

**NATIONAL ASSOCIATION OF
CATHOLIC CHAPLAINS**

**FINANCIAL REPORT
December 31, 2013**

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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, 2013 and 2012, 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, 2014

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

**STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012**

	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 224,767	\$ 195,031
Investments	886,714	664,671
Interest receivable	133	374
Accounts receivable	3,496	3,605
Prepaid expenses	<u>22,212</u>	<u>34,019</u>
Total current assets	<u>1,137,322</u>	<u>897,700</u>
PROPERTY AND EQUIPMENT, at cost		
Office furniture and equipment	61,710	66,893
Leasehold improvements	<u>7,689</u>	<u>7,689</u>
	69,399	74,582
Less accumulated depreciation	<u>59,743</u>	<u>60,378</u>
	<u>9,656</u>	<u>14,204</u>
Total assets	<u>\$1,146,978</u>	<u>\$ 911,904</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 946	\$ 196
Accrued payroll and benefits	24,544	27,405
Deferred revenues	<u>215,420</u>	<u>224,945</u>
Total current liabilities	<u>240,910</u>	<u>252,546</u>
NET ASSETS		
Unrestricted		
Undesignated	766,083	514,260
Board designated	<u>124,835</u>	<u>129,948</u>
	890,918	644,208
Temporarily restricted	<u>15,150</u>	<u>15,150</u>
Total net assets	<u>906,068</u>	<u>659,358</u>
Total liabilities and net assets	<u>\$1,146,978</u>	<u>\$ 911,904</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, 2013 and 2012**

	----- 2013 -----			----- 2012 -----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Membership dues	\$ 515,637	\$ 0	\$ 515,637	\$ 527,301	\$ 0	\$ 527,301
Certification fees	79,915	0	79,915	96,140	0	96,140
Annual appeal	52,040	0	52,040	44,891	0	44,891
Contributions	39,000	0	39,000	27,350	0	27,350
National conference	163,001	0	163,001	146,993	0	146,993
Educational events	14,285	0	14,285	13,030	0	13,030
Audio conferences	11,250	0	11,250	14,980	0	14,980
Investment income (loss), net	121,966	150	122,116	57,281	150	57,431
Miscellaneous income	46,878	0	46,878	45,687	0	45,687
Net assets released from restrictions:						
Restricted funds utilized	<u>150</u>	<u>(150)</u>	<u>0</u>	<u>473</u>	<u>(473)</u>	<u>0</u>
Total revenues	<u>1,044,122</u>	<u>0</u>	<u>1,044,122</u>	<u>974,126</u>	<u>(323)</u>	<u>973,803</u>
EXPENSES						
Administration:						
Salaries and benefits	426,703	0	426,703	459,663	0	459,663
Travel and transportation	2,536	0	2,536	2,426	0	2,426
Professional contracted services	12,323	0	12,323	12,675	0	12,675
Miscellaneous	7,605	0	7,605	1,368	0	1,368
Communications and postage	7,483	0	7,483	8,126	0	8,126
Occupancy expense	42,569	0	42,569	41,535	0	41,535
Maintenance and insurance	11,477	0	11,477	10,625	0	10,625
Professional fees	5,920	0	5,920	5,100	0	5,100
Printing and reproduction	4,352	0	4,352	2,021	0	2,021
Subscriptions, dues, awards, and fees	6,974	0	6,974	7,485	0	7,485
Office supplies	3,676	0	3,676	3,711	0	3,711
Depreciation	<u>4,548</u>	<u>0</u>	<u>4,548</u>	<u>4,373</u>	<u>0</u>	<u>4,373</u>
	<u>536,166</u>	<u>0</u>	<u>536,166</u>	<u>559,108</u>	<u>0</u>	<u>559,108</u>
Governance:						
Board of Directors	18,694	0	18,694	19,034	0	19,034
Editorial advisory panel	52	0	52	121	0	121
Task force/special projects	2,004	0	2,004	3,135	0	3,135
Governance committee	139	0	139	183	0	183
Standards committee	56	0	56	5,601	0	5,601
Marketing, recruitment and development	4,601	0	4,601	40,056	0	40,056
Finance committee	68	0	68	87	0	87
Ethics commission	7	0	7	23	0	23
Episcopal advisory council	804	0	804	682	0	682
Special representatives	947	0	947	493	0	493
Education advisory panel	<u>15</u>	<u>0</u>	<u>15</u>	<u>14</u>	<u>0</u>	<u>14</u>
	<u>27,387</u>	<u>0</u>	<u>27,387</u>	<u>69,429</u>	<u>0</u>	<u>69,429</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, 2013 and 2012

