Catholic Charities and Community Services
of the Archdiocese of Denver, Inc.
Report to Audit Committee
June 30, 2018

---

1. Financial Statements

- Unmodified (i.e. "clean") audit opinion. Combined totals appear at the front portion of the financial statements; separate entity statements are provided for Catholic Charities, Farm Labor Housing and Archdiocesan Housing Inc., at the back of the financials. Single Audit reports are also included.

- Combined cash had a balance of $4,942,607 at June 30, 2018, compared to $3,683,205 at June 30, 2017, reflecting an increase of $1,259,402. This increase is mainly due to AHI's increase in cash of $1,281,953.

- Investments have a fair market value of $1,362,066 at June 30, 2018, versus $2,340,218 at June 30, 2017, a decrease of $978,152 from the prior year due to net withdrawals made on investments. Investment return totaled $146,560, compared to $21,395 in the prior year.

- The beneficial interest in assets held by others consists of investments held by the Catholic Foundation as part of the endowment net assets. The fund was valued at $1,147,277 at June 30, 2018, down from $1,460,952 at June 30, 2017. Return on the investments totaled $76,925, compared to $152,265 in the prior year. A withdrawal totaling $390,500 was made from the fund.

- Combined property and equipment had a net balance of $19,829,197 at June 30, 2018, compared to $19,398,427 at June 30, 2017. Depreciation expense totaled $1,034,796, compared to $1,035,770 for 2017. The increase is mainly due to purchases of property and equipment (primarily at the Smith Road property and St. Bernadette's) during 2018, totaling $1,545,624. These projects were completed during fiscal 2018.

- Accounts payable totaled $360,815 at June 30, 2018, compared to $937,838 at June 30, 2017, a decrease of $577,023, mainly due to construction retainage and payables outstanding at June 30, 2017.

- The unrestricted change in net assets for Catholic Charities alone was ($310,084), compared to $4,088,489 in 2017, a decrease of ($4,398,573). This decrease is mainly due to a one-time gain recognized on the sale of Pecos in the prior year, totaling $3,267,131, and an increase in expenses of $594,444.

- Overall, direct contributions decreased by $453,692, mainly due to a decrease of approximately $1M in capital campaign contributions as a result of contributions received for the St. Bernadette and Smith Road projects in the prior year. Meanwhile, there was an increase in child care tax credit donations of almost $700K due to the addition of Marisol Homes to the program.

- Public and private grants increased overall by $1,170,441, mainly due to a $1M donation received during the year from AHI. This donation has been eliminated from the combined financial statements as it is an inter-organizational transaction.

- The increase in expenses is mainly attributable to increases seen in salaries, benefits and payroll taxes of $1,203,066. This was offset by a decrease in professional services and contract labor of $513,833 due to the cancellation of the agreement with the Catholic Foundation Alliance (CFA) for fundraising services**.** Catholic Charities' spending on programs was 81% in 2018 and 2017.
- Farm Labor had an unrestricted net loss of ($77,487) this year compared to a loss of ($34,026) in the prior year. In the prior year, a gain on insurance proceeds was recognized.
- The unrestricted change in net assets for AHI was $1,259,782, compared to an unrestricted net loss ($362,131) in 2017. The increase is primarily due to fiscal year 2018 revenue including $1,264,086 in development fees and $1,509,862 from the mountain properties bond issue. No developer fees were earned in 2017.

2. Single Audit Reporting – See attached

3. Operational Matters Letter - See attached

4. Communication with Those Charged with Governance

5. Other Items

- Update subsequent events- footnote 1(r).
- Tax return – The Catholic Charities Form 990 has been extended until May 15, 2019, but will be ready for board review well in advance of that deadline. Both Farm Labor Housing's Form 990 and AHI's Form 990 have been e-filed.
- The Tax Cuts and Jobs Act of 2017 does include several measures that affect nonprofits and must be applied to all entities on January 1, 2018.
- The Financial Accounting Standards Board (FASB)'s new reporting requirements for not-for-profits is effective for Catholic Charities' fiscal year ending June 30, 2019. This new standard changes the reporting of net assets and now requires reporting of expenses by natural classification, and also requires new disclosures for liquidity and cost allocations.
- In conjunction with the revenue recognition standard, FASB issued a new standard which clarifies how not-for-profits distinguish between contributions and exchange transactions and also clarifies the accounting guidance for contributions received and made. The standard is effective for Catholic Charities' fiscal year ending June 30, 2020.
- FASB issued a new standard related to accounting for leases which will be effective for Catholic Charities' fiscal year ending June 30, 2021. Operating and financing lease obligations will be presented in the statement of financial position.

6. Executive Session with Auditors

DRAFT 11/15/2018

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Combined Financial Statements and Supplementary Information (Including Single Audit Reports)

June 30, 2018

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

Board of Directors
Catholic Charities and Community Services of the
Archdiocese of Denver, Inc.:

We have audited the accompanying combined financial statements of Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities) which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Catholic Charities' 2017 combined financial statements, and our report dated November 20, 2017, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information included in pages 28-31 and schedule of expenditures of federal awards, as required by Title 2, *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 November 19, 2018, on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.

November 19, 2018

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Combined Statement of Financial Position

June 30, 2018

(With Summarized Comparative Totals for 2017)

	2018	2017
Assets:		
Cash and cash equivalents	$ 4,942,607	3,683,205
Accounts receivable	1,231,243	1,008,682
Contributions receivable (note 2)	191,250	300,000
Reserve cash, FLHC (note 3)	646,086	639,360
Development fees receivable–affiliates (note 15)	363,661	451,955
Investments (notes 4 and 5)	1,362,066	2,340,218
Other assets	632,603	455,549
Investment in subsidiaries (note 6)	600,250	250
Beneficial interest in assets held by others (notes 5 and 7)	1,147,377	1,460,952
Notes and accrued interest receivable (note 8)	1,438,146	2,381,286
Property and equipment, net (notes 9 and 11)	19,829,197	19,398,427
Total assets	$ 32,384,486	32,119,884
Liabilities:		
Accounts payable	$ 360,815	937,838
Accrued expenses	1,505,844	1,494,880
Liabilities under annuity agreements (note 10)	382,454	396,362
Notes payable (note 11)	1,004,554	1,042,901
Total liabilities	3,253,667	3,871,981
Net Assets:		
Unrestricted:		
Property and equipment, net of related debt	18,294,985	17,751,199
Development fees, notes, and subsidiaries	2,402,057	2,533,491
Undesignated	5,609,555	5,149,696
Total unrestricted net assets	26,306,597	25,434,386
Temporarily restricted (note 12)	1,370,596	1,359,891
Permanently restricted (note 12)	1,453,626	1,453,626
Total net assets	29,130,819	28,247,903
Commitments and contingencies (notes 13 through 17)		
Total liabilities and net assets	$ 32,384,486	32,119,884

See the accompanying notes to the combined financial statements.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Combined Statement of Activities
Year Ended June 30, 2018
(With Summarized Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public support, revenue and gains:					
Public support:					
Direct contributions	$ 1,370,777	5,791,070	–	7,161,847	7,623,078
Wills and bequests	23,398	317,141	–	340,539	547,609
In-kind contributions	2,330,104	–	–	2,330,104	2,692,333
Archbishop's Catholic Appeal and other support (note 15)	–	1,350,000	–	1,350,000	1,300,000
Public and private grants	5,215,552	3,172,911	–	8,388,463	8,207,816
Federated campaigns	106,833	360,929	–	467,762	534,255
Change in net present value of annuities	(77,761)	–	–	(77,761)	(60,686)
Fund raising events revenue	–	252,098	–	252,098	225,672
Direct benefits to donors	–	(60,561)	–	(60,561)	(3,180)
Net assets released from restrictions	11,255,145	(11,255,145)	–	–	–
Total public support	20,224,048	(71,557)	-	20,152,491	21,066,897
Revenue:					
Program service fees	4,720,629	–	–	4,720,629	4,626,752
Development fees (note 15)	1,264,086	–	–	1,264,086	-
Rental income and subsidy	853,156	–	–	853,156	846,293
Investment return (note 4)	141,223	82,262	–	223,485	173,660
Net gain on disposal of property	172,373	–	–	172,373	3,267,131
Miscellaneous income (note 15)	1,726,070	–	–	1,726,070	158,203
Total revenue and gains	8,877,537	82,262	–	8,959,799	9,072,039
Total public support, revenue and gains	29,101,585	10,705	–	29,112,290	30,138,936
Expenses:					
Program services:					
Family & Children Services	9,886,809	–	–	9,886,809	9,686,312
Shelter & Community Outreach Services	7,850,809	–	–	7,850,809	7,743,613
Western Slope	711,502	–	–	711,502	692,165
Weld County	1,819,671	–	–	1,819,671	1,637,586
Larimer County	1,327,489	–	–	1,327,489	1,323,237
Farm Labor Housing Corporation	894,509	–	–	894,509	922,474
Archdiocesan Housing, Inc.	481,066	–	–	481,066	292,954
Total program services	22,971,855	–	–	22,971,855	22,298,341
Supporting services:					
General and administrative	3,263,905	–	–	3,263,905	3,091,141
Fund raising	1,993,614	–	–	1,993,614	2,085,082
Total supporting services	5,257,519	–	–	5,257,519	5,176,223
Total expenses	28,229,374	–	–	28,229,374	27,474,564
Change in net assets	872,211	10,705	–	882,916	2,664,372
Net assets at beginning of year	25,434,386	1,359,891	1,453,626	28,247,903	25,583,531
Net assets at end of year	$ 26,306,597	1,370,596	1,453,626	29,130,819	28,247,903

See the accompanying notes to the combined financial statements.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.
Combined Statement of Functional Expenses
Year Ended June 30, 2018
(With Summarized Comparative Totals for 2017)

