

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

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2017 and 2016





**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
June 30, 2017 and 2016

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Catholic Charities of the Archdiocese of Oklahoma City, Inc. and Subsidiaries (Catholic Charities), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated 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 audits. We did not audit the financial statements of Villa Isenbart, Inc., a wholly owned subsidiary, which statements reflect total assets constituting 3% of consolidated total assets at June 30, 2017 and 2016, and total revenues constituting 3% and 2% of consolidated total revenues for the years ended June 30, 2017 and 2016, respectively. 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 audits 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 from 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.

Most Reverend Paul S. Coakley, Archbishop of Oklahoma City  
Board of Directors  
Catholic Charities of the Archdiocese of Oklahoma City, Inc.  
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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 the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2017 and 2016, and the changes in their net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed in the table of contents are presented for purposes of additional analysis and are 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, based on our audit, the procedures performed as described above and the report of the other auditor, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*BKD, LLP*

Oklahoma City, Oklahoma  
November 21, 2017

**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
Consolidated Statements of Financial Position  
June 30, 2017 and 2016

**Assets**

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 3,466,155	\$ 4,740,568
Investments	1,609,363	1,433,992
Receivables from United States Conference of Catholic Bishops	33,258	72,357
Other accounts receivable	317,660	260,074
Pledges receivable, net	2,010,567	3,682,928
Inventory	7,250	2,250
Prepaid expenses	103,179	123,624
Endowment assets	3,570,934	3,309,063
Beneficial interest in assets held by others	71,682	68,220
Other assets	118,386	110,434
Related-parties notes receivable, net	1,226,091	1,266,154
Property and equipment, net	<u>10,617,610</u>	<u>10,935,176</u>
Total assets	<u>\$ 23,152,135</u>	<u>\$ 26,004,840</u>

**Liabilities**

Accounts payable and accrued expenses	\$ 478,631	\$ 353,570
Deferred revenue	795,178	1,317,723
Tenant security deposits	11,810	12,553
Notes payable	<u>2,151,865</u>	<u>3,635,683</u>
Total liabilities	<u>3,437,484</u>	<u>5,319,529</u>

**Net Assets**

Unrestricted		
Operating	11,971,123	12,987,296
Board-designated	4,759,447	4,420,328
Temporarily restricted	2,708,449	3,005,517
Permanently restricted	<u>275,632</u>	<u>272,170</u>
Total net assets	<u>19,714,651</u>	<u>20,685,311</u>
Total liabilities and net assets	<u>\$ 23,152,135</u>	<u>\$ 26,004,840</u>

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

## Consolidated Statements of Activities Years Ended June 30, 2017 and 2016

	2017	2016
<b>Changes in Unrestricted Net Assets</b>		
<b>Revenues, Gains and Other Support</b>		
Contributions		
Catholic Charities Annual Appeal	\$ 2,559,437	\$ 2,535,547
Other contributions	15,212	45,681
Total contributions	2,574,649	2,581,228
Fees and grants		
Federal agencies grants	613,447	931,651
State agencies and local grants	904,496	41,498
Other grants	47,424	413,500
Total fees and grants	1,565,367	1,386,649
Other revenue		
Program services fees	319,173	376,244
Investment income (loss), including net realized and unrealized gains (losses)	523,066	(36,004)
Bequests	115,373	455
Special events and honorariums	497,896	490,460
Gain on sale of property and equipment	517	406,079
Miscellaneous revenue	144,164	150,259
Total other revenue	1,600,189	1,387,493
Net assets released from restrictions	2,001,310	10,732,014
Total revenues, gains and other support	7,741,515	16,087,384
<b>Expenses and Losses</b>		
Program services	7,418,466	7,990,642
Supporting services	1,000,103	802,243
Total expenses and losses	8,418,569	8,792,885
<b>Increase (Decrease) in Unrestricted Net Assets</b>	(677,054)	7,294,499

	<u>2017</u>	<u>2016</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
United Way of Metro Oklahoma City funding Contributions	\$ 388,695	\$ 395,460
Capital campaign contributions, net	34,385	153,685
Other contributions	115,235	51,681
Fees and grants		
Catholic Charities USA May 2013 disaster	993,106	1,037,460
United Way May 2013 disaster	-	1,647,789
Resiliency	156,593	190,007
Other grants	10,584	57,230
Investment income of permanently restricted endowments	2,077	7,524
Net assets released from restrictions	<u>(1,997,743)</u>	<u>(10,728,446)</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	<u>(297,068)</u>	<u>(7,187,610)</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Gain on beneficial interest	7,029	373
Net assets released from restrictions	<u>(3,567)</u>	<u>(3,568)</u>
<b>Increase (Decrease) in Permanently Restricted Net Assets</b>	<u>3,462</u>	<u>(3,195)</u>
<b>Change in Net Assets</b>	(970,660)	103,694
<b>Net Assets, Beginning of Year</b>	<u>20,685,311</u>	<u>20,581,617</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 19,714,651</u></u>	<u><u>\$ 20,685,311</u></u>



