

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR YEAR ENDED JUNE 30, 2014**

**WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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# PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

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

### ***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, 2014, 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, 2014, 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. 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. 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, 2014, 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.

### ***Report on Summarized Comparative Information***

We have previously audited the Catholic Charities' 2013 financial statements, and our report dated February 9, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. 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 purposes of additional analysis and is not a required part of the consolidated 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 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of Catholic Charities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
December 22, 2014

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

**JUNE 30, 2014**

	JUNE 30, 2014				JUNE 30, 2013
	CATHOLIC CHARITIES	3825 N.W. 19TH, INC.	VILLA ISENBART, INC.	CONSOLIDATED TOTAL	COMPARATIVE CONSOLIDATED TOTAL
<b><u>ASSETS</u></b>					
<b><u>Current Assets</u></b>					
Cash					
Operating	\$ 2,636,506	\$ 1,110	\$ 3,106	\$ 2,640,722	\$ 2,911,927
Temporarily Restricted	3,995,118	-	-	3,995,118	2,655,338
	<u>\$ 6,631,624</u>	<u>\$ 1,110</u>	<u>\$ 3,106</u>	<u>\$ 6,635,840</u>	<u>\$ 5,567,265</u>
Unconditional Promises to Give					
Capital Campaign , Net (Note 3)	\$ 4,963,543	\$ -	\$ -	\$ 4,963,543	\$ -
Other, Net (Note 2)	602,897	-	-	602,897	654,570
	<u>\$ 5,566,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,566,440</u>	<u>\$ 654,570</u>
Receivables					
United States Conference of Catholic Bishops	\$ 41,275	\$ -	\$ -	\$ 41,275	\$ 53,065
Other Receivables	534,998	-	1,154	536,152	161,600
	<u>\$ 576,273</u>	<u>\$ -</u>	<u>\$ 1,154</u>	<u>\$ 577,427</u>	<u>\$ 214,665</u>
Prepaid Expenses	\$ 117,422	\$ -	\$ 1,798	\$ 119,220	\$ 41,904
Gift Card Inventory (Note 16)	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 34,266
<b><u>Total Current Assets</u></b>	<u>\$ 12,896,759</u>	<u>\$ 1,110</u>	<u>\$ 6,058</u>	<u>\$ 12,903,927</u>	<u>\$ 6,512,670</u>
<b><u>Noncurrent Assets</u></b>					
Investments (Notes 5 and 6)	\$ 1,385,028	\$ -	\$ -	\$ 1,385,028	\$ 1,190,937
Endowment Assets (Notes 4, 5, and 6)	3,451,314	-	-	3,451,314	3,042,451
Beneficial Interest in Assets Held by Oklahoma City Community Foundation, Inc.	72,475	-	-	72,475	66,621
Real Estate and Other	304	-	-	304	304
Investment in Partnership	-	3,860	-	3,860	3,860
Tenant Security Deposits	-	-	12,162	12,162	9,892
Reserve for Replacement	-	-	87,715	87,715	78,372
Residual Receipts	-	-	8,764	8,764	8,763
Organization Costs	-	-	1,092	1,092	1,198
Deposits	-	-	1,710	1,710	1,710
Voluntary Insurance Escrow	-	-	15,854	15,854	5,510
Notes Receivable, Net (Note 7)	1,346,538	-	-	1,346,538	2,061,064
Property and Equipment at Cost, Net (Note 8)	2,134,457	-	750,645	2,885,102	2,111,445
<b><u>Total Noncurrent Assets</u></b>	<u>\$ 8,390,116</u>	<u>\$ 3,860</u>	<u>\$ 877,942</u>	<u>\$ 9,271,918</u>	<u>\$ 8,582,127</u>
<b><u>Total Assets</u></b>	<u>\$ 21,286,875</u>	<u>\$ 4,970</u>	<u>\$ 884,000</u>	<u>\$ 22,175,845</u>	<u>\$ 15,094,797</u>

The accompanying notes are an integral part of these statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION - CONTINUED**

**JUNE 30, 2014**

	JUNE 30, 2014				JUNE 30, 2013
	CATHOLIC CHARITIES	3825 N.W. 19TH, INC.	VILLA ISENBART, INC.	CONSOLIDATED TOTAL	COMPARATIVE CONSOLIDATED TOTAL
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b><u>Current Liabilities</u></b>					
Accounts Payable and Accrued Expenses	\$ 337,899	\$ -	\$ 6,699	\$ 344,598	\$ 419,974
Advances from United States					
Catholic Conference	10,000	-	-	10,000	10,000
Tenant Security Deposits	-	-	11,491	11,491	9,231
	<u>-</u>	<u>-</u>	<u>11,491</u>	<u>11,491</u>	<u>9,231</u>
<b>Total Current Liabilities</b>	<b>\$ 347,899</b>	<b>\$ -</b>	<b>\$ 18,190</b>	<b>\$ 366,089</b>	<b>\$ 439,205</b>
<b><u>Noncurrent Liabilities</u></b>					
Notes Payable (Note 9)	\$ 1,672,751	\$ -	\$ -	\$ 1,672,751	\$ 1,011,197
	<u>1,672,751</u>	<u>-</u>	<u>-</u>	<u>1,672,751</u>	<u>1,011,197</u>
<b>Total Liabilities</b>	<b>\$ 2,020,650</b>	<b>\$ -</b>	<b>\$ 18,190</b>	<b>\$ 2,038,840</b>	<b>\$ 1,450,402</b>
<b><u>Net Assets</u></b>					
<b>Unrestricted</b>					
Operating	\$ 4,687,591	\$ 1,110	\$ (166,470)	\$ 4,522,231	\$ 5,182,920
Designated by the Governing					
Board for Long-Term Investment	4,502,568	-	-	4,502,568	3,939,924
Eliminated in Consolidation	(3,860)	3,860	-	-	-
	<u>4,502,568</u>	<u>3,860</u>	<u>-</u>	<u>4,502,568</u>	<u>3,939,924</u>
<b>Total Unrestricted</b>	<b>\$ 9,186,299</b>	<b>\$ 4,970</b>	<b>\$ (166,470)</b>	<b>\$ 9,024,799</b>	<b>\$ 9,122,844</b>
Temporarily Restricted (Note 10)	\$ 9,803,501	\$ -	\$ 1,032,280	\$ 10,835,781	\$ 4,250,980
Permanently Restricted (Note 10)	276,425	-	-	276,425	270,571
	<u>276,425</u>	<u>-</u>	<u>-</u>	<u>276,425</u>	<u>270,571</u>
<b>Total Net Assets</b>	<b>\$ 19,266,225</b>	<b>\$ 4,970</b>	<b>\$ 865,810</b>	<b>\$ 20,137,005</b>	<b>\$ 13,644,395</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,286,875</b>	<b>\$ 4,970</b>	<b>\$ 884,000</b>	<b>\$ 22,175,845</b>	<b>\$ 15,094,797</b>