	Catholic Charities											
	Family & Children Services	Shelter & Community Outreach Services	Western Slope	Weld County	Larimer County	General and admin-istrative	Fund raising	Catholic Charities Total	Farm Labor Housing Corporation	Archdiocesan Housing, Inc.	2018 Total	2017 Total
Salaries	$ 5,956,739	3,127,449	276,605	844,699	706,037	1,728,154	494,253	13,133,936	135,000	253,936	13,522,872	12,492,727
Benefits and payroll taxes	1,792,686	908,343	74,687	215,348	195,437	478,935	103,972	3,769,408	58,922	78,663	3,906,993	3,674,425
Food	154,715	233,729	-	78,742	40,907	-	-	508,093	-	-	508,093	491,500
Specific assistance	253,320	2,213,431	269,195	385,212	166,970	33,073	1,226	3,322,427	-	-	3,322,427	3,522,717
Grants to others	-	-	-	-	-	-	-	-	-	164,996	164,996	-
Professional services and contract labor	472,782	91,038	105	14,070	30,476	663,066	1,100,807	2,372,344	73,969	25,800	2,472,113	3,001,997
Rent, utilities and building maintenance	349,403	266,724	22,159	62,575	47,097	218,876	597	967,431	307,701	3,468	1,278,600	1,560,554
Printing	12,113	2,012	422	2,630	541	2,490	17,306	37,514	-	-	37,514	14,955
Publicity and marketing	5,979	467	450	-	893	-	28,687	36,476	-	-	36,476	9,067
Travel and transportation	55,380	48,439	4,895	3,511	6,371	11,625	1,336	131,557	-	500	132,057	109,677
Telephone	45,126	56,659	8,151	17,477	17,724	64,094	100	209,331	-	379	209,710	160,604
Office and program supplies	175,197	169,391	1,262	29,537	27,545	52,613	11,879	467,424	14,417	1,454	483,295	470,917
Equipment, maintenance and repairs	57,225	58,593	4,981	19,173	11,405	50,011	8,403	209,791	-	-	209,791	117,240
Postage and freight	3,302	9,833	238	1,070	3,758	5,495	6,619	30,315	-	-	30,315	19,076
Insurance	51,205	70,152	4,953	20,667	14,569	49,481	-	211,027	33,939	18,576	263,542	208,597
Dues, memberships and subscriptions	8,455	3,415	294	600	412	26,589	2,887	42,652	-	220	42,872	40,069
Interest and bank fees	-	-	-	-	-	-	-	-	69,771	-	69,771	97,212
Conferences and training	101,134	37,944	902	5,859	4,750	41,094	51,894	243,577	-	1,820	245,397	200,519
Occupancy allocation	273,411	264,782	-	-	-	(550,704)	12,511	-	-	-	-	-
Other expenses	23,223	30,852	1,222	4,930	4,981	22,275	211,698	299,181	17,337	1,787	318,305	250,121
Total expenses before depreciation	9,791,395	7,593,253	670,521	1,706,100	1,279,873	2,897,167	2,054,175	25,992,484	711,056	551,599	27,255,139	26,441,974
Depreciation	95,414	257,556	40,981	113,571	47,616	209,963	-	765,101	269,695	-	1,034,796	1,035,770
Total expenses	9,886,809	7,850,809	711,502	1,819,671	1,327,489	3,107,130	2,054,175	26,757,585	980,751	551,599	28,289,935	27,477,744
Less expenses netted with revenues on statement of activities	-	-	-	-	-	-	(60,561)	(60,561)	-	-	(60,561)	(3,180)
Total expenses included in expense section on statement of activities	$ 9,886,809	7,850,809	711,502	1,819,671	1,327,489	3,107,130	1,993,614	26,697,024	980,751	551,599	28,229,374	27,474,564

See the accompanying notes to the combined financial statements.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Combined Statement of Cash Flows
Year Ended June 30, 2018
(With Summarized Comparative Totals for 2017)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	882,916	2,664,372
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:			
Depreciation		1,034,796	1,035,770
Amortization		50,185	51,540
Gain on disposals of property and equipment		(172,373)	(3,267,131)
Donated securities		(56,404)	(51,678)
Contributions restricted for capital projects		(514,432)	(1,563,967)
Realized and unrealized gains on investments		(180,395)	(146,635)
Change in net present value of annuities		77,761	60,686
Changes in operating assets and liabilities:			
Increase in receivables		(214,161)	(152,334)
Decrease (increase) in contributions receivable		108,750	(275,000)
Decrease in development fees receivable–affiliates		88,294	38,388
Decrease in notes and accrued interest receivable		–	39,841
Increase in other assets		(177,054)	(127,925)
Increase (decrease) in accounts payable and accrued expenses		(574,459)	553,098
Net cash provided by (used in) operating activities		353,424	(1,140,975)
Cash flows from investing activities:			
Payments received on notes receivable		1,243,140	–
Issuance of note receivable		(300,000)	–
Proceeds from sales of investments		1,571,616	914,744
Purchases of investments		(649,816)	(86,523)
Proceeds from sales of assets		252,431	6,224,894
Purchases of property and equipment		(1,545,624)	(5,544,981)
Net cash provided by investing activities		571,747	1,508,134
Cash flows from financing activities:			
Proceeds from contributions restricted for capital projects		514,432	1,563,967
Payment of bonds		–	(2,595,000)
Charitable gift annuity activity		(91,669)	(93,551)
Payments on notes payable		(88,532)	(87,353)
Net cash provided by (used in) financing activities		334,231	(1,211,937)
Net increase (decrease) in cash and cash equivalents		1,259,402	(844,778)
Cash and cash equivalents at beginning of year		3,683,205	4,527,983
Cash and cash equivalents at end of year	$	4,942,607	3,683,205
Supplemental disclosures:			
Other cash flow information:			
Interest paid	$	19,586	45,320

See the accompanying notes to the combined financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities) is organized as a Colorado not-for-profit corporation and was formed on April 27, 1928. Under the 1983 Code of Canon Law of the Roman Catholic Church, Catholic Charities is also a *public juridic person* and accordingly, is subject to its Canonical Statutes. Catholic Charities operates various programs to assist and promote charitable, welfare, educational, health, and social services in the Denver-Metropolitan area, Weld and Larimer counties and in Western Slope counties within the territory of the Archdiocese of Denver (the Archdiocese). Some of the major programs in operation are:

Family and Children Services – Denver Metro provides adoptive, child welfare, and counseling services to birth parents with unplanned pregnancies. It also provides services and referrals to relatives raising children as well as services to the elderly and disabled. In addition, Family and Children Services provide daycare programs and Head Start in metro Denver through several child care centers including the *Margery Reed Mayo Center, Child Development Center, and the Mariposa Center*.

Shelter and Community Outreach Services – Denver Metro provides temporary shelter and meals as well as case management for homeless persons and homeless Veterans. It also provides employment referrals and assistance, transitional housing services to individuals and families, and immigration assistance. In addition, emergency assistance is provided to individuals and families in need of basic necessities in metro Denver.

Catholic Charities – Western Slope provides family transitional housing services, immigration assistance and advocacy, and emergency assistance to individuals and families in need of basic necessities including food, rent, and utilities to clients in the Glenwood Springs and surrounding western slope of Colorado.

Catholic Charities – Weld County provides temporary shelter and meals as well as case management for homeless persons at the *Guadalupe Shelter* in Greeley. In addition, it also provides services to low-income seniors, and emergency assistance to individuals and families in need of basic necessities in Weld County and the surrounding area.

Catholic Charities – Larimer County provides temporary shelter and meals as well as case management for homeless persons at *The Mission* in Fort Collins. In addition, it also provides transitional housing services, services to low-income seniors, and emergency assistance to individuals and families in need of basic necessities in Larimer County and the surrounding area.

Farm Labor Housing Corporation (FLHC) is a separately incorporated not-for-profit corporation, formed in 1993 to provide farm labor housing that is safe, clean and affordable and to act as a catalyst to building more farm labor housing. The initial project for FLHC, *Plaza del Milagro,* consists of a 40-unit housing complex, which includes a community center and child-care center located in Greeley, Colorado. *Plaza del Sol,* which consists of 42 independent housing units, housing up to 144 single occupants, is located adjacent to *Plaza del Milagro*. FLHC is controlled by Catholic Charities through the selection of FLHC board members.

(1) Summary of Significant Accounting Policies, Continued

(a) General, Continued

Archdiocesan Housing, Inc. (AHI) is a Colorado nonprofit corporation incorporated on December 17, 1968 to provide affordable housing for low- and moderate-income families and seniors where no adequate housing exists for such persons. AHI is controlled by Catholic Charities as they are the sole voting member of AHI. Included with the accounts of AHI are the following wholly-owned subsidiaries (of which AHI is the sole member): AHI Development, LLC, AHI Trust, LLC, and AHI Development Guadalupe, LLC.

AHI is also affiliated with, but does not consolidate in its financial statements, the following Colorado nonprofit entities because AHI does not have both control and an economic interest in the entities.

- Archdiocesan Family Housing, Inc. (Denver Family Sites)
- Cathedral Plaza, Inc. (Cathedral)
- Colorado Affordable Catholic Housing Corporation (CACHC)
- Golden Spike, Inc. (Golden Spike)
- Higgins Plaza, Inc. (Higgins)
- Holy Cross Village, Inc. (Holy Cross)
- Holy Family Plaza, Inc. (Holy Family)
- Housing Management Services, Inc. (HMS)
- Machebeuf Apartments, Inc. (Machebeuf)
- Madonna Plaza, Inc. (Madonna)
- Marian Plaza, Inc. (Marian)
- Prairie Rose Plaza (Prairie Rose)
- St. Martin Plaza, Inc. (St. Martin)
- Villas de Santa Lucia, Inc. (VSL)
- Villa Sierra Madre, Inc. (VSM)

AHI Development, LLC is the Managing Member in Courtyard Commons, LLC (Courtyard) at .005% ownership, the General Partner in St. Joseph Golden, LLLP (SJG) at .01% ownership and the General Partner in Broadway Affordable, LLLP (BA) at .01% ownership. AHI is the Administrative Special Limited Partner in The Villas in Southgate, LLLP (VSG) at .005% ownership. AHI Development Silverthorne, LLC is the General Partner in Villa Sierra Madre II LLLP (VSMII) at .01% ownership. AHI Development Guadalupe, LLC is the Managing General Partner in Guadalupe Apartments, LLLP (GA) at .005% ownership, and AHI is the Administrative General partner in Guadalupe Apartments, LLLP at .005% ownership. Each of the above for-profit partnerships in which AHI is the general or managing partner are not consolidated in AHI's financial statements as the limited partners in these partnerships have substantive participating rights in the partnership and, therefore, AHI does not have control.