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

## Statement of Functional Expenses

### Year Ended June 30, 2017

	Program Services											Supporting Services			2017 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	2015 Flood Relief	Affordable Housing	Total	Administration		Fund Raising	Total
<b>Employee Compensation</b>																	
Salaries	\$ 164,803	\$ 393,584	\$ 202,686	\$ 278,381	\$ 334,133	\$ 541,127	\$ 327,802	\$ 92,612	\$ 75,152	\$ 169,717	\$ 756,957	\$ -	\$ 3,336,954	\$ 32,085	\$ 37,324	\$ 69,409	\$ 3,406,363
Employee benefits	36,068	101,035	74,199	66,840	81,047	129,703	73,124	21,691	12,925	46,813	48,150	-	691,595	(6,327)	8,347	2,020	693,615
Payroll expense	12,642	26,462	19,161	19,611	23,885	40,305	25,938	6,260	5,715	12,128	56,037	-	248,144	3,576	3,183	6,759	254,903
Total employee compensation	213,513	521,081	296,046	364,832	439,065	711,135	426,864	120,563	93,792	228,658	861,144	-	4,276,693	29,334	48,854	78,188	4,354,881
<b>Expenses Before Depreciation</b>																	
Professional fees and services	1,712	11,713	5,635	6,339	8,634	81,739	4,674	11,555	142	2,314	53,981	-	188,438	67,976	22,748	90,724	279,162
Supplies	1,237	3,408	2,341	4,288	3,053	6,860	1,306	1,165	1,975	578	5,409	-	31,620	10,813	1,392	12,205	43,825
Telephone	1,428	14,175	3,816	2,100	6,690	25,667	2,583	889	899	3,736	-	-	61,983	8,680	3,057	11,737	73,720
Postage and shipping	420	1,195	281	8,936	668	325	32	321	12	220	2,956	-	15,366	19,962	7,215	27,177	42,543
Occupancy	14,151	76,542	90,584	39,477	43,706	177,228	26,657	7,467	4,615	28,104	6,275	-	514,806	47,298	34,646	81,944	596,750
Transportation	817	6,283	557	1,569	2,568	1,631	1,657	612	19,397	6,611	27,435	-	69,137	1,983	391	2,374	71,511
Advertising	3,812	9,530	1,906	2,451	1,906	5,718	1,906	1,937	-	-	-	-	29,166	3,190	6,226	9,416	38,582
Printing and publications	747	2,813	892	939	412	841	232	1,020	872	33	1,277	-	10,078	5,186	28,409	33,595	43,673
Specific assistance, including disaster relief to individuals	53,994	171,630	356,504	26,597	256,301	124,825	11,584	22,570	26,193	736,116	30,698	-	1,817,012	7,103	26,775	33,878	1,850,890
Conferences, conventions and meetings	10,141	2,068	1,648	2,254	2,100	13	315	2,446	11,140	322	1,039	-	33,486	36,962	141,836	178,798	212,284
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	52,250	-	52,250	52,250
Miscellaneous	2,616	6,161	-	2,681	-	1,430	1,257	(1)	71	103	-	-	14,318	89,579	4,495	94,074	108,392
Affordable housing	-	-	-	-	-	-	-	-	-	-	-	279,308	279,308	-	-	-	279,308
Total expenses before depreciation	304,588	826,599	760,210	459,782	767,784	1,135,982	479,240	171,802	159,036	1,006,763	990,317	279,308	7,341,411	380,316	326,044	706,360	8,047,771
<b>Depreciation Expense</b>																	
2017 total expenses	\$ 304,588	\$ 831,693	\$ 790,239	\$ 459,782	\$ 773,014	\$ 1,170,203	\$ 479,240	\$ 174,167	\$ 159,152	\$ 1,006,763	\$ 990,317	\$ 279,308	\$ 7,418,466	\$ 672,497	\$ 327,606	\$ 1,000,103	\$ 8,418,569
2016 total expenses	\$ 348,019	\$ 843,738	\$ 1,097,941	\$ 552,076	\$ 1,042,263	\$ 1,126,042	\$ 402,123	\$ 167,721	\$ 190,006	\$ 1,926,062	\$ 10,034	\$ 284,617	\$ 7,990,642	\$ 514,575	\$ 287,668	\$ 802,243	

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

## Statement of Functional Expenses

### Year Ended June 30, 2016

	Program Services												Supporting Services			2016 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	2015 Flood Relief	Affordable Housing	Total	Administration	Fund Raising		Total
<b>Employee Compensation</b>																	
Salaries	\$ 169,152	\$ 434,236	\$ 276,170	\$ 347,580	\$ 322,870	\$ 555,457	\$ 261,098	\$ 88,626	\$ 67,273	\$ 374,777	\$ 8,124	\$ -	\$ 2,905,363	\$ 67,777	\$ 26,501	\$ 94,278	\$ 2,999,641
Employee benefits	30,506	105,252	89,366	81,821	69,165	125,304	69,826	22,642	11,913	84,472	1,065	-	691,332	5,022	7,442	12,464	703,796
Payroll expense	13,796	30,646	23,552	25,127	23,339	41,361	22,045	5,818	5,461	28,294	589	-	220,028	6,230	2,048	8,278	228,306
Total employee compensation	213,454	570,134	389,088	454,528	415,374	722,122	352,969	117,086	84,647	487,543	9,778	-	3,816,723	79,029	35,991	115,020	3,931,743
<b>Expenses Before Depreciation</b>																	
Professional fees and services	1,011	5,883	6,696	6,840	14,421	76,920	4,270	20,490	6,859	4,901	-	-	148,291	116,918	22,503	139,421	287,712
Supplies	1,483	3,165	1,189	5,652	1,929	4,473	2,054	599	6,687	1,059	-	-	28,290	6,858	2,590	9,448	37,738
Telephone	1,795	9,701	5,202	1,822	6,645	22,725	1,951	1,029	655	8,252	-	-	59,777	6,724	4,959	11,683	71,460
Postage and shipping	544	772	682	8,649	467	393	310	233	-	362	-	-	12,412	21,421	4,326	25,747	38,159
Occupancy	12,092	70,374	75,208	37,471	41,202	179,680	32,525	9,580	2,660	36,952	-	-	497,744	51,189	28,605	79,794	577,538
Transportation	1,217	6,239	1,419	2,713	4,540	2,748	2,453	922	19,305	15,160	256	-	56,972	8,638	1,131	9,769	66,741
Advertising	1,880	4,967	4,473	1,289	1,248	2,825	1,201	1,496	-	581	-	-	19,960	2,949	8,623	11,572	31,532
Printing and publications	1,042	1,336	75	300	765	140	-	1,190	180	195	-	-	5,223	3,563	20,486	24,049	29,272
Specific assistance, including disaster relief to individuals	100,309	159,944	580,891	11,301	544,587	74,730	-	10,005	42,047	1,368,246	-	-	2,892,060	636	-	636	2,892,696
Conferences, conventions and meetings	8,842	1,501	3,729	4,075	3,713	1,496	1,667	853	26,578	2,530	-	-	54,984	18,274	152,147	170,421	225,405
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	61,900	-	61,900	61,900
Miscellaneous	3,959	4,929	2,686	16,331	1,548	3,640	1,421	1,540	-	281	-	-	36,335	47,355	4,982	52,337	88,672
Affordable housing	-	-	-	-	-	-	-	-	-	-	-	284,617	284,617	-	-	-	284,617
Total expenses before depreciation	347,628	838,945	1,071,338	550,971	1,036,439	1,091,892	400,821	165,023	189,618	1,926,062	10,034	284,617	7,913,388	425,454	286,343	711,797	8,625,185
<b>Depreciation Expense</b>	391	4,793	26,603	1,105	5,824	34,150	1,302	2,698	388	-	-	-	77,254	89,121	1,325	90,446	167,700
2016 total expenses	<u>\$ 348,019</u>	<u>\$ 843,738</u>	<u>\$ 1,097,941</u>	<u>\$ 552,076</u>	<u>\$ 1,042,263</u>	<u>\$ 1,126,042</u>	<u>\$ 402,123</u>	<u>\$ 167,721</u>	<u>\$ 190,006</u>	<u>\$ 1,926,062</u>	<u>\$ 10,034</u>	<u>\$ 284,617</u>	<u>\$ 7,990,642</u>	<u>\$ 514,575</u>	<u>\$ 287,668</u>	<u>\$ 802,243</u>	<u>\$ 8,792,885</u>

