

**NATIONAL ASSOCIATION OF  
CATHOLIC CHAPLAINS**

**FINANCIAL REPORT  
December 31, 2012**

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

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



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, 2012 and 2011, 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 29, 2013

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS**

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2012 and 2011**

	2012	2011
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 195,031	\$ 142,542
Investments	664,671	607,918
Interest receivable	374	0
Accounts receivable	3,605	8,285
Prepaid expenses	<u>34,019</u>	<u>13,993</u>
Total current assets	<u>897,700</u>	<u>772,738</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Office furniture and equipment	66,893	62,010
Leasehold improvements	<u>7,689</u>	<u>7,689</u>
	74,582	69,699
Less accumulated depreciation	<u>60,378</u>	<u>56,005</u>
	<u>14,204</u>	<u>13,694</u>
Total assets	<u>\$ 911,904</u>	<u>\$ 786,432</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 196	\$ 1,550
Accrued payroll and benefits	27,405	23,243
Deferred revenues	<u>224,945</u>	<u>217,275</u>
Total current liabilities	<u>252,546</u>	<u>242,068</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	514,260	353,295
Board designated	<u>129,948</u>	<u>175,596</u>
	644,208	528,891
Temporarily restricted	<u>15,150</u>	<u>15,473</u>
Total net assets	<u>659,358</u>	<u>544,364</u>
Total liabilities and net assets	<u>\$ 911,904</u>	<u>\$ 786,432</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, 2012 and 2011**

	-----2012-----			-----2011-----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Membership dues	\$ 527,301	\$ 0	\$ 527,301	\$ 527,516	\$ 0	\$ 527,516
Certification fees	96,140	0	96,140	91,230	0	91,230
Annual appeal	44,891	0	44,891	47,513	0	47,513
Contributions	27,350	0	27,350	32,600	0	32,600
National conference	146,993	0	146,993	174,344	0	174,344
Educational events	13,030	0	13,030	21,735	0	21,735
Audio conferences	14,980	0	14,980	12,375	0	12,375
Investment income (loss), net	57,281	150	57,431	(7,241)	150	(7,091)
Miscellaneous income	45,687	0	45,687	45,517	0	45,517
Gain (loss) on disposal of property and equipment	0	0	0	180	0	180
<b>Net assets released from restrictions:</b>						
Restricted funds utilized	<u>473</u>	<u>(473)</u>	<u>0</u>	<u>1,500</u>	<u>(1,500)</u>	<u>0</u>
Total revenues	<u>974,126</u>	<u>(323)</u>	<u>973,803</u>	<u>947,269</u>	<u>(1,350)</u>	<u>945,919</u>
<b>EXPENSES</b>						
<b>Administration:</b>						
Salaries and benefits	459,663	0	459,663	447,731	0	447,731
Travel and transportation	2,426	0	2,426	2,703	0	2,703
Professional contracted services	12,675	0	12,675	15,761	0	15,761
Miscellaneous	1,368	0	1,368	2,803	0	2,803
Communications and postage	8,126	0	8,126	8,686	0	8,686
Occupancy expense	41,535	0	41,535	41,581	0	41,581
Maintenance and insurance	10,625	0	10,625	11,747	0	11,747
Professional fees	5,100	0	5,100	4,700	0	4,700
Printing and reproduction	2,021	0	2,021	6,731	0	6,731
Subscriptions, dues, awards, and fees	7,485	0	7,485	11,150	0	11,150
Office supplies	3,711	0	3,711	5,586	0	5,586
Depreciation	<u>4,373</u>	<u>0</u>	<u>4,373</u>	<u>3,116</u>	<u>0</u>	<u>3,116</u>
	<u>559,108</u>	<u>0</u>	<u>559,108</u>	<u>562,265</u>	<u>0</u>	<u>562,295</u>
<b>Governance:</b>						
Board of Directors	19,034	0	19,034	16,978	0	16,978
Editorial advisory panel	121	0	121	180	0	180
Task force/special projects	3,135	0	3,135	11,384	0	11,384
Governance committee	183	0	183	280	0	280
Standards committee	5,601	0	5,601	3,401	0	3,401
Marketing, recruitment and development	40,056	0	40,056	9,747	0	9,747
Finance committee	87	0	87	96	0	96
Ethics commission	23	0	23	186	0	186
Episcopal advisory council	682	0	682	623	0	623
Special representatives	493	0	493	0	0	0
Education advisory panel	<u>14</u>	<u>0</u>	<u>14</u>	<u>44</u>	<u>0</u>	<u>44</u>
	<u>69,429</u>	<u>0</u>	<u>69,429</u>	<u>42,919</u>	<u>0</u>	<u>42,919</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, 2012 and 2011