Due to the insignificant investment balances of the general or managing partner's interest in the for-profit corporations which are not consolidated, AHI accounts for these entities using the cost method of accounting, which approximates the equity method of accounting.

(b) Basis of Accounting

The accompanying combined financial statements of Catholic Charities have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

Reporting Entity
The accompanying combined financial statements include the accounts of FLHC and AHI, which are separate not-for-profit corporations over which Catholic Charities has control and an economic interest. All material inter-organizational transactions have been eliminated in combination. Management of Catholic Charities annually reassesses the limited partner's rights in the for-profit partnerships (in which AHI is the general partner) to determine whether to consolidate the partnerships.

Basis of Presentation
Information regarding the financial position and activities of Catholic Charities is reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

(d) Contributions and Contributions Receivable

Catholic Charities accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions receivable are recognized as revenues in the period the pledge is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. No discount has been recorded as it would not be material to the financial statements. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Catholic Charities uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

(e) Recognition of Revenue

Program services revenue is deemed to be earned and is reported as revenue when Catholic Charities has incurred expenditures or performed services in compliance with the provisions of the respective service agreements. Cash received for contracts in excess of allowable expenses incurred is recorded as unearned revenue, and allowable expenses incurred on contracts in excess of cash received are recorded as a receivable.

(f) Cash and Cash Equivalents

Catholic Charities considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Bank accounts held as reserve accounts (note 3) have not been included in cash and cash equivalents.

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Catholic Charities reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy in note 5. Catholic Charities' management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(h) Accounts Receivable

Accounts receivable consist of program service fees due primarily from government agencies and government grant and contract related receivables. The allowance for doubtful accounts is based on past experience and on analysis of the collectability of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. At June 30, 2018, accounts receivable includes an allowance of $2,714. Management believes the existing allowance for doubtful accounts at June 30, 2018 is adequate.

(i) Predevelopment Costs

AHI incurs certain predevelopment costs to identify appropriate projects to develop and pre-renovation costs in anticipation of future reimbursements from projects. At June 30, 2018, these amounted to $512,102 and are included in other assets.

(j) Concentrations of Credit Risk

Financial instruments which potentially subject Catholic Charities to concentrations of credit risk consist principally of cash, cash equivalents, investments, notes receivable, development fees receivable, accounts receivables and contributions receivables. Investments which potentially subject Catholic Charities to concentrations of credit risk include $336,228 held by the Archdiocese of Denver Irrevocable Revolving Fund Trust (Revolving Fund Trust) and invested on behalf of Catholic Charities. Catholic Charities also holds debt and equity securities valued at $1,025,838 that are subject to changes in value due to market factors. In addition, Catholic Charities is subject to concentrations of credit risk resulting from notes receivable and accrued interest totaling $1,438,146 (see note 8), and development fee receivable-affiliates of $363,661 (see note 15).

Catholic Charities places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. At times, a portion of these balances may exceed the limits for insurance by the FDIC or similar entity.

Catholic Charities is subject to the risk of loss from certain government receivables if the government determines that certain amounts are unallowable reimbursements, although this has not happened to date. Credit risk associated with contributions receivable is limited due to the number and creditworthiness of the foundations and individuals that comprise the contributor base.

(1) Summary of Significant Accounting Policies, Continued

(k) Property and Equipment

Property and equipment with initial cost or value of more than $5,000 are capitalized at cost or, if donated, the estimated fair market value of the asset at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Equipment leased under capital leases is recorded at the present value of the lease payments. Amortization of capitalized leases is included with depreciation on the combined financial statements.

(l) Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Advertising

Catholic Charities uses advertising to promote certain programs and products. The costs of advertising are expensed as incurred. During fiscal year 2018, advertising costs totaled $36,476.

(n) In-kind Contributions

In-kind contributions are recorded as contributions and corresponding expenses in the accompanying statements at their estimated values at date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Catholic Charities. In-kind contributions received for the year ended June 30, 2018 are as follows:

Supplies	$ 932,531
Food and food preparation materials	1,227,261
Professional services	27,828
Building space	142,484
Total in-kind revenue and expense	$ 2,330,104

In-kind expenses are recorded under various categories on the combined statement of functional expenses, according to their classification. Many individuals volunteer their time and perform a variety of tasks that assist Catholic Charities in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying combined financial statements as it does not meet the criteria of recognition under accounting principles.

(1) Summary of Significant Accounting Policies, Continued

(o) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(p) Tax Exempt Status

Catholic Charities, FLHC, and AHI are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through their inclusion in the United States Conference of Catholic Bishops group ruling and listing in the Official Catholic Directory. Accordingly, contributions to the above mentioned organizations qualify for the charitable contribution deduction. Income from activities not directly related to Catholic Charities', FLHC's, or AHI's tax exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in the current year.

Catholic Charities, FLHC and AHI follow the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The organizations believe they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are significant to the financial statements. Catholic Charities', FLHC's, and AHI's *Return of Organization Exempt from Income Tax* (Form 990) for the previous three years are subject to examination by the IRS, generally for three years after initial filing.

(q) Prior Period Information

The accompanying combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Catholic Charities' combined financial statements for the year ended June 30, 2018, from which the summarized information was derived.

(r) Subsequent Events

Management is required to evaluate, through the date the combined financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. Catholic Charities' combined financial statements were available to be issued on November 19, 2018 and this is the date through which subsequent events were evaluated.

(2) Contributions Receivable

Contributions receivable by Catholic Charities at June 30, 2018, consist primarily of grants from foundations, agencies and individuals. FLHC and AHI have no contributions receivable at June 30, 2018. Contributions receivable, totaling $191,250, are expected to be received in the year ended June 30, 2019. No allowance has been recognized on contributions receivable as management believes all receivables are collectible.

(3) Reserve Cash

FLHC is required to make monthly payments to a reserve account for *Plaza del Milagro* until the balance reaches $400,000. The funds may be used with the approval of the USDA for repair, replacement, or improvement of the property, to meet payments on loan obligations, or to promote the loan or grant purpose. For fiscal year 2018, the required payments to this reserve account were $6,706 and withdrawals of $25,000 were also made. A similar account is required at *Plaza del Sol*. FLHC was originally required to make annual payments of $41,380 to the reserve account for the *Plaza del Sol* until the balance reaches $413,800; however, the USDA has reduced the annual payment requirement to $25,000. Payments totaling $25,000 were made to the *Plaza del Sol* reserve during the year ended June 30, 2018 and no withdrawals were made in 2018.

The following is a summary of the required reserve accounts at June 30, 2018:

Plaza del Milagro	$ 423,512
Plaza del Sol	222,574
Total reserve cash	$ 646,086

(4) Investments

Investments are recorded at fair value. Unrealized gains and losses are reported as increases or decreases in unrestricted net assets because the gains and losses are unrestricted. Investments consisted of the following at June 30, 2018:

Investments with the Revolving Fund Trust	$ 336,228
Exchange traded funds (ETFs)	251,255
Mutual funds invested in equities	331,388
Fixed income	46,805
Equities	121,678
Cash and cash equivalents	274,712
	$ 1,362,066

Investment return for the year ended June 30, 2018, is summarized as follows:

Interest and dividend income	$ 43,090
Realized and unrealized gains on investments	92,348
Total from investments	135,438
Change in value of beneficial interest in assets held by others (note 7)	88,047
Total investment return	$ 223,485

(4) Investments, Continued

The Revolving Fund Trust enables parishes and other Catholic entities within the territory of the Archdiocese to pool financial resources to obtain competitive terms for depositing, withdrawing and borrowing money. The Revolving Fund Trust holds title to the assets of the trust. However, the equitable and beneficial ownership of the assets of the trust belong to and are owned by each entity participating in the Revolving Fund Trust pursuant to the terms and conditions of the trust agreement.

(5) Fair Value Measurements

Catholic Charities reports its required types of financial instruments in accordance with fair value accounting standards. 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require Catholic Charities to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. Level 3 also includes practical expedient investments with notice periods for redemption of more than 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

(5) Fair Value Measurements, Continued

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in Catholic Charities' financial statements.

The following table summarizes Catholic Charities' investments by the above fair value hierarchy levels as of June 30, 2018:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Revolving Fund Trust	$ 336,228	336,228	–	–
Exchange traded funds	251,255	251,255	–	–
Mutual funds invested in equities	331,388	331,388	–	–
Fixed income	46,805	46,805	–	–
Equities	121,678	121,678	–	–
Cash and cash equivalents	274,712	274,712	–	–
Subtotal	1,362,066	1,362,066	–	–
Investments held at The Catholic Foundation	1,147,377	–	1,147,377	–
Total	$ 2,509,443	1,362,066	1,147,377	–

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Investments held in the Revolving Fund Trust consist of marketable securities that are also valued based on quoted prices in active markets. The market value of Catholic Charities' beneficial interest in assets held at The Catholic Foundation is based on information reported by The Catholic Foundation, which holds the funds.

(6) Investment in Subsidiaries

AHI Development, LLC and AHI Development Silverthorne, LLC were formed to acquire, construct, own, and operate low- and moderate-income housing complexes in Colorado. AHI Development, LLC owns .01% of St. Joseph Golden, LLLP and AHI which owns .005% as the Administrative Special Limited Partner in The Villas in Southgate, LLLP, neither of which has a cost basis of acquisition. AHI Development Silverthorne, LLC is the General Partner in Villa Sierra Madre II, LLLP and owns .01% of the partnership. AHI is the Administrative General Partner in Guadalupe Apartments, LLLP at .005% ownership, and AHI Development Guadalupe, LLC is the Managing General Partner in Guadalupe Apartments, LLLP at .005% ownership. Investment in the project entities is accounted for under the equity method by the corporations. Accordingly, the corporations recognize the earnings and losses of the partnerships to the extent of their respective ownership interests. AHI's investment in subsidiaries at June 30, 2018 was $200 in AHI Development, LLC and $600,050 in AHI Development Guadalupe, LLC.