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

## Consolidated Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
<b>Operating Activities</b>		
Change in net assets	\$ (970,660)	\$ 103,694
Items not requiring cash		
Depreciation	443,917	239,327
Change in value of beneficial interest	(7,029)	(373)
Net realized and unrealized gain (loss)	(448,197)	74,784
Provision for bad debts (annual campaign)	22,171	12,660
Provision for bad debts (capital campaign)	(1,333)	(96,213)
Contributions restricted for long-term purposes	1,583	(200,250)
Changes in		
Pledges receivable	1,650,122	1,788,030
Other receivables	(16,702)	73,051
Prepaid expenses	20,445	(32,936)
Disaster relief – gift card inventory	(5,000)	3,350
Deferred revenue	(522,545)	806,355
Accounts payable and accrued expenses	124,498	(327,630)
Net cash provided by operating activities	291,270	2,447,232
<b>Investing Activities</b>		
Purchases of property and equipment	(92,451)	(7,369,589)
Purchase of investments	(138,825)	(14,356)
Sale of investments	141,158	120,796
Receipt of payments on notes receivable	40,063	40,108
Distribution from beneficial interests	3,567	3,568
Proceeds from sale of assets	(33,794)	406,079
Net cash used in investing activities	(80,282)	(6,799,038)
<b>Financing Activities</b>		
Contributions restricted for long-term purposes	(1,583)	200,250
Proceeds from new debt	-	2,000,000
Payments on notes payable	(1,483,818)	(16,664)
Net cash provided by (used in) financing activities	(1,485,401)	2,183,586
<b>Decrease in Cash and Cash Equivalents</b>	(1,274,413)	(2,168,220)
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,740,568	6,908,788
<b>Cash and Cash Equivalents, End of Year</b>	\$ 3,466,155	\$ 4,740,568

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

## **Notes to Consolidated Financial Statements**

**June 30, 2017 and 2016**

### **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 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. The membership of these subsidiaries consists of individuals who are directors or members of Catholic Charities, the Archdiocese of Oklahoma City (the Archdiocese) or who have the approval of the Board of Directors of Catholic Charities.

3825 NW 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 (IRC). The Corporation's investment in the partnership is reported in the accompanying consolidated financial statements under the equity method of accounting.

Villa Isenbart, Inc., operates a facility which contains 40 independent living housing units under the provisions of Section 202 of the *National Housing Act of 1934*. This organization was audited by other auditors for each year presented in these consolidated financial statements.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Catholic Charities and its not-for-profit subsidiaries, the Corporation and Villa Isenbart, Inc. Interorganization accounts and transactions, if any, have been eliminated in consolidation.

#### ***Cash and Cash Equivalents***

Catholic Charities considers all 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.

**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

***Investments***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investments in real estate are carried at their estimated value at the time of donation.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Catholic Charities participates in pooled investment accounts for its endowments (see *Note 2*). Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts as adjusted for additions to or deductions from those accounts.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Leasehold improvements	15 years
Furniture and equipment	3–10 years
Vehicles	3–5 years

***Long-Lived Asset Impairment***

Catholic Charities evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2017 and 2016**

No asset impairment was recognized during the years ended June 30, 2017 and 2016.

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by Catholic Charities has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Catholic Charities in perpetuity.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is Catholic Charities' policy to record those donations as support increasing temporarily restricted net assets. Catholic Charities reclassifies temporarily restricted net assets to unrestricted net assets when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Conditional gifts are recognized when the conditions on which they depend are substantially met.

***Notes Receivable, Net***

Notes receivable are stated net of allowance for loan losses in the accompanying consolidated statements of financial position at June 30, 2017 and 2016. Interest income is accrued according to the terms of the loan and included in rent and other receivables in the accompanying 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 the financial status of the borrower and history of payments, to determine the need for an allowance on notes receivable.

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

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### **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. At June 30, 2017 and 2016, Catholic Charities' cash accounts exceeded federally insured limits by approximately \$2,178,000 and \$2,472,000, respectively.

As of June 30, 2017 and 2016, Catholic Charities held funds in the Parish Development Loan Fund (PDLF), which is guaranteed by the Pastoral Office of the Archdiocese and is included in cash and cash equivalents in the accompanying consolidated statements of financial position. The PDLF's balances as of June 30 are as follows:

	<b>2017</b>	<b>2016</b>
May 2013 disaster relief	\$ 163,078	\$ 161,016
Operating	705,480	1,541,765
	\$ 868,558	\$ 1,702,781

### **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.

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.

