

**NATIONAL ASSOCIATION OF
CATHOLIC CHAPLAINS, LTD.**

**FINANCIAL REPORT
December 31, 2014**

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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, Ltd.
Milwaukee, Wisconsin

We have reviewed the accompanying statements of financial position of the National Association of Catholic Chaplains, Ltd. (a nonprofit organization) as of December 31, 2014 and 2013, 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 27, 2015

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NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 172,400	\$ 224,767
Investments	1,134,116	886,714
Interest receivable	265	133
Accounts receivable	5,601	3,496
Prepaid expenses	<u>22,252</u>	<u>22,212</u>
Total current assets	<u>1,334,634</u>	<u>1,137,322</u>
PROPERTY AND EQUIPMENT, at cost		
Office furniture and equipment	61,710	61,710
Leasehold improvements	<u>7,689</u>	<u>7,689</u>
	69,399	69,399
Less accumulated depreciation	<u>63,683</u>	<u>59,743</u>
	<u>5,716</u>	<u>9,656</u>
Total assets	<u>\$1,340,350</u>	<u>\$1,146,978</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,075	\$ 946
Accrued payroll and benefits	30,257	24,544
Deferred revenues	<u>213,685</u>	<u>215,420</u>
Total current liabilities	<u>245,017</u>	<u>240,910</u>
NET ASSETS		
Unrestricted		
Undesignated	967,301	766,083
Board designated	<u>112,882</u>	<u>124,835</u>
	1,080,183	890,918
Temporarily restricted	<u>15,150</u>	<u>15,150</u>
Total net assets	<u>1,095,333</u>	<u>906,068</u>
Total liabilities and net assets	<u>\$1,340,350</u>	<u>\$1,146,978</u>

See independent accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013**

	----- 2014 -----			----- 2013 -----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Membership dues	\$ 519,728	\$ 0	\$ 519,728	\$ 515,637	\$ 0	\$ 515,637
Certification fees	87,538	0	87,538	79,915	0	79,915
Annual appeal	51,279	0	51,279	52,040	0	52,040
Contributions	37,350	0	37,350	39,000	0	39,000
National conference	174,199	0	174,199	163,001	0	163,001
Educational events	8,765	0	8,765	14,285	0	14,285
Audio conferences	13,385	0	13,385	11,250	0	11,250
Investment income (loss), net	47,679	150	47,829	121,966	150	122,116
Miscellaneous income	50,203	0	50,203	46,878	0	46,878
Net assets released from restrictions:						
Restricted funds utilized	<u>150</u>	<u>(150)</u>	<u>0</u>	<u>150</u>	<u>(150)</u>	<u>0</u>
Total revenues	<u>990,276</u>	<u>0</u>	<u>990,276</u>	<u>1,044,122</u>	<u>0</u>	<u>1,044,122</u>
EXPENSES						
Administration:						
Salaries and benefits	427,598	0	427,598	426,703	0	426,703
Travel and transportation	3,887	0	3,887	2,536	0	2,536
Professional contracted services	12,973	0	12,973	12,323	0	12,323
Miscellaneous	3,040	0	3,040	7,605	0	7,605
Communications and postage	7,567	0	7,567	7,483	0	7,483
Occupancy expense	43,229	0	43,229	42,569	0	42,569
Maintenance and insurance	11,389	0	11,389	11,477	0	11,477
Professional fees	5,080	0	5,080	5,920	0	5,920
Printing and reproduction	1,878	0	1,878	4,352	0	4,352
Subscriptions, dues, awards, and fees	7,658	0	7,658	6,974	0	6,974
Office supplies	4,166	0	4,166	3,676	0	3,676
Depreciation	<u>3,940</u>	<u>0</u>	<u>3,940</u>	<u>4,548</u>	<u>0</u>	<u>4,548</u>
	<u>532,405</u>	<u>0</u>	<u>532,405</u>	<u>536,166</u>	<u>0</u>	<u>536,166</u>
Governance:						
Board of Directors	17,404	0	17,404	18,694	0	18,694
Editorial advisory panel	66	0	66	52	0	52
Task force/special projects	7,885	0	7,885	2,004	0	2,004
Governance committee	174	0	174	139	0	139
Standards committee	96	0	96	56	0	56
Marketing, recruitment and development	13,577	0	13,577	4,601	0	4,601
Finance committee	75	0	75	68	0	68
Ethics commission	84	0	84	7	0	7
Episcopal advisory council	812	0	812	804	0	804
Special representatives	851	0	851	947	0	947
Education advisory panel	<u>15</u>	<u>0</u>	<u>15</u>	<u>15</u>	<u>0</u>	<u>15</u>
	<u>41,039</u>	<u>0</u>	<u>41,039</u>	<u>27,387</u>	<u>0</u>	<u>27,387</u>