(6) Investment in Subsidiaries, Continued

AHI has agreements with the affiliated partnerships to oversee the development and construction of their respective low- and moderate-income housing complexes. At June 30, 2018, AHI had guaranteed any general partner calls for capital contributions by the limited partnerships for operations. Since inception of the partnerships, there have been no additional cash contributions required from the general partner corporations.

(7) Beneficial Interest in Assets Held by Others

Catholic Charities has entered into an agreement with The Catholic Foundation for the Roman Catholic Church in Northern Colorado (the Foundation), to hold and invest certain endowed funds, originally valued at $1,100,000. The funds deposited at the Foundation are to be held in perpetuity by the Foundation, to which variance power has been given. The Foundation shall distribute annually to Catholic Charities, as much of the net income of the Fund as Catholic Charities requests and the Foundation deems consistent with the agreement and the distribution policies of the Foundation. At June 30, 2018, the investments had a fair market value of $1,147,377.

(8) Notes and Accrued Interest Receivable

AHI

At June 30, 2018, AHI had notes receivable and accrued interest receivable consisting of the following:

	Interest rate	Date due	Note receivable	Interest receivable
Broadway Affordable, LLLP	3.94%	June 30, 2050	$ 774,621	261,667
Allowance–BA			–	(248,142)
Villa Sierra Madre II, LLLP	6.00%	December 31, 2045	350,000	86,083
Allowance–VSMII			–	(86,083)
Guadalupe Apartments, LLLP	6.50%	December 31, 2056	300,000	16,563
Allowance–GA			–	(16,563)
			$ 1,424,621	13,525

AHI's $774,621 note from Broadway Affordable LLLP earns interest at 3.94%, compounded annually, and is unsecured. The note requires payments of principal and interest made annually, 90 days following the end of each fiscal year of Broadway Affordable LLLP, solely from and to the extent of cash flow remaining, if any, in the priority set forth in the Third Amended and Restated Agreement of Limited Partnership. If not paid sooner, the principal sum and all interest accrued thereon is due and payable in full on June 30, 2050. Interest earned on this note during the year ended June 30, 2018 was $39,654. An allowance was recorded for $39,654 for interest earned in fiscal year 2018, due to the cash flow calculation for Broadway Affordable, LLLP historically reflecting no funds being available to pay the interest. No payments were made in 2018.

(8) Notes and Accrued Interest Receivable, Continued

AHI's $350,000 note from Villa Sierra Madre II, LLLP earns interest at 6%, compounded annually, and is secured by the property, subordinate to the mortgage. The note requires payments of 100% of the available cash flow as defined in the related Partnership Agreement. If not paid sooner, the principal sum and all interest accrued thereon is due and payable in full on December 31, 2045. Interest earned on this note during the year ended June 30, 2018 was $26,842. An allowance was recorded for $26,842 for interest earned in fiscal year 2018, due to the cash flow calculation for Villa Sierra Madre II, LLLP reflecting no funds being available to pay the interest.

In June 2018, AHI acquired a $300,000 note from Guadalupe Apartments, LLLP which earns interest at 6.50%. The note requires payments of the available cash flow as defined in the related Partnership Agreement. Principal and accrued interest are due and payable on December 31, 2056. Interest earned on this note during the year ended June 30, 2018 was $16,563. An allowance was recorded for $16,563 for interest earned on this note during the year ended June 30, 2018, due to the cash flow calculation for Guadalupe Apartments, LLLP reflecting no funds being available to pay the interest.

Catholic Charities
On April 4, 2006, Catholic Charities sold its property at 1122 Pearl Street, Denver, known as Courtyard Commons. The property was sold to Courtyard Commons, LLC, a limited liability company whose managing member is AHI Development, LLC. The property was sold for $840,000 comprised of $202,731 in payment of the existing CHFA mortgages on the property, and a promissory note of $637,269. The promissory note bears interest of 4.79%, and requires that Courtyard Commons LLC make annual payments of $1,000, cash flows permitting. Because payment of the note is uncertain, Catholic Charities has determined that a gain on sale will be recorded under the cost recovery method only when payments are received. The balance of the note ($483,526 at June 30, 2018) and accrued interest ($262,295 at June 30, 2018) are due and payable in full in 2045.

(9) Property and Equipment

Property and equipment used in continuing operations consisted of the following at June 30, 2018:

	Catholic Charities	FLHC	Total
Land and land improvements	$ 3,907,120	1,152,979	5,060,099
Buildings	19,415,277	7,159,461	26,574,738
Furniture and equipment	2,473,556	464,459	2,938,015
	25,795,953	8,776,899	34,572,852
Less accumulated depreciation	(10,496,629)	(4,342,697)	(14,839,326)
Construction in progress	95,671	–	95,671
Property and equipment, net	$ 15,394,995	4,434,202	19,829,197

(10) Charitable Gift Annuities

Catholic Charities has received several charitable gift annuity contracts. These contracts require Catholic Charities to make fixed payments to the beneficiaries over their lifetimes. The obligation to make the periodic disbursements to the beneficiary becomes a general obligation of Catholic Charities. This liability is recorded at the net present value of the expected future payments, discounted at interest rates ranging from 1% to 6% over the expected lives of the beneficiaries, and totaled $382,454 at June 30, 2018.

(11) Notes Payable

FLHC has received five loans with interest rates below market. These notes have been discounted, depending on the market rate for similar loans at the time of borrowing. The discounts have been deducted from the face value of the notes, and were recorded as restricted contributions in the years in which the loans were received. The discount totals $469,657 at June 30, 2018. As this discount is amortized, a corresponding amount is released from temporarily restricted net assets. At June 30, 2018, notes payable consisted of the following:

Note payable to USDA Rural Development, interest at 1%, monthly payments of $1,575 to be made through September 2031, secured by first lien on property-*Plaza del Milagro*	$ 233,062
Note payable to Weld County, interest at 3%, monthly payments of $1,194 through June 2033, secured by deed of trust-*Plaza del Milagro*	172,945
Note payable to USDA Rural Development, including accrued interest, interest at 1%, monthly payments of $4,078 to be made over 33 years, secured by deed of trust–*Plaza del Sol*	757,871
Note payable to Weld County, interest at 3%, monthly payments of $555, secured by deed of trust-*Plaza del Sol*	37,445
Note payable to Colorado Housing and Finance Authority, interest at 1%, monthly payments of $1,608 to be made over 30 years-*Plaza del Sol*	272,889
Face value of below market rate notes payable	1,474,212
Less discount	(469,658)
	1,004,554
Note payable to Catholic Charities, at 0% interest, payable in annual installments of $10,000 beginning in 2004-*Plaza del Sol* (inter-organizational transaction has been eliminated in consolidation)	60,000
Net notes payable	$ 1,064,554

(11) Notes Payable, Continued

The future undiscounted principal payments on these notes for years ending June 30 are:

2019	$ 89,715
2020	90,290
2022	92,145
2022	93,393
2023	94,663
Later years	1,083,006
	1,543,212
Less discount	(469,658)
Net notes payable	$ 1,064,554

(12) Net Assets

(a) Temporarily Restricted

Temporarily restricted net assets at June 30, 2018 consist of the following:

Catholic Charities:	
Contributions promised by donors, but not yet received	$ 191,250
Contributions restricted by donors but not yet expended	631,032
Unspent endowment earnings	63,160
Subtotal	885,442
FLHC:	
Unamortized loan discount (note 11)	469,658
AHI:	
Improvements at Marian Plaza	15,496
Total	$ 1,370,596

Net assets released from restrictions during fiscal year 2018 consisted of the following:

Catholic Charities:	
Collection of contributions receivable	$ 150,000
Expenditure of endowment earnings	390,500
Restricted contributions expended per donor instructions	10,664,460
Subtotal	11,204,960
FLHC:	
Amortization of below market rate note payable	50,185
Total net assets released	$ 11,255,145

In addition, unrestricted net assets generated by FLHC projects are restricted for use by that particular housing project.

(12) Net Assets, Continued

(b) Permanently Restricted

Permanently restricted net assets consist of endowment fund assets that are subject to restrictions requiring that the principal be invested in perpetuity and only the income be used. Permanently restricted net assets consist of the following endowment funds at June 30, 2018:

Catholic Charities Endowment Fund-Samaritan House	$ 1,000,000
Catholic Charities Endowment Fund-operations	100,000
General Endowment	50,000
South West Emergency Assistance	26,707
Marjory Reed Mayo - equipment	25,000
Samaritan House - capital improvements	251,919
Total permanently restricted net assets	$ 1,453,626

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. Accordingly, Catholic Charities adopted FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.* Adopting this accounting practice resulted in the reclassification of earnings on certain endowment funds from unrestricted to temporarily restricted net assets. There was no effect on total net assets.

Catholic Charities has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation and in the absence of explicit donor stipulations to the contrary, Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of Catholic Charities and the donor-restricted endowment funds
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Catholic Charities resources
(7) The investment policies of Catholic Charities.

(12) Net Assets, Continued

(b) Permanently Restricted, Continued

Following are the changes in the endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ –	371,398	1,453,626	1,825,024
Investment return:				
Investment income	–	5,337	–	5,337
Net appreciation (realized and unrealized)	–	76,925	–	76,925
Total investment return	–	82,262	–	82,262
Contributions	–	–	–	–
Expenditure of endowment net assets	–	(390,500)	–	(390,500)
Endowment net assets, end of year	$ –	63,160	1,453,626	1,516,786

As of June 30, 2018, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA totals $1,453,626.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2018.

