

**NATIONAL ASSOCIATION OF  
CATHOLIC CHAPLAINS**

**FINANCIAL REPORT  
December 31, 2011**

## **C O N T E N T S**

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

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## 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, 2011 and 2010, 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, 2012

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**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS**

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2011 and 2010**

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| <b><u>ASSETS</u></b>                     |                   |                   |
| <b>CURRENT ASSETS</b>                    |                   |                   |
| Cash                                     | \$ 142,542        | \$ 137,331        |
| Investments                              | 607,918           | 515,884           |
| Interest receivable                      | 0                 | 176               |
| Accounts receivable                      | 8,285             | 3,047             |
| Prepaid expenses                         | <u>13,993</u>     | <u>11,410</u>     |
| Total current assets                     | <u>772,738</u>    | <u>667,848</u>    |
| <b>PROPERTY AND EQUIPMENT, at cost</b>   |                   |                   |
| Office furniture and equipment           | 62,010            | 64,405            |
| Leasehold improvements                   | <u>7,689</u>      | <u>0</u>          |
|  | 69,699            | 64,405            |
| Less accumulated depreciation            | <u>56,005</u>     | <u>55,284</u>     |
|  | <u>13,694</u>     | <u>9,121</u>      |
| <b>OTHER ASSETS</b>                      |                   |                   |
| Security deposit                         | <u>0</u>          | <u>4,600</u>      |
| Total assets                             | <u>\$ 786,432</u> | <u>\$ 681,569</u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b> |                   |                   |
| <b>CURRENT LIABILITIES</b>               |                   |                   |
| Accounts payable                         | \$ 1,550          | \$ 1,726          |
| Accrued payroll and benefits             | 23,243            | 23,118            |
| Deferred revenues                        | <u>217,275</u>    | <u>217,329</u>    |
| Total current liabilities                | <u>242,068</u>    | <u>242,173</u>    |
| <b>NET ASSETS</b>                        |                   |                   |
| Unrestricted                             |                   |                   |
| Undesignated                             | 353,295           | 235,067           |
| Board designated                         | <u>175,596</u>    | <u>187,506</u>    |
|  | 528,891           | 422,573           |
| Temporarily restricted                   | <u>15,473</u>     | <u>16,823</u>     |
| Total net assets                         | <u>544,364</u>    | <u>439,396</u>    |
| Total liabilities and net assets         | <u>\$ 786,432</u> | <u>\$ 681,569</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, 2011 and 2010**