### **Deferred Revenue**

Revenue from advanced funded grants are deferred and recognized over the periods to which the qualifying expenses are incurred.

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

## Notes to Consolidated Financial Statements

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### **Government Grants**

Support funded by grants is recognized as Catholic Charities performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### **Income Taxes**

Catholic Charities, the Corporation and Villa Isenbart, Inc., are exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, the organizations are subject to federal income tax on any unrelated business taxable income.

The organizations file tax returns in the U.S. federal jurisdiction.

### **Functional Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

### **Transfers Between Fair Value Hierarchy Levels**

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

## **Note 2: Investments, Endowments, and Returns**

Investments at June 30 consisted of the following:

	<b>2017</b>	<b>2016</b>
The Archdiocese through Bank One Investment Management Group of Oklahoma City, as custodian	\$ 1,609,363	\$ 1,433,992
The Catholic Foundation of Oklahoma, Inc.	3,570,934	3,309,063
	\$ 5,180,297	\$ 4,743,055

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



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

## Notes to Consolidated Financial Statements

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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.

Total investment return is comprised of the following:

	<b>Catholic Charities</b>	<b>3825 NW 19th, Inc.</b>	<b>Villa Isenbart, Inc.</b>	<b>Consolidated Total</b>
<b>2017</b>				
Pooled investments				
Net realized and unrealized gains	\$ 177,767	\$ -	\$ 3,260	\$ 181,027
Interest and dividends	50,213	-	-	50,213
Management fees	(8,010)	-	-	(8,010)
Catholic Foundation of Oklahoma, Inc.				
Net realized and unrealized gains	267,170	-	-	267,170
Interest and dividends	52,268	-	-	52,268
Management fees	(19,602)	-	-	(19,602)
	<u>\$ 519,806</u>	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ 523,066</u>
<b>2016</b>				
Pooled investments				
Net realized and unrealized gains (losses)	\$ (32,676)	\$ -	\$ 3,020	\$ (29,656)
Interest and dividends	16,382	-	-	16,382
Management fees	(7,994)	-	-	(7,994)
Catholic Foundation of Oklahoma, Inc.				
Net realized and unrealized gains	(45,128)	-	-	(45,128)
Interest and dividends	50,966	-	-	50,966
Management fees	(20,574)	-	-	(20,574)
	<u>\$ (39,024)</u>	<u>\$ -</u>	<u>\$ 3,020</u>	<u>\$ (36,004)</u>

**Catholic Charities of the Archdiocese of  
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**Note 3: Pledges Receivable**

Pledges receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Annual Fall Fund drive	\$ 193,926	\$ 157,190
Less allowance for uncollectible accounts	<u>(76,777)</u>	<u>(54,606)</u>
	117,149	102,584
Capital campaign promises-to-give		
Receivable in less than one year	965,699	1,663,410
Receivable in one to four years	<u>654,281</u>	<u>1,629,494</u>
Total capital campaign promises-to-give	1,619,980	3,292,904
Less discount to present value	(16,590)	(39,392)
Less allowance for uncollectible accounts	<u>(98,667)</u>	<u>(100,000)</u>
Net capital campaign promises-to-give	1,504,723	3,153,512
United Way of Central Oklahoma City, funding for next year	367,480	395,460
Untied Way of Lawton – Fort Sill, funding for next year	15,215	16,372
United Way of Norman, funding for next year	<u>6,000</u>	<u>15,000</u>
	<u>\$ 2,010,567</u>	<u>\$ 3,682,928</u>

The discount rate was 2.53% and 1.88% for 2017 and 2016, respectively.

**Note 4: Beneficial Interest in Assets Held by Others**

Catholic Charities transferred assets to Oklahoma City Community Foundation (OCCF) and retained a beneficial interest in those assets. Catholic Charities receives annual distributions from those assets according to OCCF's spending policy, which currently states 5% of the average market value over the previous 12 quarters will be distributed each year. Catholic Charities has granted variance power to OCCF as Catholic Charities' agreement with OCCF states funds received by OCCF are subject to variance power, described by the U.S. Treasury regulations as the power of the governing board of OCCF to modify any donor restrictions as to distributions if they determine them to become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. The fair value of the retained beneficial interest included in the accompanying consolidated statements of financial position was \$71,682 and \$68,220 at June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, Catholic Charities received annual distributions of approximately \$3,600 from this beneficial interest.

**Catholic Charities of the Archdiocese of  
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In addition to the funds discussed above, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of Catholic Charities; however, these funds are prohibited from inclusion in the assets of Catholic Charities under current accounting standards. For the years ended June 30, 2017 and 2016, Catholic Charities received approximately \$25,000 and \$23,000, respectively, from these funds which are included in contributions in the accompanying consolidated statements of activities. At June 30, 2017 and 2016, the fair value of the funds was approximately \$522,000 and \$492,000, respectively.

**Note 5: 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 GAAP, net assets associated with endowment funds, including assets 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* (the 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 donations 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 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. and Subsidiaries

## Notes to Consolidated Financial Statements

**June 30, 2017 and 2016**

Catholic Charities anticipates its endowment funds, which are comprised of approximately 60% equity and 40% fixed income and non-equity investments, to achieve an average rate of return that is consistent with historical returns. 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).