Return Objectives and Risk Parameters
Catholic Charities' assets include donor-restricted funds that Catholic Charities must hold in perpetuity. Catholic Charities has adopted investment policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of income that supports current needs and provides for growth in assets and income over time. Catholic Charities' spending policies reflect donor restrictions on the original gift.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Catholic Charities relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In addition, Catholic Charities relies on the strategies of the Catholic Foundation where a portion of the endowment is held. Catholic Charities targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy
Catholic Charities has a policy of appropriating for distribution each year that amount of investment income which it deems prudent. During 2018, Catholic Charities expended $390,500 in endowment earnings for purposes in accordance with endowment requirements.

(13) Operating Leases

Catholic Charities rents office space for administrative and program needs in various locations. Total minimum rental commitments under these written lease agreements are as follows for the years ending June 30:

2019	$ 174,125
2020	143,694
2021	136,534
2022	113,603
2023	76,740
Thereafter	1,808
	$ 646,504

In addition, Catholic Charities rents space for various programs on a month-to-month basis. Total rent expense for the year ended June 30, 2018 was $418,737, which includes in-kind building space valued at $142,484.

(14) Line of Credit

Catholic Charities has a $3,000,000 revolving line of credit with a bank that expires November 13, 2019. Borrowings on the line bear interest at the Wall Street Journal Prime rate minus .75%. At June 30, 2018, no amounts were outstanding on the line of credit. However, subsequent to year-end, draws were made on the line of credit totaling $500,000.

(15) Related Party Transactions – Archdiocese and Related Organizations

Catholic Charities has as its general purpose, the promotion of the charitable causes of the Archdiocese. In addition to investments in the Revolving Fund Trust, the following related party transactions existed with the Archdiocese for the year ended June 30, 2018:

(a) The Archdiocese of Denver contributed $1,350,000 to Catholic Charities through the Archbishop's Catholic Appeal and other support.

(b) Effective July 1, 2014, Catholic Charities discontinued their self-insurance program and was admitted to The Archdiocese of Denver Welfare Benefits Trust Plan. Expense for the insurance plan for the year totaled $2,477,333. In order to be admitted to the plan, Catholic Charities is required to pay $560,000 to the Archdiocese of Denver to fund the Risk Corridor Reserve, of which $186,667 had been paid as of June 30, 2018. The remaining $373,333 due to the Archdiocese of Denver is recognized as a liability as of June 30, 2018.

(c) Archdiocesan Housing, Inc. and its affiliates share a building with Catholic Charities and use Catholic Charities' payroll services for their employees. AHI and affiliates reimbursed Catholic Charities a total of $4,888,416 for salaries and related expenses, including $181,120 in employer matching under their 403(b) retirement plan. Also included in this total are charges amounting to $629,574 related to health insurance provided by the Archdiocese of Denver (see note (b) above). Furthermore, AHI and affiliates paid Catholic Charities $54,628 for shared occupancy costs. The senior housing sites, through AHI, also contracted with Catholic Charities to provide case management services, for a total of $408,791.

(15) Related Party Transactions – Archdiocese and Related Organizations, Continued

(d) The Archdiocese of Denver Risk Management and Property/Casualty Insurance Trust (the Trust) currently procures worker's compensation, property and general liability insurance coverage for Catholic Charities. Catholic Charities paid $519,500 to the Trust during the year ended June 30, 2018.

(e) AHI, AHI Development, LLC, and AHI Development Silverthorne, LLC have agreements with affiliates and/or entities managed or controlled by affiliates whereby they earn development fees for services rendered in connection with the investigation, due diligence, development, financing, construction and permitting of related affordable housing projects. During the year ended June 30, 2018, fees earned on separate projects and affiliates were $1,264,086. Because the development fees are paid dependent upon third party investor agreements (which may include interest), the amounts due at June 30, 2018 were as follows:

Mount Loretto	$ 183,719
St. Anthony Manor (St. Anthony Housing, Inc.)	31,500
Villa Sierra Madre II, LLLP	148,442
Total development fees receivable – affiliates	$ 363,661

(f) At June 30, 2018, Broadway Affordable, LLLP owed AHI $774,621 and net accrued interest of $13,525. See note 8.

(g) At June 30, 2018, Villa Sierra Madre II, LLLP owed AHI $350,000. See note 8.

(h) At June 30, 2018, Guadalupe Apartments, LLLP owed AHI $300,000. See note 8.

(i) In June 2018, AHI received $1,509,862 from CACHC as a result of the bond proceeds from the refinancing of Villa Sierra Madre, Inc., Villas de Santa Lucia, Inc., Machebeuf Apartments, Inc., and Holy Cross Village, Inc. This transaction is recognized in miscellaneous income in the combined statement of activities.

(j) During 2018, AHI made contributions of $1,000,000 to Catholic Charities and $164,996 to Guadalupe Apartments, LLLP. The contribution to Catholic Charities has been eliminated in the combined statement of activities as this is an inter-organizational transaction.

(16) Retirement Plan

Catholic Charities has established a retirement plan under section 403(b) of the Internal Revenue Service Code that is available to employees. Catholic Charities contributes 5% of employee salaries for employees with a year or more service. In addition, Catholic Charities matches 50% of the employee's elective deferral amount that does not exceed 2% of the total employee's compensation. Total employer contributions under this plan for Catholic Charities employees were $540,572 for the year ended June 30, 2018.

(17) Land Use Restrictions, Project Guarantees, and Commitments

Guadalupe Shelter
Catholic Charities received grants totaling $600,000 from Greeley Urban Renewal Authority (GURA) for the purchase of land and construction of the new Guadalupe Center Homeless Shelter. If Catholic Charities ceases to use the property for this purpose, Catholic Charities must transfer the property to GURA or reimburse GURA for the fair market value of the portion of the property attributable to this grant at the time the property ceases to be used for this purpose. Additionally, the project received funding from the State of Colorado totaling $600,000 with the commitment to provide housing for moderate, low and very low income persons for 30 years after the close out of the project. A portion of the property was sold to an affiliated entity during 2016, who intends to continue using the property for the specified purpose.

Mission Building-Fort Collins
In conjunction with the renovation of the Mission building in Ft. Collins that was partially funded by a grant of $46,235 from the City of Ft. Collins in 2006, Catholic Charities has agreed to continue to operate the building as a Community Development Block Grant eligible public facility for 90 years or refund the grant.

Smith Road
On October 12, 2016, Catholic Charities purchased property at 6240 E. Smith Road in Denver, for $2,500,000, to be used as an overnight shelter space and short-term transitional housing for women. Part of the property also serves as an office building for administration. Catholic Charities received $1,000,000 in funding from the City and County of Denver, which was applied to the purchase. Repayment of the loan shall be deferred as long as the property is used as a non-profit community facility for a term of 35 years. Should this condition not be met during the 35-year period, the $1,000,000 must be repaid.

Farm Labor Housing Corporation
FLHC has received various loans with interest at rates below market (see note 11). The loans require that the *Plaza del Milagro* and *Plaza del Sol* be maintained as low-income housing. In addition, FLHC has received a $200,000 loan from the Federal Home Loan Bank in July 2003, for the construction of *Plaza del Sol*. This loan bears no interest and will be forgiven in full after 15 years, as long as FLHC is in compliance with the loan contract, which includes rental to eligible tenants, and continued ownership of the *Plaza del Sol*. This loan was recorded as a contribution in the year it was received.

Mount Loretto, LLC
Under an agreement with Catholic Charities, AHI has assumed responsibility for the guarantees made for the Mount Loretto, LLC housing project by Catholic Charities and has agreed to indemnify Catholic Charities for any claims made against those guarantees. AHI also assumed the covenant that the project will rent to qualified low-income occupants for the 40-year guaranty period, which expires in 2045. Should the project lose its low-income housing status, grants received from local agencies through Catholic Charities to the project construction totaling $1,494,000 would have to be repaid.

(17) Land Use Restrictions, Project Guarantees, and Commitments, Continued

St. Joseph, LLLP

Under an agreement effective December 16, 2009 with AHI Development, LLC, general partner of the St. Joseph Golden, LLLP, AHI has assumed joint responsibility with CACHC for guarantees made for the St. Joseph Golden, LLLP housing project by AHI Development, LLC and has agreed to indemnify AHI Development, LLC for any claims made against those guarantees. AHI also assumed the covenant that the project will rent to qualified low-income occupants for the 20-year guaranty period, which expires in 2029. Should the project lose its low-income housing status, the loans received from a local governmental agency through AHI for the project construction totaling $612,236 would have to be repaid.

Villas in Southgate, LLLP

AHI is the Administrative Special Limited Partner of Villas in Southgate, LLLP. If, at any time or from time to time after the redemption of the Series B Bonds, an operating deficit exists, then the Administrative Special Limited Partner is required to lend funds (an operating deficit loan) to the Partnership in an amount equal to the amount of the operating deficit. The Administrative Special Limited Partner's obligation to make these loans will terminate at the close of the fiscal year in which certain requirements are satisfied. The Administrative Special Limited Partner's obligation to make operating deficit loans is limited to an amount equal to $300,000. Operating deficit loans are repayable without interest. No operating deficits have been experienced as of June 30, 2018.

AHI has a partnership agreement with The Villas in Southgate, LLLP whereby The Villas at Southgate, LLLP must pay AHI a management fee in connection with management of the project commencing the first year the Project is 95% occupied by qualified tenants, provided that such fee shall be payable only to the extent The Villas in Southgate, LLLP has cash from operations remaining after payment of obligations having a higher priority as set forth in the partnership agreement. If cash flow is not sufficient to pay the fee provided above, any unpaid fee shall accrue and shall be payable out of the next available cash flow. During the year ended June 30, 2018, The Villas in Southgate, LLLP paid management fees totaling $13,686.