|   | ----- 2011 ----- |                           |                | ----- 2010 ----- |                           |                |
|---|------------------|---------------------------|----------------|------------------|---------------------------|----------------|
|   | Unrestricted     | Temporarily<br>Restricted | Total          | Unrestricted     | Temporarily<br>Restricted | Total          |
| <b>REVENUES</b>                                   |                  |                           |                |                  |                           |                |
| Membership dues                                   | \$ 527,516       | \$ 0                      | \$ 527,516     | \$ 537,328       | \$ 0                      | \$ 537,328     |
| Certification fees                                | 91,230           | 0                         | 91,230         | 75,014           | 0                         | 75,014         |
| Annual appeal                                     | 47,513           | 0                         | 47,513         | 44,267           | 0                         | 44,267         |
| Contributions                                     | 32,600           | 0                         | 32,600         | 21,350           | 0                         | 21,350         |
| National conference                               | 174,344          | 0                         | 174,344        | 167,063          | 0                         | 167,063        |
| Educational events                                | 21,735           | 0                         | 21,735         | 18,945           | 0                         | 18,945         |
| Audio conferences                                 | 12,375           | 0                         | 12,375         | 12,740           | 0                         | 12,740         |
| Investment income (loss), net                     | (7,241)          | 150                       | (7,091)        | 50,538           | 150                       | 50,688         |
| Miscellaneous income                              | 45,517           | 0                         | 45,517         | 49,647           | 0                         | 49,647         |
| Gain (loss) on disposal of property and equipment | 180              | 0                         | 180            | (1,412)          | 0                         | (1,412)        |
| <b>Net assets released from restrictions:</b>     |                  |                           |                |                  |                           |                |
| Restricted funds utilized                         | <u>1,500</u>     | <u>(1,500)</u>            | <u>0</u>       | <u>225</u>       | <u>(225)</u>              | <u>0</u>       |
| Total revenues                                    | <u>947,269</u>   | <u>(1,350)</u>            | <u>945,919</u> | <u>975,705</u>   | <u>(75)</u>               | <u>975,630</u> |
| <b>EXPENSES</b>                                   |                  |                           |                |                  |                           |                |
| <b>Administration:</b>                            |                  |                           |                |                  |                           |                |
| Salaries and benefits                             | 447,731          | 0                         | 447,731        | 428,136          | 0                         | 428,136        |
| Travel and transportation                         | 2,703            | 0                         | 2,703          | 3,788            | 0                         | 3,788          |
| Professional contracted services                  | 15,761           | 0                         | 15,761         | 15,570           | 0                         | 15,570         |
| Miscellaneous                                     | 2,803            | 0                         | 2,803          | 2,811            | 0                         | 2,811          |
| Communications and postage                        | 8,686            | 0                         | 8,686          | 15,407           | 0                         | 15,407         |
| Occupancy expense                                 | 41,581           | 0                         | 41,581         | 65,606           | 0                         | 65,606         |
| Maintenance and insurance                         | 11,747           | 0                         | 11,747         | 11,508           | 0                         | 11,508         |
| Professional fees                                 | 4,700            | 0                         | 4,700          | 7,960            | 0                         | 7,960          |
| Printing and reproduction                         | 6,731            | 0                         | 6,731          | 19,464           | 0                         | 19,464         |
| Subscriptions, dues, awards, and fees             | 11,150           | 0                         | 11,150         | 12,508           | 0                         | 12,508         |
| Office supplies                                   | 5,586            | 0                         | 5,586          | 4,148            | 0                         | 4,148          |
| Depreciation                                      | <u>3,116</u>     | <u>0</u>                  | <u>3,116</u>   | <u>2,364</u>     | <u>0</u>                  | <u>2,364</u>   |
|   | <u>562,295</u>   | <u>0</u>                  | <u>562,295</u> | <u>589,270</u>   | <u>0</u>                  | <u>589,270</u> |
| <b>Governance:</b>                                |                  |                           |                |                  |                           |                |
| Board of Directors                                | 16,978           | 0                         | 16,978         | 19,651           | 0                         | 19,651         |
| Editorial advisory panel                          | 180              | 0                         | 180            | 136              | 0                         | 136            |
| Task force/special projects                       | 11,384           | 0                         | 11,384         | 2,753            | 0                         | 2,753          |
| Governance committee                              | 280              | 0                         | 280            | 2,537            | 0                         | 2,537          |
| Standards committee                               | 3,401            | 0                         | 3,401          | 3,301            | 0                         | 3,301          |
| Marketing, recruitment and development            | 9,747            | 0                         | 9,747          | 533              | 0                         | 533            |
| Finance committee                                 | 96               | 0                         | 96             | 73               | 0                         | 73             |
| Ethics commission                                 | 186              | 0                         | 186            | 65               | 0                         | 65             |
| Episcopal advisory council                        | 623              | 0                         | 623            | 561              | 0                         | 561            |
| Special representatives                           | 0                | 0                         | 0              | 275              | 0                         | 275            |
| Education advisory panel                          | <u>44</u>        | <u>0</u>                  | <u>44</u>      | <u>0</u>         | <u>0</u>                  | <u>0</u>       |
|   | <u>42,919</u>    | <u>0</u>                  | <u>42,919</u>  | <u>29,885</u>    | <u>0</u>                  | <u>29,885</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, 2011 and 2010**

|  | -----2011-----    |                           |                   | -----2010-----    |                           |                   |
|--|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Total             | Unrestricted      | Temporarily<br>Restricted | Total             |
| <b>EXPENSES (continued)</b>            |                   |                           |                   |                   |                           |                   |
| <b>Certification:</b>                  |                   |                           |                   |                   |                           |                   |
| Certification commission               | \$ 14,592         | \$ 0                      | \$ 14,592         | \$ 17,923         | \$ 0                      | \$ 17,923         |
| Certification ITEs & site coordinators | 20,148            | 0                         | 20,148            | 12,654            | 0                         | 12,654            |
| Certification interviews               | 25,593            | 0                         | 25,593            | 23,475            | 0                         | 23,475            |
| Certification appeals panel            | <u>250</u>        | <u>0</u>                  | <u>250</u>        | <u>152</u>        | <u>0</u>                  | <u>152</u>        |
|  | <u>60,583</u>     | <u>0</u>                  | <u>60,583</u>     | <u>54,204</u>     | <u>0</u>                  | <u>54,204</u>     |
| <b>Annual appeal</b>                   | <u>3,599</u>      | <u>0</u>                  | <u>3,599</u>      | <u>3,822</u>      | <u>0</u>                  | <u>3,822</u>      |
| <b>National conference</b>             | <u>152,735</u>    | <u>0</u>                  | <u>152,735</u>    | <u>152,891</u>    | <u>0</u>                  | <u>152,891</u>    |
| <b>Educational events</b>              | <u>14,966</u>     | <u>0</u>                  | <u>14,966</u>     | <u>14,912</u>     | <u>0</u>                  | <u>14,912</u>     |
| <b>Audio conferences</b>               | <u>3,854</u>      | <u>0</u>                  | <u>3,854</u>      | <u>4,981</u>      | <u>0</u>                  | <u>4,981</u>      |
| Total operating expenses               | <u>840,951</u>    | <u>0</u>                  | <u>840,951</u>    | <u>849,965</u>    | <u>0</u>                  | <u>849,965</u>    |
| Change in net assets                   | 106,318           | (1,350)                   | 104,968           | 125,740           | (75)                      | 125,665           |
| <b>NET ASSETS</b>                      |                   |                           |                   |                   |                           |                   |
| Beginning 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>    |
| End of year                            | <u>\$ 528,891</u> | <u>\$ 15,473</u>          | <u>\$ 544,364</u> | <u>\$ 422,573</u> | <u>\$ 16,823</u>          | <u>\$ 439,396</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, 2011 and 2010**