The accompanying notes are an integral part of these statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT  
OF ACTIVITIES**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

	JUNE 30, 2014			JUNE 30, 2013	
	CATHOLIC CHARITIES	3825 N.W. 19TH, INC.	VILLA ISENBART, INC.	CONSOLIDATED TOTAL	COMPARATIVE CONSOLIDATED TOTAL
<b>Changes in Unrestricted Net Assets</b>					
<b>Revenues, Gains, and Other Support</b>					
Contributions					
Catholic Charities Appeal (Net of Uncollectible Pledges in the Amounts of \$49,882 and \$70,658, Respectively)	\$ 2,762,482	\$ -	\$ -	\$ 2,762,482	\$ 2,608,372
Other	163,559	-	-	163,559	93,184
<b>Total Contributions</b>	<b>\$ 2,926,041</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,926,041</b>	<b>\$ 2,701,556</b>
<b>Fees and Grants</b>					
Federal Agencies (Note 13)	\$ 408,508	\$ -	\$ -	\$ 408,508	\$ 550,087
State Agencies and Local Cities (Note 14)	18,365	-	-	18,365	18,497
Other Organizations	73,142	-	-	73,142	62,969
<b>Total Fees and Grants</b>	<b>\$ 500,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500,015</b>	<b>\$ 631,553</b>
<b>Other Revenue</b>					
Program Service Fees	\$ 143,546	\$ -	\$ 200,898	\$ 344,444	\$ 360,340
Investment Income (Loss) (Note 5)	639,415	-	3,019	642,434	453,952
Bequests	(477)	-	-	(477)	46,221
Special Events and Honorariums	416,762	-	-	416,762	411,435
Other Revenue	80,831	-	16,041	96,872	151,342
<b>Total Other Revenue</b>	<b>\$ 1,280,077</b>	<b>\$ -</b>	<b>\$ 219,958</b>	<b>\$ 1,500,035</b>	<b>\$ 1,423,290</b>
<b>Total Revenue</b>	<b>\$ 4,706,133</b>	<b>\$ -</b>	<b>\$ 219,958</b>	<b>\$ 4,926,091</b>	<b>\$ 4,756,399</b>
Net Assets Released from Restrictions	\$ 3,029,139	\$ -	\$ 48,355	\$ 3,077,494	\$ 1,971,035
<b>Total Revenue, Gains, and Other Support</b>	<b>\$ 7,735,272</b>	<b>\$ -</b>	<b>\$ 268,313</b>	<b>\$ 8,003,585</b>	<b>\$ 6,727,434</b>

The accompanying notes are an integral part of these statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE**  
**OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT**  
**OF ACTIVITIES - CONTINUED**

**FOR THE YEAR ENDED**  
**JUNE 30, 2014**

	JUNE 30, 2014			JUNE 30, 2013	
	CATHOLIC CHARITIES	3825 N.W. 19TH, INC.	VILLA ISENBART, INC.	CONSOLIDATED TOTAL	COMPARATIVE CONSOLIDATED TOTAL
<b>Expenses</b>					
<b>Program</b>					
Catholic Charities	\$ 6,667,576	\$ -	\$ -	\$ 6,667,576	\$ 5,219,973
Villa Isenbart, Inc.	-	-	264,662	264,662	319,175
<b>Supporting Services</b>					
Catholic Charities	1,271,544	-	-	1,271,544	511,732
<b>Total Expenses</b>	<b>\$ 7,939,120</b>	<b>\$ -</b>	<b>\$ 264,662</b>	<b>\$ 8,203,782</b>	<b>\$ 6,050,880</b>
<b>Increase (Decrease) in Unrestricted   Net Assets</b>	<b>\$ (203,848)</b>	<b>\$ -</b>	<b>\$ 3,651</b>	<b>\$ (200,197)</b>	<b>\$ 676,554</b>
<b>Changes in Temporarily Restricted Net Assets</b>					
United Way of Metro Oklahoma City, Funding for Next Year (Note 10)	\$ 400,300	\$ -	\$ -	\$ 400,300	\$ 410,300
<b>Contributions</b>					
Capital Campaign (Net of Discount in the Amount of \$213,065)	5,882,246	-	-	5,882,246	-
May 2013 Disaster Contributions	2,045,120	-	-	2,045,120	3,447,890
Other Contributions	95,296	-	-	95,296	87,410
<b>Fees and Grants</b>					
Federal Agencies	292,556	-	-	292,556	-
American Red Cross	518,375	-	-	518,375	-
Resiliency	492,000	-	-	492,000	-
Other Organizations	225	-	-	225	9,000
<b>Investment Income on Permanently   Restricted Endowments</b>	<b>45,741</b>	<b>-</b>	<b>-</b>	<b>45,741</b>	<b>31,423</b>
<b>Net Assets Released from Restrictions</b>	<b>(3,035,789)</b>	<b>-</b>	<b>(48,355)</b>	<b>(3,084,144)</b>	<b>(1,967,815)</b>
<b>Increase (Decrease) in Temporarily   Restricted Net Assets</b>	<b>\$ 6,736,070</b>	<b>\$ -</b>	<b>\$ (48,355)</b>	<b>\$ 6,687,715</b>	<b>\$ 2,018,208</b>
<b>Changes in Permanently Restricted Net Assets</b>					
<b>Contributions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Gain/(Loss) on Beneficial Interest in Net   Assets Held by OCCF</b>	<b>\$ 9,204</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,204</b>	<b>\$ 6,368</b>
<b>Net Assets Released from Restrictions</b>	<b>(3,350)</b>	<b>-</b>	<b>-</b>	<b>(3,350)</b>	<b>(3,220)</b>
<b>Increase (Decrease) in Permanently   Restricted Net Assets</b>	<b>\$ 5,854</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,854</b>	<b>\$ 3,148</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 6,538,076</b>	<b>\$ -</b>	<b>\$ (44,704)</b>	<b>\$ 6,493,372</b>	<b>\$ 2,697,910</b>
<b>Net Assets - Beginning of Year</b>	<b>12,728,911</b>	<b>4,970</b>	<b>910,514</b>	<b>13,644,395</b>	<b>10,946,485</b>
<b>Net Assets - End of Year</b>	<b>\$ 19,266,987</b>	<b>\$ 4,970</b>	<b>\$ 865,810</b>	<b>\$ 20,137,767</b>	<b>\$ 13,644,395</b>