	-----2012-----			-----2011-----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES (continued)</b>						
<b>Certification:</b>						
Certification commission	\$ 15,215	\$ 0	\$ 15,215	\$ 14,592	\$ 0	\$ 14,592
Certification ITEs & site coordinators	17,658	0	17,658	20,148	0	20,148
Certification interviews	28,002	0	28,002	25,593	0	25,593
Certification appeals panel	<u>37</u>	<u>0</u>	<u>37</u>	<u>250</u>	<u>0</u>	<u>250</u>
	<u>60,912</u>	<u>0</u>	<u>60,912</u>	<u>60,583</u>	<u>0</u>	<u>60,583</u>
<b>Annual appeal</b>	<u>3,223</u>	<u>0</u>	<u>3,223</u>	<u>3,599</u>	<u>0</u>	<u>3,599</u>
<b>National conference</b>	<u>151,952</u>	<u>0</u>	<u>151,952</u>	<u>152,735</u>	<u>0</u>	<u>152,735</u>
<b>Educational events</b>	<u>9,983</u>	<u>0</u>	<u>9,983</u>	<u>14,966</u>	<u>0</u>	<u>14,966</u>
<b>Audio conferences</b>	<u>4,202</u>	<u>0</u>	<u>4,202</u>	<u>3,854</u>	<u>0</u>	<u>3,854</u>
Total operating expenses	<u>858,809</u>	<u>0</u>	<u>858,809</u>	<u>840,951</u>	<u>0</u>	<u>840,951</u>
Change in net assets	115,317	(323)	114,994	106,318	(1,350)	104,968
<b>NET ASSETS</b>						
Beginning 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>
End of year	<u>\$ 644,208</u>	<u>\$ 15,150</u>	<u>\$ 659,358</u>	<u>\$ 528,891</u>	<u>\$ 15,473</u>	<u>\$ 544,364</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, 2012 and 2011**

	2012	2011
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 114,994	\$ 104,968
<b>Adjustments to reconcile change in net assets to net cash flows from operating activities:</b>		
Depreciation	4,373	3,116
Realized and unrealized (gain) loss on investments	(49,973)	12,274
(Gain) loss on disposal of property and equipment	0	(180)
<b>(Increase) decrease in:</b>		
Interest receivable	(374)	176
Accounts receivable	4,680	(5,238)
Prepaid expenses	(20,026)	(2,583)
Security deposit	0	4,600
<b>Increase (decrease) in:</b>		
Accounts payable	(1,354)	(176)
Accrued payroll and benefits	4,162	125
Deferred revenues	<u>7,670</u>	<u>(54)</u>
Net cash flows from operating activities	<u>64,152</u>	<u>117,028</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sale of property and equipment	0	180
Purchase of investments, including reinvested earnings	(6,780)	(104,308)
Purchase of property and equipment	<u>(4,883)</u>	<u>(7,689)</u>
Net cash flows from investing activities	<u>(11,663)</u>	<u>(111,817)</u>
Net change in cash	52,489	5,211
Cash - beginning of year	<u>142,542</u>	<u>137,331</u>
Cash - end of year	<u>\$ 195,031</u>	<u>\$142,542</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.

#### **Cash:**

Cash consists of non-interest bearing demand deposits held at financial institutions as well as cash on hand.

#### **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)**

**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.

**Date of Management's Review:**

The Association evaluated subsequent events through January 29, 2013, the date the financial statements were available to be issued.

**Note 2. Investments**

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

	2012	2011
Cash equivalents	\$ 52,489	\$267,206
Fixed income	228,565	10,462
Equity mutual funds	<u>383,617</u>	<u>330,250</u>
	664,671	607,918
Unrealized (gain) loss	<u>(105,233)</u>	<u>(55,369)</u>
Cost basis at December 31	<u>\$ 559,438</u>	<u>\$552,549</u>

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

Interest and dividends	\$ 7,458	\$ 5,183
Realized gains (losses)	109	(108)
Unrealized gains (losses)	<u>49,864</u>	<u>(12,166)</u>
	<u>\$ 57,431</u>	<u>\$ (7,091)</u>

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.

See Accountant's review report.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS**

**NOTES TO FINANCIAL STATEMENTS**

**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 \$0 in 2012 and \$4,821 in 2011.

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 \$40,557 in 2012 and \$36,179 in 2011. The minimum future rental commitments under this operating lease are as follows:

2013	\$ 41,778
2014	<u>3,490</u>
	<u>\$ 45,268</u>

**Note 4. Net Assets**

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

	2012	2011
Conference Fund	\$ 23,708	\$ 28,517
Conference Scholarship Fund	2,247	2,418
Donor Development Fund	<u>103,993</u>	<u>144,661</u>
	<u>\$129,948</u>	<u>\$175,596</u>

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

	2012	2011
Student Education Scholarship Fund	\$ 0	\$ 323
Continuing Education Fund	<u>15,150</u>	<u>15,150</u>
	<u>\$ 15,150</u>	<u>\$ 15,473</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.

See Accountant's review report.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS**

**NOTES TO FINANCIAL STATEMENTS**

**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 2012 and 2011, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$18,234 and \$18,868, 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, 2012 and 2011, this contingent liability amounted to \$59,360 and \$53,663, 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.