The composition of net assets by type of endowment fund at June 30 was:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>2017</b>				
Donor-restricted endowment funds	\$ -	\$ 136,879	\$ 203,950	\$ 340,829
Board-restricted endowment funds	<u>3,230,105</u>	<u>-</u>	<u>-</u>	<u>3,230,105</u>
Total endowment net assets	<u><u>\$ 3,230,105</u></u>	<u><u>\$ 136,879</u></u>	<u><u>\$ 203,950</u></u>	<u><u>\$ 3,570,934</u></u>
<b>2016</b>				
Donor-restricted endowment funds	\$ -	\$ 118,777	\$ 203,950	\$ 322,727
Board-restricted endowment funds	<u>2,986,336</u>	<u>-</u>	<u>-</u>	<u>2,986,336</u>
Total endowment net assets	<u><u>\$ 2,986,336</u></u>	<u><u>\$ 118,777</u></u>	<u><u>\$ 203,950</u></u>	<u><u>\$ 3,309,063</u></u>

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Changes in endowment net assets at June 30 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Balance, July 1, 2015</b>	\$ 3,139,442	\$ 131,841	\$ 203,950	\$ 3,475,233
Investment income	27,612	2,929	-	30,541
Net depreciation (realized and unrealized)	(99,365)	(10,453)	-	(109,818)
Appropriation of endowment assets for expenditure	-	-	-	-
	<u>(81,353)</u>	<u>(5,540)</u>	<u>-</u>	<u>(86,893)</u>
<b>Balance, June 30, 2016</b>	2,986,336	118,777	203,950	3,309,063
Contributions	77,751	-	-	77,751
Investment income	29,529	3,138	-	32,667
Net appreciation ( realized and unrealized)	243,836	25,480	-	269,316
Appropriation of endowment assets for expenditure	-	-	-	-
	<u>(107,347)</u>	<u>(10,516)</u>	<u>-</u>	<u>(117,863)</u>
<b>Balance, June 30, 2017</b>	<u>\$ 3,230,105</u>	<u>\$ 136,879</u>	<u>\$ 203,950</u>	<u>\$ 3,570,934</u>

**Note 6: Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- 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 supported by little or no market activity and significant to the fair value of the assets or liabilities

Catholic Charities has certain investments and/or beneficial interest which are measured at NAV per share.

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For the purposes of financial reporting, Catholic Charities has determined 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.

The following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

***Pooled Investments***

Pooled investments are valued using the practical expedient. The practical expedient allows for the use of the NAV of the proportionate share of the units held at year-end either as reported by the Archdiocese or the Foundation.

***Beneficial Interest in Assets Held by Others***

The beneficial interest in assets held by others is 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.

The investments are directed by OCCF 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 only the 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 consolidated statement of financial position on a recurring basis. All assets reported at fair value are valued using the 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.

	<u>2017</u>	<u>2016</u>
Recurring fair value measurements		
Pooled investments	\$ 5,180,297	\$ 4,743,055
Beneficial interest in assets held by others	71,682	68,220
	<u>\$ 5,251,979</u>	<u>\$ 4,811,275</u>

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

## Notes to Consolidated Financial Statements

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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
<b>2017</b>				
Pooled investment funds				
Archdiocese of Oklahoma City	\$ 1,609,363	\$ -	Daily	None
Catholic Foundation of Oklahoma, Inc.	3,570,934	-	Daily	None
	<u>5,180,297</u>	<u>-</u>		
Beneficial interest in assets held by others	71,682	-		
	<u>\$ 5,251,979</u>	<u>\$ -</u>		
<b>2016</b>				
Pooled investment funds				
Archdiocese of Oklahoma City	\$ 1,433,992	\$ -	Daily	None
Catholic Foundation of Oklahoma, Inc.	3,309,063	-	Daily	None
	<u>4,743,055</u>	<u>-</u>		
Beneficial interest in assets held by others	68,220	-		
	<u>\$ 4,811,275</u>	<u>\$ -</u>		

### Note 7: Notes Receivable

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

	2017	2016
Trinity Place retirement project (Note 14)	\$ 1,801,894	\$ 1,841,957
Columbia Square housing project (Note 14)	98,197	98,197
	<u>1,900,091</u>	<u>1,940,154</u>
Less allowance for uncollectible notes receivable (Note 14)	<u>(674,000)</u>	<u>(674,000)</u>
	<u>\$ 1,226,091</u>	<u>\$ 1,266,154</u>

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

## Notes to Consolidated Financial Statements

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### Note 8: Property and Equipment

Property and equipment at June 30 consists of:

	<b>Catholic Charities</b>	<b>Villa Isenbart, Inc.</b>	<b>Total</b>
<b>2017</b>			
Land	\$ 784,788	\$ 51,000	\$ 835,788
Building and improvements	10,236,119	1,904,751	12,140,870
Vehicles	274,359	-	274,359
Furniture and equipment	397,541	43,667	441,208
Equipment with reversionary interest	21,098	-	21,098
	<u>11,713,905</u>	<u>1,999,418</u>	<u>13,713,323</u>
Less accumulated depreciation	<u>(1,679,796)</u>	<u>(1,415,917)</u>	<u>(3,095,713)</u>
	<u><u>\$ 10,034,109</u></u>	<u><u>\$ 583,501</u></u>	<u><u>\$ 10,617,610</u></u>
<b>2016</b>			
Land	\$ 784,788	\$ 51,000	\$ 835,788
Building and improvements	10,142,194	1,904,751	12,046,945
Vehicles	226,105	-	226,105
Furniture and equipment	394,487	43,667	438,154
Equipment with reversionary interest	21,098	-	21,098
	<u>11,568,672</u>	<u>1,999,418</u>	<u>13,568,090</u>
Less accumulated depreciation	<u>(1,290,010)</u>	<u>(1,342,904)</u>	<u>(2,632,914)</u>
	<u><u>\$ 10,278,662</u></u>	<u><u>\$ 656,514</u></u>	<u><u>\$ 10,935,176</u></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.



**Catholic Charities of the Archdiocese of  
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**Note 9: Notes Payable**

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

	<b>2017</b>	<b>2016</b>
Trinity Place retirement project (see <i>Note 14</i> )	\$ 800,000	\$ 800,000
Casa Maria housing project (see <i>Note 14</i> )	137,738	156,102
12th Street building PDLF loan	1,214,127	2,679,581
	\$ 2,151,865	\$ 3,635,683

The 12th Street building PDLF loan is a loan with the Archdiocese with no stated maturity date. Interest is payable on the loan monthly at a variable PDLF loan rate (2.53% and 1.88% at June 30, 2017 and 2016, respectively).