See independent accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2014 and 2013

	-----2014-----			-----2013-----		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES (continued)						
Certification:						
Certification commission	\$ 16,768	\$ 0	\$ 16,768	\$ 20,630	\$ 0	\$ 20,630
Certification ITEs & site coordinators	15,492	0	15,492	19,827	0	19,827
Certification interviews	28,110	0	28,110	30,668	0	30,668
Certification appeals panel	<u>10</u>	<u>0</u>	<u>10</u>	<u>70</u>	<u>0</u>	<u>70</u>
	<u>60,380</u>	<u>0</u>	<u>60,380</u>	<u>71,195</u>	<u>0</u>	<u>71,195</u>
Annual appeal	<u>3,425</u>	<u>0</u>	<u>3,425</u>	<u>3,158</u>	<u>0</u>	<u>3,158</u>
National conference	<u>153,254</u>	<u>0</u>	<u>153,254</u>	<u>148,249</u>	<u>0</u>	<u>148,249</u>
Educational events	<u>7,030</u>	<u>0</u>	<u>7,030</u>	<u>8,537</u>	<u>0</u>	<u>8,537</u>
Audio conferences	<u>3,478</u>	<u>0</u>	<u>3,478</u>	<u>2,720</u>	<u>0</u>	<u>2,720</u>
Total operating expenses	<u>801,011</u>	<u>0</u>	<u>801,011</u>	<u>797,412</u>	<u>0</u>	<u>797,412</u>
Change in net assets	189,265	0	189,265	246,710	0	246,710
NET ASSETS						
Beginning 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>
End of year	<u>\$1,080,183</u>	<u>\$ 15,150</u>	<u>\$1,095,333</u>	<u>\$ 890,918</u>	<u>\$ 15,150</u>	<u>\$ 906,068</u>

See independent accountant's review report.
The Notes to Financial Statements are an integral part of these statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 189,265	\$ 246,710
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,940	4,548
Realized and unrealized (gain) loss on investments	(37,802)	(112,684)
(Increase) decrease in:		
Interest receivable	(132)	241
Accounts receivable	(2,105)	109
Prepaid expenses	(40)	11,807
Increase (decrease) in:		
Accounts payable	129	750
Accrued payroll and benefits	5,713	(2,861)
Deferred revenues	<u>(1,735)</u>	<u>(9,525)</u>
Net cash flows from operating activities	<u>157,233</u>	<u>139,095</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments, including reinvested earnings	(209,600)	(109,359)
Purchase of property and equipment	<u>0</u>	<u>0</u>
Net cash flows from investing activities	<u>(209,600)</u>	<u>(109,359)</u>
Net change in cash	(52,367)	29,736
Cash - beginning of year	<u>224,767</u>	<u>195,031</u>
Cash - end of year	<u>\$ 172,400</u>	<u>\$ 224,767</u>

See independent accountant's review report.

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of business:

The National Association of Catholic Chaplains, Ltd. (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 independent accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

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 independent accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

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 27, 2015, 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:

	2014	2013
Cash equivalents	\$ 304,514	\$ 53,751
Fixed income	279,320	327,851
Equity mutual funds	<u>550,282</u>	<u>505,112</u>
	1,134,116	886,714
Unrealized (gain) loss	<u>(255,688)</u>	<u>(217,917)</u>
Cost basis at December 31	<u>\$ 878,428</u>	<u>\$ 668,797</u>

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

Interest and dividends	\$ 10,027	\$ 9,432
Realized and unrealized gains (losses)	<u>37,802</u>	<u>112,684</u>
	<u>\$ 47,829</u>	<u>\$ 122,116</u>

See independent accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

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 July 2014, this lease was extended until July 31, 2016. Total annual rent expense attributable to this lease was \$41,880 in 2014 and 2013. The minimum future rental commitments under this operating lease are as follows:

2015	\$ 41,880
2016	<u>24,430</u>
	<u>\$ 66,310</u>

Note 4. Net Assets

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

	2014	2013
Conference Fund	\$ 23,708	\$ 23,708
Conference Scholarship Fund	1,147	1,157
Donor Development Fund	<u>88,027</u>	<u>99,970</u>
	<u>\$112,882</u>	<u>\$124,835</u>

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

	2014	2013
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 independent accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

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 2014 and 2013, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$16,747 and \$18,093, 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, 2014 and 2013, this contingent liability amounted to \$55,776 and \$51,305, 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 independent accountant's review report.