

**NATIONAL ASSOCIATION OF
CATHOLIC CHAPLAINS**

**FINANCIAL REPORT
December 31, 2010**

C O N T E N T S

	Page
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS	2
<u>FINANCIAL STATEMENTS</u>	
Statements of financial position	3
Statements of activities	4 - 5
Statements of cash flows	6
Notes to financial statements	7 - 11



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
National Association of Catholic Chaplains
Milwaukee, Wisconsin

We have reviewed the accompanying statements of financial position of the National Association of Catholic Chaplains (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Winter, Kloman, Moter & Repp, S.C.

January 24, 2011

- 2 -

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 137,331	\$ 65,450
Investments	515,884	465,198
Interest receivable	176	253
Accounts receivable	3,047	5,866
Prepaid expenses	<u>11,410</u>	<u>33,283</u>
Total current assets	<u>667,848</u>	<u>570,050</u>
 PROPERTY AND EQUIPMENT, at cost		
Office furniture and equipment	64,405	76,999
Leasehold improvements	<u>0</u>	<u>2,354</u>
	64,405	79,353
Less accumulated depreciation	<u>55,284</u>	<u>67,858</u>
	<u>9,121</u>	<u>11,495</u>
 OTHER ASSETS		
Security deposit	<u>4,600</u>	<u>4,600</u>
Total assets	<u>\$ 681,569</u>	<u>\$ 586,145</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,726	\$ 1,807
Accrued payroll and benefits	23,118	24,208
Deferred revenues	<u>217,329</u>	<u>246,399</u>
Total current liabilities	<u>242,173</u>	<u>272,414</u>
 NET ASSETS		
Unrestricted		
Undesignated	235,067	147,123
Board designated	<u>187,506</u>	<u>149,710</u>
	422,573	296,833
Temporarily restricted	<u>16,823</u>	<u>16,898</u>
Total net assets	<u>439,396</u>	<u>313,731</u>
Total liabilities and net assets	<u>\$ 681,569</u>	<u>\$ 586,145</u>

See Accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009**

	----- 2010 -----			----- 2009 -----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Membership dues	\$ 537,328	\$ 0	\$ 537,328	\$ 545,000	\$ 0	\$ 545,000
Certification fees	75,014	0	75,014	90,486	0	90,486
Annual appeal	44,267	0	44,267	39,827	0	39,827
Contributions	21,350	0	21,350	12,625	0	12,625
National conference	167,063	0	167,063	179,586	0	179,589
Educational events	18,945	0	18,945	27,865	0	27,865
Audio conferences	12,740	0	12,740	0	0	0
Investment income (loss), net	50,538	150	50,688	71,173	0	71,173
Miscellaneous income	49,647	0	49,647	43,920	0	43,920
Loss on disposal of property and equipment	(1,412)	0	(1,412)	0	0	0
Net assets released from restrictions:						
Restricted funds utilized	<u>225</u>	<u>(225)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	<u>975,705</u>	<u>(75)</u>	<u>975,630</u>	<u>1,010,482</u>	<u>0</u>	<u>1,010,482</u>
EXPENSES						
Administration:						
Salaries and benefits	428,136	0	428,136	415,531	0	415,531
Travel and transportation	3,788	0	3,788	3,017	0	3,017
Professional contracted services	15,570	0	15,750	17,500	0	17,500
Miscellaneous	2,811	0	2,811	3,302	0	3,302
Communications and postage	15,407	0	15,407	16,103	0	16,103
Occupancy expense	65,606	0	65,606	65,312	0	65,312
Maintenance and insurance	11,508	0	11,508	12,433	0	12,433
Professional fees	7,960	0	7,960	8,184	0	8,184
Printing and reproduction	19,464	0	19,464	21,425	0	21,425
Subscriptions, dues, awards, and fees	12,508	0	12,508	12,283	0	12,283
Office supplies	4,148	0	4,148	5,219	0	5,219
Exhibit and logo merchandise	0	0	0	2,600	0	2,600
Depreciation	<u>2,364</u>	<u>0</u>	<u>2,364</u>	<u>2,352</u>	<u>0</u>	<u>2,352</u>
	<u>589,270</u>	<u>0</u>	<u>589,270</u>	<u>585,261</u>	<u>0</u>	<u>585,261</u>
Governance:						
Board of Directors	19,651	0	19,651	22,087	0	22,087
Editorial advisory panel	136	0	136	173	0	173
Task force/special projects	2,753	0	2,753	2,389	0	2,389
Governance committee	2,537	0	2,537	2,844	0	2,844
Standards committee	3,301	0	3,301	8,564	0	8,564
Marketing, recruitment and development	533	0	533	5,442	0	5,442
Finance committee	73	0	73	73	0	73
Ethics commission	65	0	65	264	0	264
Episcopal advisory council	561	0	561	416	0	416
Special representatives	275	0	275	337	0	337
Education advisory panel	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>0</u>	<u>18</u>
	<u>29,885</u>	<u>0</u>	<u>29,885</u>	<u>42,607</u>	<u>0</u>	<u>42,607</u>

See Accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2010 and 2009

	-----2010-----			-----2009-----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES (continued)						
Certification:						
Certification commission	\$ 17,923	\$ 0	\$ 17,923	\$ 20,780	\$ 0	\$ 20,780
Certification ITEs & site coordinators	12,654	0	12,654	15,058	0	15,058
Certification interviews	23,475	0	23,475	30,105	0	30,105
Certification appeals panel	<u>152</u>	<u>0</u>	<u>152</u>	<u>39</u>	<u>0</u>	<u>39</u>
	<u>54,204</u>	<u>0</u>	<u>54,204</u>	<u>65,982</u>	<u>0</u>	<u>65,982</u>
Annual appeal	<u>3,822</u>	<u>0</u>	<u>3,822</u>	<u>4,358</u>	<u>0</u>	<u>4,358</u>
National conference	<u>152,891</u>	<u>0</u>	<u>152,891</u>	<u>146,111</u>	<u>0</u>	<u>146,111</u>
Educational events	<u>14,912</u>	<u>0</u>	<u>14,912</u>	<u>19,520</u>	<u>0</u>	<u>19,520</u>
Audio conferences	<u>4,981</u>	<u>0</u>	<u>4,981</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total operating expenses	<u>849,965</u>	<u>0</u>	<u>849,965</u>	<u>863,839</u>	<u>0</u>	<u>863,839</u>
Change in net assets	125,740	(75)	125,665	146,643	0	146,643
NET ASSETS						
Beginning of year	<u>296,833</u>	<u>16,898</u>	<u>313,731</u>	<u>150,190</u>	<u>16,898</u>	<u>167,088</u>
End of year	<u>\$ 422,573</u>	<u>\$ 16,823</u>	<u>\$ 439,396</u>	<u>\$ 296,833</u>	<u>\$ 16,898</u>	<u>\$ 313,731</u>

See Accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 125,665	\$ 146,643
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,364	2,352
Realized and unrealized (gain) loss on investments	(45,817)	(63,334)
Loss on disposal of property and equipment	1,412	0
(Increase) decrease in:		
Interest receivable	77	927
Accounts receivable	2,819	(680)
Prepaid expenses	21,873	(2,474)
Increase (decrease) in:		
Accounts payable	(81)	(7,194)
Accrued payroll and benefits	(1,090)	(43,254)
Deferred revenues	<u>(29,070)</u>	<u>21,215</u>
Net cash flows from operating activities	<u>78,152</u>	<u>54,201</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from investments	0	296,978
Purchase of investments	(4,869)	(302,740)
Purchase of property and equipment	<u>(1,402)</u>	<u>(1,480)</u>
Net cash flows from investing activities	<u>(6,271)</u>	<u>(7,242)</u>
Net change in cash	71,881	46,959
Cash - beginning of year	<u>65,450</u>	<u>18,491</u>
Cash - end of year	<u>\$ 137,331</u>	<u>\$ 65,450</u>

See Accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of business:

The National Association of Catholic Chaplains (the Association) is a nonprofit organization organized under the laws of the State of Wisconsin for the purpose of promoting continuing spiritual and educational formation of its membership and Christ-like advocacy in ethical, legal, political and social areas of service in health care ministries. The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Following is a summary of the Association's significant accounting policies.

Financial statement presentation:

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include board designated net assets that represent unrestricted net assets that the Association's board of directors has designated for specific future use.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Association and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The Association has no permanently restricted net assets.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Membership dues and certification fees:

Membership dues and certification fees are recognized as revenues on a pro rata basis over the period to which the membership or certification relates. The portion related to the current period is recorded as revenue. The portion related to future periods is recorded as deferred revenue.