Aggregate annual maturities of long-term debt at June 30, 2017, are as follows:

2018	\$ 556,726
2019	571,019
2020	141,478
2021	18,365
2022	18,365
Thereafter	845,912
	\$ 2,151,865

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**Note 10: Net Assets**

***Temporarily Restricted Net Assets***

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

	<u>2017</u>	<u>2016</u>
United Way of Central Oklahoma	\$ 367,480	\$ 395,460
United Way of Enid and Northwest Oklahoma	-	16,372
United Way of Lawton – Fort Sill	15,215	15,000
United Way of Norman	6,000	-
Capital campaign	454,339	464,626
Disaster relief	663,709	900,890
Accumulated earnings on permanently restricted investments	136,879	118,778
Housing development	12,706	33,400
Villa Isenbart, Inc.	887,215	935,570
Various other charitable purposes	164,906	125,421
	<u>\$ 2,708,449</u>	<u>\$ 3,005,517</u>

***Permanently Restricted Net Assets***

Permanently restricted net assets as of June 30 consist of:

	<u>2017</u>	<u>2016</u>
C. Harold and Constance Brand endowment	\$ 203,950	\$ 203,950
Beneficial interest in assets held at OCCF	71,682	68,220
	<u>\$ 275,632</u>	<u>\$ 272,170</u>

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

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### ***Net Assets Released from Restrictions***

Net assets released from temporary restrictions during June 30 are comprised of the following:

	2017	2016
Temporary restrictions accomplished		
United Way of Central Oklahoma	\$ 395,460	\$ 392,352
United Way of Enid and Northwest Oklahoma	10,021	17,495
United Way of Lawton – Fort Sill	15,000	17,000
Capital campaign	10,537	7,492,370
Disaster relief	1,312,166	2,558,008
Immigration attorney wages	45,267	55,000
Accumulated earnings on permanently restricted investments	10,516	-
Housing development	20,694	-
Villa Isenbart, Inc.	48,355	48,355
Various other charitable purposes	129,727	147,866
	\$ 1,997,743	\$ 10,728,446
Permanent restrictions accomplished		
Distributions	\$ 3,567	\$ 3,568

### **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. Catholic Charities participates in a retirement plan sponsored by the Archdiocese, maintains pooled investments with the Archdiocese and the Foundation and sponsored the formation of two not-for-profit organizations and a limited partnership.

### **Note 12: Retirement Plan**

The Archdiocese 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, 2017 and 2016, totaled \$93,021 and \$91,246, respectively. For the year ended June 30, 2017, forfeitures were \$33,026. There were no reported forfeitures for the year ended June 30, 2016.

**Catholic Charities of the Archdiocese of  
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**Note 13: Fees and Grants from Federal Agencies**

***United States Department of State***

Catholic Charities receives funds from USCCB, which is assisted financially by the United States 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 (the Refugee Program) and the Migration and Refugee Match Grant. USCCB's funding to the Refugee Program was \$263,729 and \$507,618 for the years ended June 30, 2017 and 2016, respectively. USCCB's funding to the Migration and Refugee Match Grant was \$29,260 and \$65,394 for the years ended June 30, 2017 and 2016, respectively.

In addition, the Refugee Program held \$7,500 in cash advances from USCCB at June 30, 2017 and 2016. These advances must be repaid upon completion of the program.

***United States Department of Health and Human Services***

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). DHS funding to the RCA program for the years ended June 30, 2017 and 2016, was \$181,000 and \$216,577, respectively.

During the year ended June 30, 2013, the Refugee Social Services (RSS) Program was established. This program is administered by ORR and funds are disbursed by DHS. DHS funding to the RSS program for the years ended June 30, 2017 and 2016, was \$173,684 and \$142,064, respectively.

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

	<u>2017</u>	<u>2016</u>
Fees and grants from federal agencies		
U.S. Department of State – USCCB		
Migration and refugee match grant	\$ 29,260	\$ 65,392
Migration and refugee resettlement and placement program	263,729	507,618
U.S. Department of Health and Human Services		
Refugee cash assistance program	181,000	216,577
Refugee social services program	139,458	142,064
	<u>\$ 613,447</u>	<u>\$ 931,651</u>

**Catholic Charities of the Archdiocese of  
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**Note 14: Affordable Housing Developments**

***Casa Maria***

Casa Maria is a housing project that involved an acquisition and refurbishment of a property at 613 NW 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 U.S. Department of Housing and Urban Development (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 20 years, the loan will be forgiven 5% each year. The loan with the City of Oklahoma City, Oklahoma (the City) bears no interest and the lender, pursuant to a mortgage, must look only to the property as collateral. At June 30, 2017 and 2016, the amount of the construction loan was \$137,738 and \$156,102 after loan forgiveness of \$18,365 for the years ended June 30, 2017 and 2016, 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 organization operates under the provisions of Section 202 of the *National Housing Act of 1934*, with mortgage insurance provided by the National Housing Administration of HUD. The responsibility for the ongoing management of the facility is contracted to an unrelated third-party property management company. Compensation for such services is determined under the bylaws of the organization 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 organization 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 GAAP, capital grant advances have been recorded as temporarily restricted revenue when received. The organization 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.

***3825 NW 19th, Inc.***

The Corporation, 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, is a 99% limited partner of Trinity L.P., an Oklahoma limited partnership, which is an affordable tax credit housing development for the elderly pursuant to Section 42 of the IRC. Prior to June 9, 2010, the Federal National Mortgage Association (Fannie Mae) was the limited partner.