The accompanying notes are an integral part of these statements.



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT  
OF CASH FLOWS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

	JUNE 30, 2014			JUNE 30, 2013	
	CATHOLIC CHARITIES	3825 N.W. 19TH, INC.	VILLA ISENBART, INC.	CONSOLIDATED TOTAL	COMPARATIVE CONSOLIDATED TOTAL
<b><u>Cash Flows from Operating Activities:</u></b>					
Change in Net Assets	\$ 6,538,076	\$ -	\$ (44,704)	\$ 6,493,372	\$ 2,697,910
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	\$ 125,989	\$ -	\$ 68,625	\$ 194,614	\$ 173,267
Gain on Disposal of Equipment	-	-	-	-	117
Net Realized and Unrealized (Gains) Losses	(621,540)	-	(308)	(621,848)	(411,753)
Provision for Bad Debts	35,000	-	-	35,000	45,000
(Increase) Decrease in Assets:					
Pledges Receivable	(4,946,871)	-	-	(4,946,871)	2,003
Other Receivables	(362,723)	-	(39)	(362,762)	(57,388)
Prepaid Expenses	(77,278)	-	(38)	(77,316)	901
Disaster Relief - Gift Card Inventory	29,266	-	-	29,266	(34,266)
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Expenses	(70,424)	-	(4,962)	(75,386)	133,305
<b><u>Total Adjustments</u></b>	<b><u>\$ (5,888,581)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 63,278</u></b>	<b><u>\$ (5,825,303)</u></b>	<b><u>\$ (148,814)</u></b>
<b><u>Net Cash Provided by Operating Activities</u></b>	<b><u>\$ 649,495</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,574</u></b>	<b><u>\$ 668,069</u></b>	<b><u>\$ 2,549,096</u></b>
<b><u>Cash Flows from Investing Activities:</u></b>					
Purchase of Property and Equipment	\$ (968,165)	\$ -	\$ -	\$ (968,165)	\$ (131,913)
Proceeds from Sale of Property and Equipment	-	-	-	-	-
Sales of Investments	85,552	-	(9,035)	76,517	76,978
Purchases of Investments	(72,820)	-	(10,344)	(83,164)	(67,969)
Issuance of Notes Receivable	-	-	-	-	-
Provision for Bad Debt on Notes Receivable	674,000	-	-	674,000	-
Receipts of Payments on Notes Receivable	40,526	-	-	40,526	40,274
Deposits of Residual Receipts	-	-	(1)	(1)	-
<b><u>Net Cash Used in Investing Activities</u></b>	<b><u>\$ (240,907)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (19,380)</u></b>	<b><u>\$ (260,287)</u></b>	<b><u>\$ (82,630)</u></b>
<b><u>Cash Flows from Financing Activities:</u></b>					
Increase (Decrease) in Notes Payable	\$ 661,555	\$ -	\$ -	\$ 661,555	\$ (18,365)
<b><u>Net Cash Provided by Financing Activities</u></b>	<b><u>\$ 661,555</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 661,555</u></b>	<b><u>\$ (18,365)</u></b>
<b><u>Net Increase (Decrease) in Cash</u></b>	<b><u>\$ 1,070,143</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (806)</u></b>	<b><u>\$ 1,069,337</u></b>	<b><u>\$ 2,448,101</u></b>
<b><u>Cash - Beginning of Year</u></b>	<b><u>5,562,243</u></b>	<b><u>1,110</u></b>	<b><u>3,912</u></b>	<b><u>5,567,265</u></b>	<b><u>3,119,164</u></b>
<b><u>Cash - End of Year</u></b>	<b><u>\$ 6,632,386</u></b>	<b><u>\$ 1,110</u></b>	<b><u>\$ 3,106</u></b>	<b><u>\$ 6,636,602</u></b>	<b><u>\$ 5,567,265</u></b>

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES

STATEMENT OF FUNCTIONAL EXPENSES  
(CATHOLIC CHARITIES OF THE ARCHDIOCESE OF OKLAHOMA CITY, INC. ONLY)

FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES										SUPPORTING SERVICES			2014	2013	
	ADVOCACY AND OUTREACH	OUTBASED 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	TOTAL EXPENSE	COMPARATIVE TOTAL EXPENSE
Salaries	\$ 132,861	\$ 345,155	\$ 242,282	\$ 334,103	\$ 221,364	\$ 367,521	\$ 242,116	\$ 84,818	\$ 10,336	\$ 403,047	\$ 2,383,603	\$ 53,051	\$ 34,089	\$ 87,140	\$ 2,470,743	\$1,976,883
Employee Benefits	27,570	79,577	61,920	68,216	47,059	95,902	60,067	17,579	-	67,915	525,805	12,032	4,689	16,721	542,526	440,330
Payroll Taxes	11,871	25,410	19,991	24,957	15,911	29,275	19,816	5,898	-	31,152	184,281	6,368	2,766	9,134	193,415	151,788
<b>Total Employee Compensation</b>	<b>\$ 172,302</b>	<b>\$ 450,142</b>	<b>\$ 324,193</b>	<b>\$ 427,276</b>	<b>\$ 284,334</b>	<b>\$ 492,698</b>	<b>\$ 321,999</b>	<b>\$ 108,295</b>	<b>\$ 10,336</b>	<b>\$ 502,114</b>	<b>\$ 3,093,689</b>	<b>\$ 71,451</b>	<b>\$ 41,544</b>	<b>\$ 112,995</b>	<b>\$ 3,206,684</b>	<b>\$2,569,001</b>
Professional Fees and Contract Service Payments	1,479	8,834	13,709	7,483	24,679	135,818	7,649	11,186	-	46,009	256,846	127,452	52,900	180,352	437,198	246,761
Supplies	1,140	4,110	2,634	3,720	13,251	63,078	5,770	881	-	3,902	98,486	8,499	4,691	13,190	111,676	30,338
Telephone	2,552	9,295	5,270	1,843	4,846	5,981	2,253	1,227	41	5,926	39,234	5,939	1,338	7,277	46,511	37,192
Postage and Shipping	424	619	682	8,002	222	460	190	224	-	482	11,305	8,544	8,701	17,245	28,550	22,142
Occupancy	9,759	60,544	85,785	25,728	33,845	142,294	25,093	8,520	54	1,769	393,391	32,207	16,564	48,771	442,162	463,051
Transportation	2,849	7,727	2,185	2,305	9,478	4,625	8,800	1,083	345	18,839	58,236	8,468	419	8,887	67,123	38,360
Advertising	5,163	6,945	2,383	2,126	1,721	(17,054)	1,721	4,572	-	15,683	23,260	4,267	10,767	15,034	38,294	112,190
Printing and Publications	4,557	219	441	756	977	307	251	95	-	3,171	10,774	9,870	27,348	37,218	47,992	46,145
Specific Assistance, Including Disaster Relief to Individuals	26,477	125,812	126,829	7,941	395,452	69,678	120	5,613	-	1,744,479	2,502,401	2,311	-	2,311	2,504,712	1,938,270
Conferences, Conventions, and Meetings	12,658	2,046	8,640	6,999	15,429	937	8,646	1,199	5,682	6,856	69,092	23,501	7,609	31,110	100,202	84,243
Bad Debt Expense (Note 15)	-	-	-	-	-	-	-	-	-	-	-	674,000	-	674,000	674,000	-
Miscellaneous	6,306	9,974	3,046	14,582	2,408	3,345	4,148	2,148	-	996	46,953	56,752	4,322	61,074	108,027	39,701
<b>Total Expenses Before Depreciation</b>	<b>\$ 245,666</b>	<b>\$ 686,267</b>	<b>\$ 575,797</b>	<b>\$ 508,761</b>	<b>\$ 786,642</b>	<b>\$ 902,167</b>	<b>\$ 386,640</b>	<b>\$ 145,043</b>	<b>\$ 16,458</b>	<b>\$2,350,226</b>	<b>\$ 6,603,667</b>	<b>\$ 1,033,261</b>	<b>\$ 176,203</b>	<b>\$ 1,209,464</b>	<b>\$ 7,813,131</b>	<b>\$5,627,394</b>
Depreciation of Buildings and Equipment	266	2,379	20,958	2,362	4,410	29,744	1,072	2,687	31	-	63,909	61,344	736	62,080	125,989	104,311
<b>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>	<b>\$5,731,705</b>
2013 Comparative Total Expenses	\$ 328,595	\$ 624,667	\$ 680,463	\$ 455,201	\$ 602,460	\$ 777,224	\$ 431,777	\$ 138,454	\$ -	\$1,181,132	\$ 5,219,973	\$ 387,596	\$ 124,136	\$ 511,732	\$ 5,731,705	

The accompanying notes are an integral part of these statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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. 19<sup>th</sup>, Inc. (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:

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.

**PRINCIPLES OF CONSOLIDATION**

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

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

**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 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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**FAIR VALUE MEASUREMENTS** (Continued)

Catholic Charities has certain investments and/or beneficial interest which are measured at net asset value per share (NAV). Since Catholic Charities will never have the ability to redeem its investment with the investee at NAV or Catholic Charities cannot redeem its investment within ninety days of the measurement date, Catholic Charities categorizes the asset as a Level 3 measurement.

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 at June 30, 2014, based on their short maturities and/or the terms available to Catholic Charities in financial markets.

**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.

As of June 30, 2014, Catholic Charities held funds totaling \$5,854,783 in the Parish Deposit and Loan Fund, which is guaranteed by the Pastoral Office of the Archdiocese of Oklahoma City. In 2014, Catholic Charities established new Parish Deposit and Loan Funds for May 2013 Disaster Relief and Capital Campaign. The Parish Deposit and Loan Funds balances are as follows:

	BALANCE AS OF <u>JUNE 30, 2014</u>
May 2013 Disaster Relief	\$ 2,540,128
Capital Campaign	905,325
Operating	<u>2,409,330</u>
	<u>\$ 5,854,783</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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, 2014 and 2013, was \$72,475 and \$66,621, respectively, with an increase in market value of the investment assets of \$9,204 and \$6,368 for the years ended June 30, 2014 and 2013, respectively. Each year OCCF distributes funds to Catholic Charities representing assets released from restrictions from these invested assets. During the years ended June 30, 2014 and 2013, OCCF distributed \$3,350 and \$3,220, 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 \$97,876 and \$89,131 at June 30, 2014 and 2013, respectively, with distributions to Catholic Charities of \$4,468 and \$4,364 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.

