

To the Most Reverend Paul S. Coakley, Archbishop of the Archdiocese of Oklahoma City  
and Board of Directors  
Catholic Charities of the Archdiocese of Oklahoma City, Inc.  
Oklahoma City, Oklahoma

**Report on Compliance for the Major Federal Program**

We have audited Catholic Charities of the Archdiocese of Oklahoma City, Inc. (Catholic Charities) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on Goodwill Industries' major federal program for the year ended June 30, 2015. Catholic Charities' major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Catholic Charities consolidated financial statements include the operations of 3825 N.W. 19<sup>th</sup> Inc. and Villa Isenbart, Inc., which received no federal awards which are not included in the schedule during the year ended June 30, 2015. Our audit described below, did not include the operations of 3825 N.W. 19<sup>th</sup> Inc. and Villa Isenbart, Inc., because 3825 N.W. 19<sup>th</sup> Inc., and Villa Isenbart did not receive any federal awards.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Catholic Charities' major federal program based on our audit of the types of compliance requirement referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Catholic Charities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on the Major Federal Program**

In our opinion, Catholic Charities' complied, in all material respects, with the types of compliance requirement referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Other Matters**

The results of our audit procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned cost as Finding 2015-001. Our opinion on the major federal program is not modified with respect to these matters.

Catholic Charities' response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Catholic Charities is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Catholic Charities' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Oklahoma City, Oklahoma  
August 9, 2016

## **Other Supplementary Information**

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Identifying Number	CFDA # Number	Federal Award Expenditure
Department of State / United States Conference of Catholic Bishops/U.S. Refugee Admission Program	SPRMC014CA1002	19.510	\$ 260,894
Department of Health and Human Services / United States Conference of Catholic Bishops/Refugee and Entrant Assistance Voluntary Agency Program - Matching Grant	9ORV0070	93.567	54,743
Department of Health and Human Services /Oklahoma State Department of Human Services/Refugee and Entrant Assistance State Administered Program	8309020735	93.566	<u>346,515</u>
			<u>\$ 662,152</u>

See notes to the schedule of expenditures of federal awards.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Catholic Charities under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Catholic Charities, it is not intended to and does not present the financial position, changes in net assets or cash flows of Catholic Charities.

**Note 2. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3. Subrecipients**

During the year ended June 30, 2015, Catholic Charities did not provide any federal awards to subrecipients.

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Summary Schedule of Prior Audit Findings**

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**Findings Related to the Financial Statement Audit as Reported in Accordance with Generally Accepted *Government Auditing Standards*:**

A. Internal Control

No matters were reported.

B. Compliance Findings

No matters were reported.

**Findings and Questioned Costs for Federal Awards:**

A. Internal Control

No matters were reported.

B. Compliance Findings

2014-1	Activities allowed or unallowed and reporting—refugee cash assistance	Corrected
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Catholic Charities of the Archdiocese of Oklahoma City, Inc.

**Schedule of Findings and Questioned Costs**

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**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 deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

**Identification of major programs:**

Federal CFDA #	Name of Federal Program
19.510	U.S. Refugee Admission Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**II. Findings required to be reported in accordance with *Government Auditing Standards*:**

**Internal Control:**

No matters were reported.

**Compliance Findings:**

No matters were reported

**III. Findings required to be reported in accordance with OMB Circular A-133:**

**Internal Control:**

No matters were reported

**Compliance Findings:**

See finding 2015-001

**Catholic Charities of the Archdiocese of Oklahoma City, Inc.**

**Schedule of Findings and Questioned Costs**

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**Finding 2015-001**

**Finding:** The June 30, 2015 data collection form and reporting package were not submitted timely.

**Criteria:** Audit reporting packages should be completed and submitted to the Federal Audit Clearinghouse within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of Catholic Charities' year end.

**Condition:** Catholic Charities is not in compliance with the reporting requirements of OMB Circular A-133.

**Questioned Costs:** None

**Effect:** Federal compliance requirements were not met.

**Cause:** The June 30, 2015 Single Audit report was not issued within nine months of the fiscal year-end, and therefore Catholic Charities was not able to submit to the Federal Audit Clearinghouse within the required timeframe.

**Recommendation:** We recommend that Catholic Charities submit the June 30, 2015 reporting package to the Federal Audit Clearinghouse as soon as it is available to be submitted and that the June 30, 2016, and all future reporting packages, be submitted by the required due date.

**Response and Management Corrective Action Plan:** It was the first year for the audit of Catholic Charities by RSM. In addition, RSM has acquired a local Oklahoma City accounting firm and it was the first year for the audit staff to perform the audit under the auditing and review procedures of RSM. Due to the issues related to these matters, the Catholic Charities audit was delayed until after the filing date. The failure to meet the filing deadline was in no way the result of any problems or issues with the books, records, accounting systems, or staff of Catholic Charities.