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Conference revenue:

Fees and other conference receipts are recognized as revenue during the year in which the conference is held. Amounts collected for a conference to be held in a subsequent year are recorded as deferred revenue.

Conference expenses:

Expenditures for conference goods and services are recognized as expenses during the year in which the conference is held. Amounts paid for a conference to be held in a subsequent year are recorded as prepaid expenses.

Property and equipment:

Property and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred and renewals and betterments are capitalized. Depreciation for office furniture and equipment and leasehold improvements are calculated using the straight-line method over their estimated useful lives of five to ten years. When furniture or equipment is retired or otherwise disposed of, the cost is removed from the asset accounts and the related accumulated depreciation accounts are adjusted, with the difference recorded as a gain or loss in the year of retirement.

Investments:

Investments consisting of cash equivalents, fixed income securities and equity securities are reported at their fair values in the statement of financial position. Investment income consisting of interest and dividends, realized gains and losses, and unrealized gain and losses are included in the statement of activities. Investment income restricted by a donor is reported as an increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized.

Compensated absences and vacations:

The financial statements include a liability for compensated absences and vacations for all employees who held vested rights to such compensation.

Financial instruments:

Financial instruments, which potentially subject the Association to credit risk, are cash balances that periodically exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit and investments in uninsured money market, fixed income and equity investments.

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

The Association evaluated subsequent events through January 24, 2011, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to January 24, 2011 that provided additional evidence about conditions that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2010.

Note 2. Investments

The fair values of the Association's professionally-managed investments, were comprised of the following at December 31:

	2010	2009
Money market	\$ 116,434	\$ 64,856
Fixed income	60,528	109,551
Equities	<u>338,922</u>	<u>290,791</u>
	515,884	465,198
Unrealized (gain) loss	<u>(67,535)</u>	<u>(21,718)</u>
Cost basis at December 31	<u>\$448,349</u>	<u>\$443,480</u>

Investment income (loss), net consists of the following at December 31:

	2010	2009
Interest and dividends	\$ 4,871	\$ 7,839
Realized gains (losses)	0	(6,369)
Unrealized gains (losses)	<u>45,817</u>	<u>69,703</u>
	<u>\$ 50,688</u>	<u>\$ 71,173</u>

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments (continued)

The Association utilizes various methods to measure the fair value of its investments on a recurring basis. Financial accounting standards establish a hierarchy that prioritizes inputs to valuation methods. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based on unobservable inputs and requires management to use their own assumptions on valuation. All of the Association's investments are considered to be level 1 assets.

Note 3. Operating Leases

In November 2006, the Association entered into a 49-month lease agreement for its office space commencing on January 1, 2007. Total annual rent expense attributable to this lease was \$57,752 in 2010 and \$56,564 in 2009. The minimum future rental commitments under this operating lease are as follows:

2011	\$ <u>4,821</u>
	\$ <u>4,821</u>

In October 2010, the Association entered into a 36-month lease agreement for its office space commencing on February 1, 2011. The minimum future rental commitments under this operating lease are as follows:

2011	\$ 36,179
2012	40,557
2013	41,778
2014	<u>3,490</u>
	<u>\$122,004</u>

Note 4. Net Assets

The following is a summary of the board-designated net assets as of December 31:

	2010	2009
Conference Fund	\$ 28,517	\$ 28,517
Donor Development Fund	<u>158,989</u>	<u>121,193</u>
	<u>\$187,506</u>	<u>\$149,710</u>

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 4. Net Assets (continued)

The following is a summary of the temporarily restricted net assets as of December 31:

	2010	2009
Student Education Scholarship Fund	\$ 1,673	\$ 1,898
Continuing Education Fund	<u>15,150</u>	<u>15,000</u>
	<u>\$ 16,823</u>	<u>\$ 16,898</u>

A maximum of 4% interest per year can be added to the Continuing Education Fund to be used towards the next year's Conference Scholarship Fund.

Note 5. Tax-Deferred Annuity Plan

The Association has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. For 2010 and 2009, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$18,096 and \$16,785, respectively. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The plan covers all employees; however, an employee must be at least 21 years of age and complete at least one year of service (1,000 hours) to receive employer base contributions.

Note 6. Contingencies

The Association allows employees to accumulate up to sixty days of sick time. The employee loses any right to this sick pay upon termination. At December 31, 2010 and 2009, this contingent liability amounted to \$44,741 and \$37,776, respectively.

The Association's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Financial Position and the Statement of Activities.

See Accountant's review report.