The estimated useful lives of depreciable assets are:

	<u>ESTIMATED LIVES</u>
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. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**INCOME TAXES**

Catholic Charities, 3825 N.W. 19<sup>th</sup>, 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.

Management has reviewed Catholic Charities' tax positions and concluded that there are no known uncertain tax positions that require accrual in the financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, Catholic Charities is no longer subject to income tax examination by federal, state, or local authorities for years prior to 2011.

**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.

**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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**RECLASSIFICATIONS**

Certain reclassifications were made to the June 30, 2013 financial statements in order to conform to the June 30, 2014 financial statements.

**NOTE 2 – PROMISES TO GIVE**

As of June 30, 2014 and 2013, contributors to Catholic Charities have made written, unconditional promises to give, as follows:

	2014	2013
Annual Fall Fund Drive	\$ 236,479	\$ 259,928
Less: Allowance for Uncollectible Accounts	(49,882)	(70,658)
Inasmuch Foundation	\$ 186,597	\$ 189,270
United Way of Metro Oklahoma City, Funding for Next Year	-	55,000
United Way of Lawton-Fort Sill	400,300	410,300
	16,000	-
<u>Net Unconditional Promises to Give</u>	\$ 602,897	\$ 654,570

**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 12<sup>th</sup> Street, Oklahoma City. Contributors have made written, unconditional promises to give for the Capital Campaign as follows:

	2014
Receivable in Less Than One Year	\$ 1,302,980
Receivable in One to Five Years	3,873,628
<u>Total Capital Campaign Promises to Give</u>	\$ 5,176,608
Less: Discount to Present Value	(213,065)
<u>Net Capital Campaign Promises to Give</u>	\$ 4,963,543

Pledges receivable expected to be received in more than one year are discounted at 3% for 2014.



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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. 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% equity and 40% 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, 2014 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets by Type of Fund</u>				
Donor-Restricted Endowment Funds	\$ -	\$ 129,824	\$ 203,950	\$ 333,774
Board-Designated Endowment Funds	<u>3,117,540</u>	<u>-</u>	<u>-</u>	<u>3,117,540</u>
<u>Total Endowment Net Assets by Type of Fund</u>	<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. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2014****NOTE 4 – ENDOWMENT ASSETS (Continued)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets, Beginning of Year</u>	\$ 2,748,987	\$ 89,514	\$ 203,950	\$ 3,042,451
<u>Investment Return:</u>				
Investment Income	\$ 46,678	\$ 4,912	\$ -	\$ 51,590
Net Appreciation (Realized and Unrealized)	387,945	40,829	-	428,774
<u>Total Investment Return</u>	<u>\$ 434,623</u>	<u>\$ 45,741</u>	<u>\$ -</u>	<u>\$ 480,364</u>
Appropriation of Endowment Assets for Expenditure	\$ (66,070)	\$ (5,431)	\$ -	\$ (71,501)
<u>Total Endowment Funds at June 30, 2014</u>	<u>\$ 3,117,540</u>	<u>\$ 129,824</u>	<u>\$ 203,950</u>	<u>\$ 3,451,314</u>

Endowment net asset composition and changes in endowment net assets for the year ended June 30, 2013 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets by Type of Fund</u>				
Donor-Restricted Endowment Funds	\$ -	\$ 89,514	\$ 203,950	\$ 293,464
Board-Designated Endowment Funds	2,748,987	-	-	2,748,987
<u>Total Endowment Net Assets by Type of Fund</u>	<u>\$ 2,748,987</u>	<u>\$ 89,514</u>	<u>\$ 203,950</u>	<u>\$ 3,042,451</u>

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets, Beginning of Year</u>	\$ 2,503,986	\$ 63,625	\$ 203,950	\$ 2,771,561
<u>Investment Return:</u>				
Investment Income	\$ 49,256	\$ 5,172	\$ -	\$ 54,428
Net Appreciation (Realized and Unrealized)	249,956	26,250	-	276,206
<u>Total Investment Return</u>	<u>\$ 299,212</u>	<u>\$ 31,422</u>	<u>\$ -</u>	<u>\$ 330,634</u>
Appropriation of Endowment Assets for Expenditure	(54,211)	(5,533)	-	(59,744)
<u>Total Endowment Funds at June 30, 2013</u>	<u>\$ 2,748,987</u>	<u>\$ 89,514</u>	<u>\$ 203,950</u>	<u>\$ 3,042,451</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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., Archdiocese of Oklahoma City. These investments are reported at their fair market values, as determined by the Archdiocese of Oklahoma City.

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

	2014	
	COST	FAIR VALUE
The Archdiocese Through Bank One Investment Management Group, as Custodian	\$ 972,435	\$ 1,385,028
The Catholic Foundation of Oklahoma, Inc.	2,949,683	3,451,314
<u>Total Investments</u>	\$ 3,922,118	\$ 4,836,342
	2013	
	COST	FAIR VALUE
The Archdiocese Through Bank One Investment Management Group, as Custodian	\$ 840,690	\$ 1,190,937
The Catholic Foundation of Oklahoma, Inc.	2,789,760	3,042,451
<u>Total Investments</u>	\$ 3,630,450	\$ 4,233,388

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. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 5 – INVESTMENTS** (Continued)