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***Trinity Place L.P. (an Oklahoma Limited Partnership)***

This partnership is to assist in the development, financing and operation of the Trinity Gardens Retirement Project, a 58-unit apartment complex. As of June 30, 2010, Catholic Charities of Southwest Oklahoma, Inc., is the limited partner of Trinity Place L.P. (Trinity Place), and the general partner is the Corporation. 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 Place) for \$338,000 secured by a note receivable (Sale of Land and Building) with an interest rate of 1.5% maturing on December 26, 2025. The facility was developed into a 58-unit, affordable apartment complex for elderly persons.
- On October 23, 1996, Catholic Charities received a noninterest-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 owed to Catholic Charities by Trinity Place 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 Place. 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 Place.
- 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 the Corporation, 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 (the Corporation) 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 the Corporation, a not-for-profit corporation.
- On December 27, 1995, Catholic Charities entered into a 30-year noninterest-bearing (no recourse loan agreement with the City under the Law) Home Investment Partnerships Program (HOME) whereby Catholic Charities borrowed \$800,000 to be used to advance interim construction funds to Trinity Place 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. and Subsidiaries

## Notes to Consolidated Financial Statements

**June 30, 2017 and 2016**

- 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 noninterest-bearing loan call for forgiveness of the debt each year of acceptable operation by Trinity Place for a 15-year period. Accordingly, Catholic Charities has recorded in the accompanying consolidated 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.
- 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, at the 2-year treasury rate plus 1.25%, adjustable monthly on the last day of each month. In May 2017, the Board of Directors approved extending the maturity until the note is paid in full. All other terms of the loan remained unchanged. As of June 30, 2017, the unpaid principal balance of the loan was \$327,894.
- 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, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Investment in partnership 3825 NW 19th, Inc. – 1% partnership capital contribution in Trinity Place	\$ 84	\$ 264
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 Building	338,000	338,000
Construction funds advanced (HOME)	800,000	800,000
Renewal loan	327,894	367,957
	1,801,894	1,841,957
Less allowance for uncollectable notes receivable	(674,000)	(674,000)
	\$ 1,127,894	\$ 1,167,957
Notes payable to the City Construction funds received (HOME)	\$ 800,000	\$ 800,000

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Catholic Charities has elected not to accrue interest on certain notes receivable from Trinity Place as collectability is not certain. Catholic Charities has decided the low probability of receiving the interest on these notes does not justify the inclusion of this interest income in the accompanying consolidated financial statements. If Catholic Charities had accrued interest on the notes, accrued interest of \$734,902 and \$666,943 would be included in the accompanying consolidated statements of financial position at June 30, 2017 and 2016, respectively.

***Villanova Apartments (Formerly, Columbia Square Apartments)***

Villanova Apartments is a 64-unit housing project fully owned by Lawton Apartments Limited Partnership (LALP), which involves an acquisition and refurbishment of property located in Lawton, Oklahoma.

Columbia Square, Inc., a wholly owned subsidiary of the Archdiocese, 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 the low probability of receiving the interest on this note does not justify the inclusion of this interest income in the accompanying consolidated financial statements. If Catholic Charities had accrued interest on the note, accrued interest in the amount of \$80,527 and \$75,583 would be included in the accompanying consolidated financial statements as of June 30, 2017 and 2016, 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, whereby, 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 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.

**Guaranty of Obligation to Purchase Interest of Limited Partner**

Guaranty of Obligation to Purchase Interest of Limited Partner: Catholic Charities has entered into a Guaranty of Obligation to Purchase Interest of Limited Partner, whereby, 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.



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Effective October 1, 2013, the HUD-insured mortgage note was refinanced through Bellwether Enterprise Real Estate Capital, LLC. Interest only was payable through 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 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 no liability will result from such audits.

**Note 16: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

## **Supplementary Information**

**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
**Consolidating Schedule – Statement of Financial Position**  
**June 30, 2017**

	<b>Catholic Charities</b>	<b>3825 NW 19th, Inc.</b>	<b>Villa Isenbart, Inc.</b>	<b>Consolidated Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,462,281	\$ 358	\$ 3,516	\$ 3,466,155
Investments	1,609,363	-	-	1,609,363
Receivables from United States Conference of Catholic Bishops	33,258	-	-	33,258
Other accounts receivable	315,609	-	2,051	317,660
Pledges receivable, net	2,010,567	-	-	2,010,567
Inventory	7,250	-	-	7,250
Prepaid expenses	101,509	-	1,670	103,179
Endowment assets	3,570,934	-	-	3,570,934
Beneficial interest	71,682	-	-	71,682
Other assets	304	84	117,998	118,386
Related-party notes receivable, net	1,226,091	-	-	1,226,091
Property and equipment, net	10,034,109	-	583,501	10,617,610
	<u>\$ 22,442,957</u>	<u>\$ 442</u>	<u>\$ 708,736</u>	<u>\$ 23,152,135</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 469,800	\$ -	\$ 8,831	\$ 478,631
Deferred revenue	795,178	-	-	795,178
Tenant security deposits	-	-	11,810	11,810
Notes payable	2,151,865	-	-	2,151,865
	<u>3,416,843</u>	<u>-</u>	<u>20,641</u>	<u>3,437,484</u>
<b>Net Assets</b>				
Unrestricted				
Operating	12,169,885	358	(199,120)	11,971,123
Board-designated	4,759,447	-	-	4,759,447
Eliminated in consolidation	(84)	84	-	-
Temporarily restricted	1,821,234	-	887,215	2,708,449
Permanently restricted	275,632	-	-	275,632
	<u>19,026,114</u>	<u>442</u>	<u>688,095</u>	<u>19,714,651</u>
Total net assets	<u>19,026,114</u>	<u>442</u>	<u>688,095</u>	<u>19,714,651</u>
Total liabilities and net assets	<u>\$ 22,442,957</u>	<u>\$ 442</u>	<u>\$ 708,736</u>	<u>\$ 23,152,135</u>

**Catholic Charities of the Archdiocese of  
Oklahoma City, Inc. and Subsidiaries**  
**Consolidating Schedule – Statement of Activities**  
**Year Ended June 30, 2017**