	-----2013-----			-----2012-----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES (continued)						
Certification:						
Certification commission	\$ 20,630	\$ 0	\$ 20,630	\$ 15,215	\$ 0	\$ 15,215
Certification ITEs & site coordinators	19,827	0	19,827	17,658	0	17,658
Certification interviews	30,668	0	30,668	28,002	0	28,002
Certification appeals panel	<u>70</u>	<u>0</u>	<u>70</u>	<u>37</u>	<u>0</u>	<u>37</u>
	<u>71,195</u>	<u>0</u>	<u>71,195</u>	<u>60,912</u>	<u>0</u>	<u>60,912</u>
Annual appeal	<u>3,158</u>	<u>0</u>	<u>3,158</u>	<u>3,223</u>	<u>0</u>	<u>3,223</u>
National conference	<u>148,249</u>	<u>0</u>	<u>148,249</u>	<u>151,952</u>	<u>0</u>	<u>151,952</u>
Educational events	<u>8,537</u>	<u>0</u>	<u>8,537</u>	<u>9,983</u>	<u>0</u>	<u>9,983</u>
Audio conferences	<u>2,720</u>	<u>0</u>	<u>2,720</u>	<u>4,202</u>	<u>0</u>	<u>4,202</u>
Total operating expenses	<u>797,412</u>	<u>0</u>	<u>797,412</u>	<u>858,809</u>	<u>0</u>	<u>858,809</u>
Change in net assets	246,710	0	246,710	115,317	(323)	114,994
NET ASSETS						
Beginning 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>
End of year	<u>\$ 890,918</u>	<u>\$ 15,150</u>	<u>\$ 906,068</u>	<u>\$ 644,208</u>	<u>\$ 15,150</u>	<u>\$ 659,358</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, 2013 and 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 246,710	\$ 114,994
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,548	4,373
Realized and unrealized (gain) loss on investments	(112,684)	(49,973)
(Increase) decrease in:		
Interest receivable	241	(374)
Accounts receivable	109	4,680
Prepaid expenses	11,807	(20,026)
Increase (decrease) in:		
Accounts payable	750	(1,354)
Accrued payroll and benefits	(2,861)	4,162
Deferred revenues	<u>(9,525)</u>	<u>7,670</u>
Net cash flows from operating activities	<u>139,095</u>	<u>64,152</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments, including reinvested earnings	(109,359)	(6,780)
Purchase of property and equipment	<u>0</u>	<u>(4,883)</u>
Net cash flows from investing activities	<u>(109,359)</u>	<u>(11,663)</u>
Net change in cash	29,736	52,489
Cash - beginning of year	<u>195,031</u>	<u>142,542</u>
Cash - end of year	<u>\$ 224,767</u>	<u>\$195,031</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 except for net income from unrelated business activities. The Association has determined that it has no income from unrelated business activities, and therefore, has no uncertain tax positions that are material to the financial statements. 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.

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

See Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

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, 2014, 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:

	2013	2012
Cash equivalents	\$ 53,751	\$ 52,489
Fixed income	327,851	228,565
Equity mutual funds	<u>505,112</u>	<u>383,617</u>
	886,714	664,671
Unrealized (gain) loss	<u>(217,917)</u>	<u>(105,233)</u>
Cost basis at December 31	<u>\$ 668,797</u>	<u>\$ 559,438</u>

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

Interest and dividends	\$ 9,432	\$ 7,458
Realized gains (losses)	0	109
Unrealized gains (losses)	<u>112,684</u>	<u>49,864</u>
	<u>\$ 122,116</u>	<u>\$ 57,431</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 October 2010, the Association entered into a 36-month lease agreement for its office space commencing on February 1, 2011. In August 2013, this lease was extended until January 31, 2015. Total annual rent expense attributable to this lease was \$41,778 in 2013 and \$40,557 in 2012. The minimum future rental commitments under this operating lease are as follows:

2014	\$ 41,880
2015	<u>3,490</u>
	<u>\$ 45,370</u>

Note 4. Net Assets

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

	2013	2012
Conference Fund	\$ 23,708	\$ 23,708
Conference Scholarship Fund	1,157	2,247
Donor Development Fund	<u>99,970</u>	<u>103,993</u>
	<u>\$124,835</u>	<u>\$129,948</u>

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

	2013	2012
Continuing Education Fund	<u>\$ 15,150</u>	<u>\$ 15,150</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 2013 and 2012, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$18,093 and \$18,234, 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, 2013 and 2012, this contingent liability amounted to \$51,305 and \$59,360, 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.