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

	2014			
	3825	VILLA		CONSOLIDATED
	CATHOLIC CHARITIES	N.W. 19TH, INC.	ISENBART, INC.	
<u>Pooled Investments:</u>				
Net Gain	\$ 192,766	\$ -	\$ 3,019	\$ 195,785
Interest, Dividends, and Other Investment Earnings	20,737	-	-	20,737
Bank, Advisory, Trust, and Management Fees	(8,710)	-	-	(8,710)
<u>Catholic Foundation of Oklahoma, Inc:</u>				
Net Gain	387,945	-	-	387,945
Interest, Dividends, and Other Investment Earnings	57,182	-	-	57,182
Bank, Advisory, Trust, and Management Fees	(10,505)	-	-	(10,505)
	<u>\$ 639,415</u>	<u>\$ -</u>	<u>\$ 3,019</u>	<u>\$ 642,434</u>
	2013			
	3825	VILLA		CONSOLIDATED
	CATHOLIC CHARITIES	N.W. 19TH, INC.	ISENBART, INC.	
<u>Pooled Investments:</u>				
Net Gain	\$ 138,752	\$ (1,278)	\$ 3,014	\$ 140,488
Interest, Dividends, and Other Investment Earnings	22,176	-	-	22,176
Bank, Advisory, Trust, and Management Fees	(7,924)	-	-	(7,924)
<u>Catholic Foundation of Oklahoma, Inc:</u>				
Net Gain	249,956	-	-	249,956
Interest, Dividends, and Other Investment Earnings	58,646	-	-	58,646
Bank, Advisory, Trust, and Management Fees	(9,390)	-	-	(9,390)
	<u>\$ 452,216</u>	<u>\$ (1,278)</u>	<u>\$ 3,014</u>	<u>\$ 453,952</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 6 – FAIR VALUE MEASUREMENTS**

Certain of Catholic Charities' assets are reported at fair value in the accompanying statement of position on a recurring basis. Catholic Charities' assets reported at fair value on a recurring basis are summarized as follows:

	JUNE 30, 2014		
	LEVEL 1	LEVEL 2	LEVEL 3
	INPUTS	INPUTS	INPUTS
Available for Sale Securities	\$ 4,836,342	\$ -	\$ -
Beneficial Interest in Assets Held by Others	-	-	72,475
	\$ 4,836,342	\$ -	\$ 72,475
	JUNE 30, 2013		
	LEVEL 1	LEVEL 2	LEVEL 3
	INPUTS	INPUTS	INPUTS
Available for Sale Securities	\$ 4,233,388	\$ -	\$ -
Beneficial Interest in Assets Held by Others	-	-	66,621
	\$ 4,233,388	\$ -	\$ 66,621

The following table summarizes the changes in fair value of Catholic Charities' Level 3 financial assets for the year ended June 30, 2014:

	BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS
<u>Balance at July 1, 2013</u>	\$ 66,621
Distribution	(3,350)
Change in Value of Beneficial Interest in Assets Held by Others - Included in Earnings	9,204
<u>Balance at June 30, 2014</u>	\$ 72,475

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 7 – NOTES RECEIVABLE**

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

	2014	2013
Trinity Place Retirement Project (Note 14)	\$ 1,922,342	\$ 1,962,868
Columbia Square Housing Project (Note 14)	98,196	98,196
	\$ 2,020,538	\$ 2,061,064
Less: Allowance for Uncollectible Notes Receivable (Notes 15 and 17)	(674,000)	-
	\$ 1,346,538	\$ 2,061,064

**NOTE 8 – PROPERTY AND EQUIPMENT**

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

	2014	
	CATHOLIC CHARITIES	VILLA ISENBART, INC.
Land	\$ 802,039	\$ 51,000
Building and Improvements	2,494,857	1,872,476
Automobiles	238,452	-
Furniture and Equipment	488,203	29,136
Construction in Progress	109,776	-
Equipment with Reversionary Interest (See Below)	21,098	-
	\$ 4,154,425	\$ 1,952,612
Less: Accumulated Depreciation	(2,019,968)	(1,201,967)
	\$ 2,134,457	\$ 750,645

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2014****NOTE 8 – PROPERTY AND EQUIPMENT (Continued)**

	2013	
	CATHOLIC CHARITIES	VILLA ISENBART, INC.
Land	\$ 104,602	\$ 51,000
Building and Improvements	2,417,810	1,872,476
Automobiles	128,756	-
Furniture and Equipment	470,109	29,136
Construction in Progress	64,884	-
Equipment with Reversionary Interest (See Below)	21,098	-
	\$ 3,207,259	\$ 1,952,612
Less: Accumulated Depreciation	(1,914,978)	(1,133,448)
	\$ 1,292,281	\$ 819,164

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 12<sup>th</sup> Street.

**NOTE 9 – NOTES PAYABLE**

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

	2014	2013
Trinity Place Retirement Project (Note 14)	\$ 800,000	\$ 800,000
Casa Maria Housing Project (Note 14)	192,831	211,197
12th Street Building PDLF Loan	679,920	-
	\$ 1,672,751	\$ 1,011,197

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 10 – RESTRICTIONS ON ASSETS**

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

	<u>2014</u>	<u>2013</u>
United Way of Metro Oklahoma City, Funding for Next Year	\$ 400,300	\$ 410,300
Capital Campaign	5,882,246	-
Capital Grant from HUD (Note 15)	1,032,280	1,080,635
Emergency Assistance	-	23,677
Disaster Relief	3,141,163	2,353,144
Accumulated Earnings on Permanently Restricted Investments	129,824	89,514
Immigration Attorney Wages	55,000	110,000
Commission for Justice Fund	-	15,464
Housing Development	34,000	34,000
United Way of Enid/NW Oklahoma	-	2,550
United Way of Lawton	16,000	11,465
Various Other Charitable Purposes	144,968	120,231
	<u>\$ 10,835,781</u>	<u>\$ 4,250,980</u>

Permanently restricted net assets as of June 30 consist of:

	<u>2014</u>	<u>2013</u>
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.	72,475	66,621
	<u>\$ 276,425</u>	<u>\$ 270,571</u>

**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 15).



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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% of a participant's compensation. The plan provides for employer matching contributions of 50% of voluntary employee contributions up to a maximum additional percentage of 2%. 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, 2014 and 2013 totaled \$56,929 and \$60,243, 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 \$303,515 and \$320,401 for the years ended June 30, 2014 and 2013, respectively. The USCCB funding to the Migration and Refugee Match Grant was \$48,859 and \$58,951 for the years ended June 30, 2014 and 2013, respectively.