Courtyard Commons, LLC

AHI Development, LLC is the Managing Member of Courtyard Commons, LLC. If, at any time or from time to time an operating deficit exists, then the Managing Member shall lend funds (an operating deficit loan) to Courtyard Commons, LLC in an amount equal to the amount of the operating deficit. The Managing Member's obligation to make these loans will terminate at the close of the fiscal year in which certain requirements are satisfied. Operating deficit loans are repayable with interest at the applicable federal rate for long term obligations. No operating deficits have been experienced.

AHI Development, LLC has an operating agreement with Courtyard Commons, LLC whereby Courtyard Commons, LLC must pay AHI Development, LLC a management fee in connection with management of the project commencing the first year the Project is 95% occupied by qualified tenants. During the year ended June 30, 2018, Courtyard Commons, LLC paid management fees totaling $8,281.

(17) Land Use Restrictions, Project Guarantees, and Commitments, Continued

Courtyard Commons, LLC, Continued

During the year ended June 30, 2007, AHI received funding totaling $240,000 from the State of Colorado for the necessary rehabilitation of Courtyard Commons. As a condition to the receipt of this funding, a covenant has been recorded to ensure that the housing is to be rented to low-income occupants for a term of 50 years. Should this condition not be met during the 50-year period, the $240,000 must be repaid. Similarly, during the year ended June 30, 2008 AHI received a grant of $350,000 from the City and County of Denver, and a grant of $200,000 from the Federal Home Loan Bank of Topeka. The terms of these grants require that the property be rented to low-income occupants for terms of 40 and 15 years, respectively. These grants were funded directly to Courtyard Commons and are not reflected on the AHI financial statements except as the guarantee commitment. In turn, Courtyard Commons has entered into promissory notes with AHI for repayment of the grants. Should the project lose its low-income housing status, grants received from the agencies through AHI to the project construction totaling $790,000 would have to be repaid.

Broadway Affordable, LLLP

During the year ended June 30, 2010, AHI received funding totaling $497,000 from the City and County of Denver. Repayment of the loan shall be deferred so long as the housing is rented to low-income occupants for a term of 40 years. Should this condition not be met during the 40-year period, the $497,000 must be repaid. The loan was funded directly to Broadway Affordable, LLLP and is not reflected on the AHI financial statements except as the guarantee commitment. In turn, Broadway Affordable, LLLP has entered into a promissory note with AHI for repayment of the loan. Should the project lose its low-income housing status, the loan received from the City through AHI to the project totaling $497,000 would have to be repaid. As a General Partner, AHI Development, LLC and its affiliated entity, CACHC, provide certain operating deficit and other related guaranties for the benefit of Broadway Affordable, LLLP.

Archdiocesan Family Housing, Inc.

During the year ended June 30, 2011, AHI received funding totaling $75,203 from the City and County of Denver for construction of a community center on South Irving Street in Denver. Repayment of the loan shall be deferred so long as the property continues to be used as a non-profit community facility for a term of 7 years. Should this condition not be met during the 7-year period, the $75,203 must be repaid. The community center was subsequently donated to Archdiocesan Family Housing, Inc.

Prairie Rose Plaza

During the year ended June 30, 2011, AHI received funding totaling $190,000 from the State of Colorado for acquisition and construction of the Prairie Rose Plaza apartments. Repayment of the loan shall be deferred so long as the property continues to be used primarily to provide housing for eligible beneficiaries at affordable rents for a term of 40 years. Should this condition not be met during the 40-year period, the $190,000 must be repaid.

(17) Land Use Restrictions, Project Guarantees, and Commitments, Continued

Villa Sierra Madre II, LLLP

AHI Development Silverthorne, LLC is the general partner of Villa Sierra Madre II, LLLP. If, at any time prior to the date that all conditions for the funding of the investor limited partner's final installment have been satisfied and the investor limited partner has funded the final installment (Period 1), an operating deficit exists, the general partner shall fund the operating deficit without limitation as to amount through operating deficit loans. At any time during a minimum of thirty-six months after Period 1 until dissolution and liquidation of the partnership, the general partner's obligation to fund operating deficits through operating deficit loans shall continue in an additional amount (i.e., not reduced by any operating deficit loans made in Period 1) not to exceed $250,000 in the aggregate. Funds in the operating reserve may be used to pay operating deficits occurring after the last day of Period 1 before the general partner is required to make operating deficit loans. All operating deficit loans shall bear interest at the prime interest rate, compounded annually, and shall be repayable from cash flow or net proceeds as provided in the partnership agreement. No operating deficits have been experienced.

AHI also assumed the covenant that the project will rent to qualified low-income occupants for a term of at least 40 years, which expires in 2055. Should the project lose its low-income housing status, a grant received from a local government agency through AHI to the project totaling $350,000 may have to be repaid.

AHI Development Silverthorne, LLC has an agreement with Villa Sierra Madre II, LLLP whereby Villa Sierra Madre II, LLLP must pay AHI Development Silverthorne, LLC an annual asset management fee of $7,500 in connection with management of the project. During the year ended June 30, 2018, Villa Sierra Madre II, LLLP paid management fees totaling $7,500.

Guadalupe Apartments, LLLP

AHI, as guarantor for the project, has guaranteed the due and punctual payment and performance of all of the obligations set forth in the partnership agreement. In addition, AHI is the guarantor of operating deficits of the partnership limited to the maximum cumulative amount of $175,641.

During the year ended June 30, 2017, AHI received funding totaling $750,000 from First Bank for acquisition, construction and development of Guadalupe Apartments. Repayment of the loan shall be deferred so long as the property continues to be used to provide low-income housing for a term of 15 years. Should this condition not be met during the 15-year period, the $750,000 must be repaid.

During the year ended June 30, 2017, AHI received funding totaling $250,000 from the Greeley Urban Renewal Authority for the purpose of assisting with infrastructure costs associated with the construction of Guadalupe Apartments. This loan will be forgiven so long as the property continues to be used to provide low-moderate income housing for a term of five years. Should this condition not be met during the five-year period, the $250,000 must be repaid.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.
Combining Schedule of Financial Position
June 30, 2018

	Catholic Charities	Farm Labor Housing Corporation	Archdioces-san Hous-ing, Inc.	Total
Assets:				
Cash and cash equivalents	$ 1,997,854	132,870	2,811,883	4,942,607
Accounts receivable	1,136,338	20,861	74,044	1,231,243
Contributions receivable	191,250	-	-	191,250
Reserve cash	-	646,086	-	646,086
Development fees receivable	-	-	363,661	363,661
Due from (to) other fund	60,000	(60,000)	-	-
Investments	1,362,066	-	-	1,362,066
Other assets	112,162	8,339	512,102	632,603
Investment in subsidiaries	-	-	600,250	600,250
Beneficial interest in assets held by others	1,147,377	-	-	1,147,377
Notes and accrued interest receivable	-	-	1,438,146	1,438,146
Property and equipment, net	15,394,995	4,434,202	-	19,829,197
Total assets	$ 21,402,042	5,182,358	5,800,086	32,384,486
Liabilities:				
Accounts payable	$ 178,203	77,485	105,127	360,815
Accrued expenses	1,480,242	13,086	12,516	1,505,844
Liabilities under annuity agreements	382,454	-	-	382,454
Notes payable	-	1,004,554	-	1,004,554
Total liabilities	2,040,899	1,095,125	117,643	3,253,667
Net Assets:				
Unrestricted				
Property and equipment, net of related debt	15,394,995	2,899,990	-	18,294,985
Development fees, notes, and subsidiaries	-	-	2,402,057	2,402,057
Undesignated	1,627,080	717,585	3,264,890	5,609,555
Total unrestricted net assets	17,022,075	3,617,575	5,666,947	26,306,597
Temporarily restricted	885,442	469,658	15,496	1,370,596
Permanently restricted	1,453,626	-	-	1,453,626
Total net assets	19,361,143	4,087,233	5,682,443	29,130,819
Total liabilities and net assets	$ 21,402,042	5,182,358	5,800,086	32,384,486

See the accompanying independent auditor's report.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Schedule of Activities

Year Ended June 30, 2018

(With Summarized Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public support, revenue and gains:					
Public support:					
Direct contributions	$ 1,368,866	5,791,070	-	7,159,936	7,613,628
Wills and bequests	23,398	317,141	-	340,539	547,609
In-kind contributions	2,330,104	-	-	2,330,104	2,692,333
Archbishop's Catholic Appeal and other support	-	1,350,000	-	1,350,000	1,300,000
Public and private grants	6,205,346	3,172,911	-	9,378,257	8,207,816
Federated campaigns	106,833	360,929	-	467,762	534,255
Change in net present value of annuities	(77,761)	-	-	(77,761)	(60,686)
Fund raising events revenue	-	252,098	-	252,098	225,672
Direct benefits to donors	-	(60,561)	-	(60,561)	(3,180)
Net assets released from restrictions	11,204,960	(11,204,960)	-	-	-
Total public support	21,161,746	(21,372)	-	21,140,374	21,057,447
Revenue:					
Program service fees	4,709,203	-	-	4,709,203	4,598,455
Rental income	42,654	-	-	42,654	55,372
Investment return	141,223	82,262	-	223,485	173,660
Net gain on disposal of property	172,373	-	-	172,373	3,267,131
Miscellaneous income	159,741	-	-	159,741	62,584
Total revenue and gains	5,225,194	82,262	-	5,307,456	8,157,202
Total public support, revenue and gains	26,386,940	60,890	-	26,447,830	29,214,649
Expenses:					
Program services:					
Family & Children Services	9,886,809	-	-	9,886,809	9,686,312
Shelter & Community Outreach Services	7,850,809	-	-	7,850,809	7,743,613
Western Slope	711,502	-	-	711,502	692,165
Weld County	1,819,671	-	-	1,819,671	1,637,586
Larimer County	1,327,489	-	-	1,327,489	1,323,237
Total program services	21,596,280	-	-	21,596,280	21,082,913
Supporting services:					
General and administrative	3,107,130	-	-	3,107,130	2,934,585
Fund raising	1,993,614	-	-	1,993,614	2,085,082
Total supporting services	5,100,744	-	-	5,100,744	5,019,667
Total expenses	26,697,024	-	-	26,697,024	26,102,580
Change in net assets	(310,084)	60,890	-	(249,194)	3,112,069
Net assets at beginning of year	17,332,159	824,552	1,453,626	19,610,337	16,498,268
Net assets at end of year	$ 17,022,075	885,442	1,453,626	19,361,143	19,610,337

See the accompanying independent auditor's report.