|   | 2011              | 2010             |
|---|-------------------|------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |                   |                  |
| Change in net assets  | \$ 104,968        | \$ 125,665       |
| <b>Adjustments to reconcile change in net assets to net cash flows from operating activities:</b> |                   |                  |
| Depreciation  | 3,116             | 2,364            |
| Realized and unrealized (gain) loss on investments  | 12,274            | (45,817)         |
| (Gain) loss on disposal of property and equipment   | (180)             | 1,412            |
| <b>(Increase) decrease in:</b>  |                   |                  |
| Interest receivable   | 176               | 77               |
| Accounts receivable   | (5,238)           | 2,819            |
| Prepaid expenses  | (2,583)           | 21,873           |
| Security deposit  | 4,600             | 0                |
| <b>Increase (decrease) in:</b>  |                   |                  |
| Accounts payable  | (176)             | (81)             |
| Accrued payroll and benefits  | 125               | (1,090)          |
| Deferred revenues   | (54)              | (29,070)         |
| Net cash flows from operating activities  | <u>117,028</u>    | <u>78,152</u>    |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |                   |                  |
| Proceeds from sale of property and equipment  | 180               | 0                |
| Purchase of investments, including reinvested earnings  | (104,308)         | (4,869)          |
| Purchase of property and equipment  | (7,689)           | (1,402)          |
| Net cash flows from investing activities  | <u>(111,817)</u>  | <u>(6,271)</u>   |
| Net change in cash  | 5,211             | 71,881           |
| Cash - beginning of year  | <u>137,331</u>    | <u>65,450</u>    |
| Cash - end of year  | <u>\$ 142,542</u> | <u>\$137,331</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.

See Accountant's review report.

# NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

## NOTES TO FINANCIAL STATEMENTS

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

#### Financial instruments (continued):

Effective December 31, 2010, the FDIC is temporarily providing unlimited coverage on all cash deposits in “noninterest-bearing transaction accounts” through December 31, 2012. The term “noninterest-bearing transaction accounts” include traditional checking or demand deposit accounts that do not pay interest.

#### 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, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to January 24, 2012 that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 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, 2011.

### Note 2. Investments

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

|                           | 2011             | 2010             |
|---------------------------|------------------|------------------|
| Cash equivalents          | \$ 267,206       | \$116,434        |
| Fixed income mutual funds | 10,462           | 60,528           |
| Equity mutual funds       | <u>330,250</u>   | <u>338,922</u>   |
|                           | 607,918          | 515,884          |
| Unrealized (gain) loss    | <u>(55,369)</u>  | <u>(67,535)</u>  |
| Cost basis at December 31 | <u>\$552,549</u> | <u>\$448,349</u> |

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

|                           |                   |                  |
|---------------------------|-------------------|------------------|
| Interest and dividends    | \$ 5,183          | \$ 4,871         |
| Realized gains (losses)   | (108)             | 0                |
| Unrealized gains (losses) | <u>(12,166)</u>   | <u>45,817</u>    |
|                           | <u>\$ (7,091)</u> | <u>\$ 50,688</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 lease agreement for its office space commencing on January 1, 2007 that expired in January 2011. Total annual rent expense attributable to this lease was \$4,821 in 2011 and \$57,752 in 2010.

In October 2010, the Association entered into a 36-month lease agreement for its office space commencing on February 1, 2011. Total annual rent expense attributable to this lease was \$36,179 in 2011. The minimum future rental commitments under this operating lease are as follows:

|      |                  |
|------|------------------|
| 2012 | \$ 40,557        |
| 2013 | 41,778           |
| 2014 | <u>3,490</u>     |
|      | <u>\$ 85,825</u> |

### Note 4. Net Assets

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

|                             | 2011             | 2010             |
|-----------------------------|------------------|------------------|
| Conference Fund             | \$ 28,517        | \$ 28,517        |
| Conference Scholarship Fund | 2,418            | 0                |
| Donor Development Fund      | <u>144,661</u>   | <u>158,989</u>   |
|                             | <u>\$175,596</u> | <u>\$187,506</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:

|                                    | 2011             | 2010             |
|------------------------------------|------------------|------------------|
| Student Education Scholarship Fund | \$ 323           | \$ 1,673         |
| Continuing Education Fund          | <u>15,150</u>    | <u>15,150</u>    |
|                                    | <u>\$ 15,473</u> | <u>\$ 16,823</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 2011 and 2010, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$18,868 and \$18,096, 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, 2011 and 2010, this contingent liability amounted to \$53,663 and \$44,741, 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.