In addition, the Refugee Program held \$7,500 in cash advances from the USCCB at June 30, 2014 and 2013. 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, 2014 and 2013 was \$129,785 and \$148,708, 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, 2014 and 2013 was \$153,310 and \$31,145, respectfully.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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:

	2014	2013
<u>Fees and Grants from Federal Agencies</u>		
Department of State - USCCB		
Migration and Refugee Match Grant	\$ 48,859	\$ 58,951
Migration and Refugee Resettlement and Placement Program	303,515	320,401
Department of Health and Human Services		
Refugee Cash Assistance Program	129,785	148,708
Refugee Social Services Program	153,310	31,145
	\$ 635,469	\$ 559,205
Less: Write-off of Federal Grant Receivable	(9,615)	(9,118)
	\$ 625,854	\$ 550,087
<u>Total Fees and Grants from Federal Agencies</u>		

**NOTE 14 – FEES AND GRANTS FROM STATE AND CITY AGENCIES**

For the years ended June 30, 2014 and 2013, Catholic Charities received \$18,365 and \$18,497, respectively, of unrestricted fees and grants from state and city agencies to be used for various purposes.

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS**

**Casa Maria**

Casa Maria is a housing project that involved an acquisition and refurbishment of a property at 613 N.W. 30<sup>th</sup> 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, 2014 and 2013, the amount of the construction loan is \$192,831 and \$211,196 after loan forgiveness of \$18,365 and \$18,365, respectively.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS (Continued)**

**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.

**Trinity Place**

**3825 N.W. 19<sup>th</sup>, Inc.**

3825 N.W. 19<sup>th</sup>, Inc., a wholly owned subsidiary of Catholic Charities, is a 1% 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% 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. 19<sup>th</sup>, 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% maturing on December 26, 2025. The facility was developed into a fifty-eight (58) unit, affordable apartment complex for elderly persons.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS (Continued)**

**Trinity Place (Continued)**

**Trinity Place, An Oklahoma Limited Partnership (Continued)**

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. 19<sup>th</sup>, 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. 19<sup>th</sup>, 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. 19<sup>th</sup>, 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.

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% per annum maturing on December 31, 2025.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS (Continued)**

Trinity Place (Continued)

Trinity Place, An Oklahoma Limited Partnership (Continued)

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%, adjustable monthly on the last day of each month. The loan matures on October 15, 2017. As of June 30, 2014, 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 fair market value of the project.

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

	2014	2013
<u>Investment in Partnership:</u>		
3825 N.W. 19th, Inc. - 1% Partnership Capital		
Contribution in Trinity Place	\$ 3,860	\$ 3,860
<u>Notes Receivable from Trinity Place, An Oklahoma Limited Partnership:</u>		
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	451,718	488,868
	\$ 1,925,718	\$ 1,962,868
Less: Allowance for Uncollectible Notes Receivable	(674,000)	-
<u>Total Notes Receivable</u>	\$ 1,251,718	\$ 1,962,868
<u>Note Payable to the City of Oklahoma City:</u>		
Construction Funds Received (HOME)	\$ 800,000	\$ 800,000

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS (Continued)**

**Trinity Place (Continued)**

Catholic Charities has elected not to accrue interest on the notes receivable from Trinity Place. 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, the following amounts would be included in the financial statements as of June 30:

	PRINCIPAL	ACCRUED INTEREST	
		2014	2013
Construction Loan	\$ 120,000	\$ 36,620	\$ 34,200
Development Loan	216,000	-	-
Sale of Land and Buildings	338,000	111,452	104,304
Construction Funds Advanced (HOME)	800,000	435,765	411,765
Renewal Loan	451,718	-	-

**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% general partner, and Enterprise Housing Alliance Fund II, LP and Enterprise Housing Partners XV Limited Partnership are 99% 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% 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 \$61,315 and \$51,842 would be included in the financial statements as of June 30, 2014 and 2013, 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; (2) the balance of the operating reserve equals or exceeds \$146,198.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 15 – AFFORDABLE HOUSING DEVELOPMENTS (Continued)**

**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% interest) beginning on December 1, 2013 through December 1, 2053. The mortgage note is nonrecourse and is secured by the rental property.

**NOTE 16 – DISASTER RELIEF**

In May 2013, multiple tornadoes struck communities in the Oklahoma City area. Donors from all over the world contributed to the relief efforts of those were affected by the storms. Contributions came in the form of cash, credit card payments, in-kind donations, and gift cards. As of June 30, 2014 and 2013, gift cards which were donated for disaster relief but not given to victims totaled \$5,000 and \$34,266, respectfully, and are considered temporarily restricted.

**NOTE 17 – SUBSEQUENT EVENTS**

Catholic Charities has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 22, 2014, the date the financial statements were available to be issued.

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 fair market value of the project.