Farm Labor Housing Corporation

Schedule of Activities

Year Ended June 30, 2018

(With Summarized Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Public support, revenue and gains				
Public support:				
Contributions and grants	$ 1,911	–	1,911	9,450
Rental income, tenants	459,120	–	459,120	414,969
Rental subsidy, USDA	351,382	–	351,382	375,952
Interest income	78	–	78	76
Miscellaneous income	40,588	–	40,588	118,313
Net assets released from restrictions	50,185	(50,185)	–	–
Total public support, revenue and gains	903,264	(50,185)	853,079	918,760
Expenses:				
Program services:				
Plaza del Sol operations	480,091	–	480,091	510,694
Plaza del Milagro operations	414,418	–	414,418	411,780
Total program expenses	894,509	–	894,509	922,474
Supporting services:				
General and administrative	86,242	–	86,242	81,852
Total expenses	980,751	–	980,751	1,004,326
Change in net assets	(77,487)	(50,185)	(127,672)	(85,566)
Net assets at beginning of year	3,695,062	519,843	4,214,905	4,300,471
Net assets at end of year	$ 3,617,575	469,658	4,087,233	4,214,905

See the accompanying independent auditor's report.

Archdiocesan Housing, Inc.

Schedule of Activities

Year Ended June 30, 2018

(With Summarized Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Revenue:				
Grant income	$ 10,206	–	10,206	–
Development fees	1,264,086	–	1,264,086	–
Partnership management fees	11,426	–	11,426	28,297
Interest income	20,801	–	20,801	14,561
Loss on write-off of pre-development costs	–	–	–	(37,331)
Other income	1,504,862	–	1,504,862	–
Total revenue	2,811,381	–	2,811,381	5,527
Expenses:				
Program services:				
Development activities	316,070	–	316,070	292,954
Contributions to related entities	1,164,996	–	1,164,996	–
Total program services	1,481,066	–	1,481,066	292,954
Supporting services - general and administrative	70,533	–	70,533	74,704
Total expenses	1,551,599	–	1,551,599	367,658
Change in net assets	1,259,782	–	1,259,782	(362,131)
Net assets at beginning of year	4,407,165	15,496	4,422,661	4,784,792
Net assets at end of year	$ 5,666,947	15,496	5,682,443	4,422,661

See the accompanying independent auditor's report.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal grantor/pass-through grantor/ program title	Grant Number	Grant award year	CFDA number	Expend- itures
U.S. Department of Health and Human Services:				
Early Head Start	08CH9987-03	7/1/17 - 6/30/18	93.600	$ 1,026,072
Passed through City and County of Denver:				
Head Start	MOEAI-201734064-01	7/1/17 - 6/30/18	93.600	1,552,920
Total Head Start				2,578,992
Passed through Weld County Dept. of Human Services Area Agency on Aging:				
Special Programs for the Aging Title IV & Title II Discretionary Projects	2015-1914	7/1/17 - 6/30/18	93.048	20,000
Passed through Denver Regional Council of Governments:				
National Family Caregiver Support	EX17015	7/1/17 - 6/30/18	93.052	142,658
Passed through the Weld County Department of Human Services:				
Promoting Safe and Stable Families	2018-0907	7/1/17 - 9/30/17	93.556	14,833
Promoting Safe and Stable Families	2018-0907	10/1/17 - 9/30/18	93.556	51,357
Total Promoting Safe and Stable Families Grants				66,190
Passed through Pitkin County Department of Human Services:				
Community Services Block Grant	CSBG25	1/1/17 - 9/30/18	93.569	29,270
Total U.S. Department of Health and Human Services				2,837,110
U.S. Department of Housing and Urban Development:				
Passed through the City of Fort Collins:				
Community Development Block Grant - Seniors		10/1/16 - 9/30/17	14.218	3,150
Community Development Block Grant - Seniors		10/1/17 - 9/30/18	14.218	19,184
Community Development Block Grant - Shelter		10/1/16 - 9/30/17	14.218	6,679
Community Development Block Grant - Shelter		10/1/17 - 9/30/18	14.218	31,555
Passed through Greeley Urban Renewal Authority:				
Community Development Block Grant		8/1/17 - 7/31/18	14.218	15,000
Total Community Development Block Grant Cluster Entitlement Grants				75,568
Passed through the State of Colorado:				
Emergency Shelter Grant	H7ESG16960	2/21/17 - 3/31/18	14.231	4,192
Emergency Shelter Grant	H8ESG17960	4/1/18 - 3/31/19	14.231	16,998
Emergency Shelter Grant	H7ESG16915	2/21/17 - 3/31/18	14.231	9,153
Emergency Shelter Grant	H8ESG17915	4/1/18 - 3/31/19	14.231	7,064
Emergency Shelter Grant	H7ESG16952	2/21/17 - 3/31/18	14.231	19,397
Emergency Shelter Grant	H8ESG17952	4/1/18 - 3/31/19	14.231	4,083
Passed through Denver Department of Human Services:				
Emergency Shelter Grant	SOCSV-201629654-00	7/1/16 - 12/31/17	14.231	12,000
Emergency Shelter Grant	SOCSV-201738916-00	1/1/18 - 12/31/18	14.231	15,407
Total Emergency Shelter Grants Program				88,294
Passed through the Colorado Coalition for the Homeless:				
Continuum of Care Program	CO-0007-L8T-001508	10/1/16 - 9/30/17	14.267	10,269
Continuum of Care Program	CO-0007-L8T-001609	10/1/17 - 9/30/18	14.267	84,906
Total Continuum of Care Program				95,175
Total U.S. Department of Housing and Urban Development				$ 259,037

Continued

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Schedule of Expenditures of Federal Awards, Continued

Year Ended June 30, 2018

Federal grantor/pass-through grantor/ program title	Grant Number	Grant award year	CFDA number	Expend- itures
U.S. Department of Homeland Security:				
Emergency Food & Shelter National Board Program				
Passed through the National/Local FEMA Boards:				
Adams County	LRO ID 096800-026	10/1/16 - 1/31/18	97.024	$ 12,930
Arapahoe County	LRO ID 098000-002	10/1/16 - 1/31/18	97.024	12,924
Denver County	LRO ID 101200-015	10/1/16 - 1/31/18	97.024	30,000
Jefferson County	LRO ID 104200-002	10/1/16 - 1/31/18	97.024	8,792
Larimer County	LRO ID 105800-002	10/1/16 - 1/31/18	97.024	28,781
Weld County	LRO ID 111600-009	10/1/16 - 1/31/18	97.024	32,000
Total Emergency Food & Shelter National Board Program				125,427
Total U.S. Department of Homeland Security				125,427
U.S. Department of Justice:				
Passed through the State of Colorado Department of Public Safety:				
Victim Assistance Program	2015-VA-16-013745-02	1/1/17 - 12/31/18	16.575	97,730
Total U.S. Department of Justice				97,730
Corporations for National and Community Service:				
Passed through Equal Justice Works:				
AmeriCorps	14NDHDC003	10/1/16 - 12/15/17	94.006	18,962
Total Corporations for National and Community Service				18,962
Veterans' Administration:				
VA Homeless Providers Grant and Per Diem Program	02-209-CO	7/1/17 - 9/30/17	64.024	219,884
VA Homeless Providers Grant and Per Diem Program	10-146-CO	7/1/17 - 9/30/17	64.024	36,266
VA Homeless Providers Grant and Per Diem Program	CCCO679-0346-554-SI-18-0	10/1/17 - 9/30/18	64.024	435,829
VA Homeless Providers Grant and Per Diem Program	CCCO679-0347-554-CT-18-0	10/1/17 - 9/30/18	64.024	98,586
VA Homeless Providers Grant and Per Diem Program	CCCO679-0348-554-HH-18-0	10/1/17 - 9/30/18	64.024	58,520
VA Homeless Providers Grant and Per Diem Program -Special Needs	16-374-CO	10/1/16 - 9/30/17	64.024	84,367
VA Homeless Providers Grant and Per Diem Program -Special Needs	17-374-CO	10/1/17-9/30/18	64.024	246,900
Total Veteran's Administration				$ 1,180,352

Continued

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2018

Federal grantor/pass-through grantor/ program title	Grant Number	Grant award year	CFDA number	Expend- itures
U.S. Department of Agriculture:				
Passed through Colorado Department of Public Health and Environment:				
Child and Adult Care Food Program	CFP1116300	10/1/16 - 9/30/17	10.558	$ 27,500
Child and Adult Care Food Program	CFP1116300	10/1/17 - 9/30/18	10.558	40,863
Child and Adult Care Food Program	CFP1114639	10/1/16 - 9/30/17	10.558	45,295
Child and Adult Care Food Program	CFP1114639	10/1/17 - 9/30/18	10.558	174,407
Total Child and Adult Care Food Program				288,065
Total U.S. Department of Agriculture				288,065
Total Expenditures of Federal Awards				$ 4,806,683

(1) Basis of Presentation:
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Catholic Charities, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities.

(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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate:
Catholic Charities has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Subrecipient Awards:
There were no awards passed through by Catholic Charities to subrecipients.

(5) Farm Labor Housing Corporation (FLHC):
Catholic Charities' combined financial statements include the operations of Farm Labor Housing Corporations (FLHC), which expended $1,399,927 in federal awards, which is not included in this schedule. This audit does not include the operations of FLHC because a separate audit of FLHC was performed in accordance with the requirements of the Uniform Guidance.