	<b>Catholic Charities</b>	<b>3825 NW 19th, Inc.</b>	<b>Villa Isenbart, Inc.</b>	<b>Consolidated Total</b>
<b>Changes in Unrestricted Net Assets</b>				
<b>Revenues, Gains and Other Support</b>				
Contributions				
Catholic Charities Annual Appeal	\$ 2,559,437	\$ -	\$ -	\$ 2,559,437
Other contributions	15,212	-	-	15,212
Total contributions	<u>2,574,649</u>	<u>-</u>	<u>-</u>	<u>2,574,649</u>
Fees and grants				
Federal agencies grants	613,447	-	-	613,447
State agencies and local grants	904,496	-	-	904,496
Other grants	47,424	-	-	47,424
Total fees and grants	<u>1,565,367</u>	<u>-</u>	<u>-</u>	<u>1,565,367</u>
Other revenue				
Program services fees	102,233	-	216,940	319,173
Investment income, including net realized and unrealized gains (losses)	519,806	-	3,260	523,066
Bequests	115,373	-	-	115,373
Special events and honorariums	497,896	-	-	497,896
Gain on sale of property and equipment	517	-	-	517
Other revenue	142,496	-	1,668	144,164
Total other revenue	<u>1,378,321</u>	<u>-</u>	<u>221,868</u>	<u>1,600,189</u>
Net assets released from restrictions	<u>1,952,955</u>	<u>-</u>	<u>48,355</u>	<u>2,001,310</u>
Total revenues, gains and other support	<u>7,471,292</u>	<u>-</u>	<u>270,223</u>	<u>7,741,515</u>
<b>Expenses and Losses</b>				
Program services	7,139,158	300	279,008	7,418,466
Supporting services	1,000,103	-	-	1,000,103
Total expenses and losses	<u>8,139,261</u>	<u>300</u>	<u>279,008</u>	<u>8,418,569</u>
<b>Decrease In Unrestricted Net Assets</b>	<u>(667,969)</u>	<u>(300)</u>	<u>(8,785)</u>	<u>(677,054)</u>

	<b>Catholic Charities</b>	<b>3825 NW 19th, Inc.</b>	<b>Villa Isenbart, Inc.</b>	<b>Consolidated Total</b>
<b>Changes in Temporarily Restricted Net Assets</b>				
United Way of Metro Oklahoma City funding Contributions	\$ 388,695	\$ -	\$ -	\$ 388,695
Capital campaign contributions, net	34,385	-	-	34,385
Other contributions	115,235	-	-	115,235
Fees and grants				
Catholic Charities USA May 2013 disaster Resiliency	993,106	-	-	993,106
Other grants	156,593	-	-	156,593
Other grants	10,584	-	-	10,584
Investment income of permanently restricted endowments	2,077	-	-	2,077
Net assets released from restrictions	<u>(1,949,388)</u>	<u>-</u>	<u>(48,355)</u>	<u>(1,997,743)</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	<u>(248,713)</u>	<u>-</u>	<u>(48,355)</u>	<u>(297,068)</u>
<b>Changes in Permanently Restricted Net Assets</b>				
Gain on beneficial interest	7,029	-	-	7,029
Net assets released from restrictions	<u>(3,567)</u>	<u>-</u>	<u>-</u>	<u>(3,567)</u>
<b>Increase in Permanently Restricted Net Assets</b>	<u>3,462</u>	<u>-</u>	<u>-</u>	<u>3,462</u>
<b>Change in Net Assets</b>	(913,220)	(300)	(57,140)	(970,660)
<b>Net Assets, Beginning of Year</b>	<u>19,939,334</u>	<u>742</u>	<u>745,235</u>	<u>20,685,311</u>
<b>Net Assets, End of Year</b>	<u>\$ 19,026,114</u>	<u>\$ 442</u>	<u>\$ 688,095</u>	<u>\$ 19,714,651</u>

**Catholic Charities of the Archdiocese of  
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**Consolidating Schedule – Statement of Cash Flows**  
**Year Ended June 30, 2017**

	<b>Catholic Charities</b>	<b>3825 N.W. 19th, Inc.</b>	<b>Villa Isenbart, Inc.</b>	<b>Consolidated Total</b>
<b>Operating Activities</b>				
Change in net assets	\$ (913,220)	\$ (300)	\$ (57,140)	\$ (970,660)
Items not requiring cash				
Depreciation	370,798	-	73,119	443,917
Change in value of beneficial interest	(7,029)	-	-	(7,029)
Net realized and unrealized gain (loss)	(451,399)	-	3,202	(448,197)
Provision for bad debts (annual campaign)	22,171	-	-	22,171
Provision for bad debts (capital campaign)	(1,333)	-	-	(1,333)
Contributions restricted for long-term purposes	1,583	-	-	1,583
Changes in				
Pledges receivable	1,650,122	-	-	1,650,122
Other receivables	(17,586)	-	884	(16,702)
Prepaid expenses	20,052	-	393	20,445
Disaster relief – gift card inventory	(5,000)	-	-	(5,000)
Deferred revenue	(522,545)	-	-	(522,545)
Accounts payable and accrued expenses	136,527	180	(12,209)	124,498
	<u>283,141</u>	<u>(120)</u>	<u>8,249</u>	<u>291,270</u>
Net cash provided by (used in) operating activities				
<b>Investing Activities</b>				
Purchase of property and equipment	(92,451)	-	-	(92,451)
Purchase of investments	(127,001)	-	(11,824)	(138,825)
Sale of investments	141,158	-	-	141,158
Receipts of payments on notes receivable	40,063	-	-	40,063
Distribution from beneficial interests	3,567	-	-	3,567
Proceeds from sale of assets	(33,794)	-	-	(33,794)
	<u>(68,458)</u>	<u>-</u>	<u>(11,824)</u>	<u>(80,282)</u>
Net cash used in investing activities				
<b>Financing Activities</b>				
Contributions restricted for long-term purposes	(1,583)	-	-	(1,583)
Payments on notes payable	(1,483,818)	-	-	(1,483,818)
	<u>(1,485,401)</u>	<u>-</u>	<u>-</u>	<u>(1,485,401)</u>
Net cash used in financing activities				
<b>Decrease in Cash and Cash Equivalents</b>	(1,270,718)	(120)	(3,575)	(1,274,413)
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,732,999	478	7,091	4,740,568
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,462,281</u>	<u>\$ 358</u>	<u>\$ 3,516</u>	<u>\$ 3,466,155</u>