**SUPPLEMENTAL INFORMATION**



**CATHOLIC CHARITIES OF THE ARCHDIOCESE**  
**OF OKLAHOMA CITY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2014**

NAME OF AGENCY OR DEPARTMENT	CFDA or OTHER NO.	NAME OF PROGRAM	NAME OF GRANT	GRANT I.D. NO.	FEDERAL EXPENDITURES
<i>Office of Refugee Resettlement</i>					
United States Conference of Catholic Bishops	19.510	Refugee Resettlement & Placement	Resettlement & Placement Direct Assistance-FY2013		\$ 58,545
United States Conference of Catholic Bishops	19.510	Refugee Resettlement & Placement	Resettlement & Placement Direct Assistance-FY2014		156,096
United States Conference of Catholic Bishops	19.510	Refugee Resettlement & Placement Admin	Resettlement & Placement- FY2013		20,090
United States Conference of Catholic Bishops	19.510	Refugee Resettlement & Placement Admin	Resettlement & Placement- FY2014		63,437
United States Conference of Catholic Bishops	19.510	Family Reunification Grant	Family Reunification Grant		1,400
United States Conference of Catholic Bishops	93.567	Refugee Match	Match Grant - FY2013	9ORV0064	15,774
United States Conference of Catholic Bishops	93.567	Refugee Match	Match Grant - FY2014	9ORV0064	34,505
<i>Office of Refugee Resettlement</i>					
State of Oklahoma Department of Human Services	93.566	Refugee Cash Assistance	Refugee Cash Assistance- FY2013	830917520	45,421
State of Oklahoma Department of Human Services	93.566	Refugee Cash Assistance	Refugee Cash Assistance- FY2014	830917520	137,649
State of Oklahoma Department of Human Services	93.566	Refugee Social Services	Refugee Social Services - FY2013	830902735	70,772
State of Oklahoma Department of Human Services	93.566	Refugee Social Services	Refugee Social Services - FY2014	830902735	106,861
				<b>TOTAL</b>	<b>\$ 710,549</b>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC.**

**NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2014**

**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, 2014. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

Catholic Charities participates in various federal grant programs, which are governed by the respective 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 has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants.

**OTHER REPORTS**

# PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To Most Reverend Paul S. Coakley  
Archbishop of the Archdiocese of Oklahoma City and  
Board of Directors of Catholic Charities of the Archdiocese of Oklahoma City, 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 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, 2014, 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 DATE. 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 the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

See Items 2014-1 in the Schedule of Findings and Questioned Costs.

### ***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.

### ***Catholic Charities' Response to Findings***

Catholic Charities' response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Peters + Chandler".

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
December 22, 2014

# PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

### ***Report on Compliance for Each Major Federal Program***

We have audited Catholic Charities' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended June 30, 2014. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance for each of Catholic Charities' major federal programs 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 each major federal program. However, our audit does not provide a legal determination of Catholic Charities' compliance.

### ***Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

## ***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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a significant deficiency.

Catholic Charities' response to the internal control over compliance finding identified in our audit is 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.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
December 22, 2014

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC.**

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2014**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued:	Unmodified		
	YES	NO	NONE REPORTED
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		X	
Noncompliance material to financial statements noted?		X	

**FEDERAL AWARDS**

	YES	NO	NONE REPORTED
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X		
Type of auditors’ report issued on compliance of major programs:	Unmodified		
	YES	NO	NONE REPORTED
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X		



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC.**

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2014**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS** (Continued)

**FEDERAL AWARDS** (Continued)

Identification of major programs:

NAME OF FEDERAL PROGRAM OR CLUSTER

CFDA Number 93.566	Office of Refugee Resettlement - State of Oklahoma Department of Human Services - Refugee Cash Assistance
CFDA Number 93.566	Office of Refugee Resettlement - State of Oklahoma Department of Human Services - Refugee Social Services

Dollar threshold used to distinguish between Type A  
and Type B Programs:

\$300,000

	YES	NO	NONE REPORTED
Auditee qualified as low-risk auditee?		X	

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC.**

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2014**

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**SIGNIFICANT DEFICIENCY**

2014-1 – Activities Allowed or Unallowed and Reporting – Refugee Cash Assistance

Per the grant requirements of Office of Refugee Replacement (ORR), the maximum amount for cash assistance is limited to a case size. Catholic Charities' has established policies, procedures, and forms in place to record and accumulate the cash assistance amounts to not exceed the maximum limits; however, because of miscalculations, a case was found where a client received cash assistance which exceeded the maximum amount. Proper controls were not in place to mitigate the risk of exceeding the maximum amount, and was not detected by the review procedure in place to find the error. P&C recommends establishing additional controls and review procedures to mitigate this risk.

Catholic Charities' Response:

The audited grant, totaling \$230,000 per year, assists arriving refugee clients with direct cash assistance until fully employed. Cash assistance is calculated based on family size and date enrolled into the program. In this instance, a \$45 miscalculation of maximum dollars was made, resulting in an over-expenditure to the client.

In response, an electronic form developed in Excel has been created to mitigate the risk associated with calculation errors. Formulas tracking the remaining balance due to the client are embedded into the form and protected from alterations by the case manager. In addition, the electronic form will be printed and attached with the payment request for supervisor review and approval.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF OKLAHOMA CITY, INC.**

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2014**

**SIGNIFICANT DEFICIENCIES**

2013-1 – Internal Control over Disaster Relief – Catholic Charities received in excess of \$3,000,000 in contributions from around the world to assist in relief efforts of the May 2013 disasters during the fiscal year ended June 30, 2013. These contributions came in the form of credit card payments, checks, cash, and gift cards. During our testing of the disaster relief revenues and expenses, it was noted that the contribution reports from Raiser’s Edge did not tie to the general ledger. In addition, a gift card inventory at year end was identified, but not accounted for on the financial statements. The omission of the gift card inventory and reconciliation discrepancies on the contribution report from Raiser’s Edge to the accounting software are considered significant deficiencies. Corrective action was taken.

2013-2 – Lack of Accounting Oversight – Catholic Charities has controls in place to mitigate fraud, waste and abuse; however, while performing tests and analyticals, multiple errors were found throughout the financial statements, which lead to multiple proposed adjusting journal entries to management to correct these errors. The Finance Director has the skill, knowledge and expertise to prepare the financial statements, but the day-to-day operational duties, as well as financial reporting oversight, are excessive and many of the errors could be mitigated if more accounting assistance were available. Corrective action was taken.