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

Board of Directors
Catholic Charities and Community Services of the
Archdiocese of Denver, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control over Financial Reporting

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

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

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

Board of Directors
Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Compliance and Other Matters

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

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

November 19, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Catholic Charities and Community Services of the
Archdiocese of Denver, Inc.:

Report on Compliance For Each Major Federal Program

We have audited Catholic Charities and Community Services of the Archdiocese of Denver, Inc.'s (Catholic Charities) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended June 30, 2018. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Catholic Charities' combined financial statements include the operations of Farm Labor Housing Corporation (FLHC), which received $1,399,927 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of FLHC because a separate audit of FLHC was performed in accordance with the OMB Compliance Supplement.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Board of Directors
Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Report on Internal Control Over Compliance

Management of Catholic Charities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control over compliance.

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

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

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

November 19, 2018

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*
3. No instances of noncompliance material to the financial statements of Catholic Charities, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.*
5. The auditor's report on compliance for the major federal award programs for Catholic Charities expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The major programs tested were Head Start (CFDA No. 93.600) and Child and Adult Care Food Program (CFDA No. 10.558).
8. The threshold used for distinguishing between Type A and B programs was $750,000.
9. Catholic Charities was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

2017-001 Controls over Financial Reporting (Significant Deficiency)

Condition: Our audit resulted in several significant audit adjustments, which indicate an opportunity for improved internal control over financial statement reporting. Most of the errors were the result of inaccurate underlying records being used in determining amounts and accounting treatment. Also, Catholic Charities failed to identify and recognize construction-related liabilities in the proper period.

Recommendation: Construction invoices should be thoroughly reviewed in order to identify retainage and ensure activity is recognized in the appropriate accounting period. Also, underlying accounting records and supporting documentation should be thoroughly reviewed in order to ensure their accuracy. Internal controls should be implemented to properly identify and record in-kind food donations. Also, internal controls should be implemented to properly track temporarily restricted net asset activity, including proper identification of revenue items that should be included in temporarily restricted net assets, as well as tracking of temporarily restricted net asset releases.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.

2017-002 U.S. Department of Agriculture
Child and Adult Care Food Program – CFDA No. 10.558
Awards CFP1114639 and CFP1116300
Activities Allowed and Allowable Costs – Significant Deficiency

Condition: Certain meals billed were found to be inaccurate and/or were not properly supported by underlying documentation. The errors resulted in ineligible meals being billed and also eligible meals not being properly billed. The errors are likely due to the process being very manual and requiring several levels of data entry.

Recommendation: Catholic Charities should consider implementing an automated reporting system that will allow for single data entry for all reporting. Furthermore, Catholic Charities should consider improving the review processes to help to reduce the risk of error in reporting and billing.

Current Status: A more thorough review process was adopted during the year and, as a result, there were no significant findings noted with the current year audit. Catholic Charities is in the process of implementing an automated reporting system to track meals to be reported under its childcare program.

2017-003 U.S. Department of Agriculture
Child and Adult Care Food Program – CFDA No. 10.558
Awards CFP1114639 and CFP1116300
Eligibility – Significant Deficiency

Condition: There were several cases where children that were not part of the Head Start program were being billed for free or reduced price meals, but were not eligible. Also, there were several cases where an eligibility determination was not completed for certain children that were not part of the Head Start program. Also, at one of the emergency shelters, Samaritan House, there were instances where meals were billed for certain residents, for which documentation could not be provided supporting their eligibility.

Recommendation: At the childcare sites, classroom rosters should be reviewed monthly to identify children that are not part of the Head Start program. For these children, Catholic Charities should ensure that income eligibility forms have been completed. Also, monthly billings should be compared to the eligibility forms to ensure that children are being billed at the proper rate and qualify for reimbursement. Catholic Charities should also review the rosters monthly and ensure that the rosters properly reflect the children that are part of the Head Start program.

At Samaritan House, Catholic Charities should continuously maintain a list of eligible residents. This list should be compared to the monthly billings to ensure that only eligible residents are being billed for. Also, Catholic Charities should ensure that supporting documentation is obtained for all eligible residents listed.

Current Status: The recommendation was adopted and no similar findings were noted during the current year audit.

DRAFT **11/15/2018**

November 19, 2018

Mr. Wayne Wolberg
Catholic Charities and Community Services of the
Archdiocese of Denver, Inc.
6240 Smith Road
Denver, CO 80216

Dear Mr. Wolberg:

In planning and performing our audit of the combined financial statements of Catholic Charities and Community Services of the Archdiocese of Denver, Inc. (Catholic Charities), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Catholic Charities' internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control.

During our audit of Catholic Charities, we became aware of certain matters that are not internal control deficiencies required to be reported under generally accepted auditing standards, but warrants the attention of management. The attachment that accompanies this letter summarizes our comments and suggestions regarding these matters.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

CATHOLIC CHARITIES AND COMMUNITY SERVICES OF THE ARCHDIOCESE OF DENVER, INC.

Operational Matters Letter
November 19, 2018

1. CACFP Shelter Billings
   The *Child and Adult Care Food Program* (CACFP) is administered at three shelters, including Samaritan House, the Guadalupe shelter, and Mission shelter. The shelters can bill for certain meals served to eligible children and disabled adults. Meals are tracked by requiring those in attendance to sign-in during each meal. Staff then reviews the sign-in sheets monthly, and qualifying meals are documented on a "record of meals", or a "ROM", which are used for billing. At the Guadalupe shelter, parents are not required to sign-in all of their children at meals. Rather, an adult is signing in and, in some cases, listing next to their name that their children were in attendance. Also, in other cases, the assumption is made that all children were present based off of the parent sign-in. This process does not adequately support the attendance of children that are being billed. In order to ensure that children that are being billed are in attendance for a meal, parents should be required to list the names of all of their children in attendance separately. Also, the shelter should consider having a separate sign-in sheet for all children in attendance, rather than combining adults and children on one sign-in sheet.

   Also, during our testing of eligibility, we noted that meals were billed for an adult for which documentation was not obtained in support of the adult's eligibility. As a result, $150.36 in ineligible meals were billed to the program. Catholic Charities should ensure that proper supporting documentation is obtained in support of eligibility for all residents that are billed under the program.

2. Adjusting Entry
   As part of our audit, an adjusting entry was made to recognize $114,581 in revenue on a grant received that had been incorrectly recorded in deferred revenue. Per review of the grant agreement, the grant had met the criteria to be recognized as a temporarily restricted contribution versus an exchange transaction, and no conditions were noted. Therefore, the grant revenue should have been recognized in full during fiscal 2018. Catholic Charities should thoroughly review each grant agreement and determine the proper accounting treatment in accordance with accounting standards. Also, Catholic Charities should consider early adopting *ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard (which must be implemented by the year ended June 30, 2020) provides clarification on the accounting treatment for contributions and also distinguishing between a contribution (nonreciprocal transaction) and exchange (reciprocal) transaction. Catholic Charities should implement revenue recognition policies that are in accordance with this new standard and allow for consistency in the accounting treatment of grants and contributions.

3. Payroll Testing
   Each employee is required to be assigned to a home cost center or grant within the general ledger. However, the allocation of an employee's salary is actually made based off of the employee's timesheet and actual hours worked. During our testing of a pay period, we noted an instance in which an employee's salary was fully charged to their home cost center, which was the Head Start program. However, the employee's salary should have also been partially allocated to the Early Head Start program, based on the employee's timesheet. The error resulted in $862.22 being overbilled to the Head Start grant and the same amount being under-billed to the Early Head Start grant. It is our understanding that the employee had been on extended leave prior to the pay period, during which time the employee's salary is automatically allocated to the employee's home cost center. However, the software did not properly update for the allocation of the employee's time upon the employee's return and continued to charge the time to the employee's home cost center. Catholic Charities should implement controls to ensure that the allocation is properly conducted according to an employee's timesheet after a period of extended leave.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Communication with Those Charged with Governance

November 19, 2018

AREA	COMMENT
Our Responsibility Under U.S. Generally Accepted Auditing Standards (GAAS)	Audit performed in accordance with GAAS. The objective of an audit is reasonable, but not absolute, assurance about whether the financials are free of material misstatement. Our audit does not relieve you or management of your responsibilities.
Other Information in Documents Containing Audited Financials	The combined financial statements include the accounts of Farm Labor Housing Corporation and Archdiocesan Housing, Inc. and combining information at pages 28-31. Single Audit required information for the year ended June 30, 2018 is also included at pages 32-41.
Planned Scope and Timing of Audit	The audit was performed according to the planned scope and timing previously communicated to you in our engagement letter dated June 5, 2018.
Significant Audit Findings	1. Management has the responsibility for selection and use of appropriate accounting policies. The significant policies used are listed in Note 1 to the financial statements. 2. No new accounting policies were adopted this year. 3. We noted no transactions that were entered into in 2018 with an absence of authoritative guidance or consensus. 4. There were no significant transactions recognized in a different period than when the transaction occurred. 5. Sensitive accounting estimates include the following: the collectability of receivables; the allocation of expenses; valuation of investments; valuation of liabilities associated with charitable gift annuities; the valuation of in-kind donations; guarantees of affiliates (AHI), and the non-consolidation of certain related entities due to their substantive participating rights. 6. Financial statement disclosures are neutral, consistent and clear. Certain disclosures may be sensitive including the Related Party Transactions Note 15.
Difficulties Encountered in Performing the Audit	We encountered no difficulties in dealing with management in performing and completing our audit.
Corrected and Uncorrected Misstatements	Management has corrected all known and likely misstatements. An audit adjustment was made to recognize $114,581 in revenue for an unconditional temporarily restricted contribution received that had been recorded as deferred revenue.

Catholic Charities and Community Services of the Archdiocese of Denver, Inc.

Communication with Those Charged with Governance, Continued

November 19, 2018

AREA	COMMENT
Disagreements with Management	No disagreements arose with management during the course of our audit on financial accounting, reporting or auditing matters.
Management Representations	We requested certain representations from management that are included in their representation letter dated November 19, 2018.
Management Consultations with Other Independent Accountants	We are not aware of any consultations by management with other accountants about accounting and auditing matters.
Other Audit Findings or Issues	There were no discussions of the application of certain accounting principles prior to our retention as auditor.

This communication is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 2018