

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

FINANCIAL STATEMENTS
December 31, 2018



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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 financial statements of the National Association of Catholic Chaplains, Ltd. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Report on Prior Period Financial Statements

The December 31, 2017 financial statements of the National Association of Catholic Chaplains, Ltd. were reviewed by other accountants whose practice became part of CliftonLarsonAllen LLP effective January 1, 2019, and whose report dated January 25, 2018, stated that based on their review, they were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP
Brookfield, Wisconsin
January 31, 2019

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS	2018	2017
<u>CURRENT ASSETS</u>		
Cash	\$ 121,570	\$ 105,990
Investments	1,538,795	1,609,540
Accounts receivable	2,352	19,249
Prepaid expenses	<u>36,410</u>	<u>18,147</u>
Total current assets	<u>1,699,127</u>	<u>1,752,926</u>
<u>PROPERTY AND EQUIPMENT, at cost</u>		
Office furniture and equipment	59,819	53,717
Leasehold improvements	<u>7,689</u>	<u>7,689</u>
	67,508	61,406
Less accumulated depreciation	<u>61,882</u>	<u>61,406</u>
	<u>5,626</u>	<u>0</u>
Total assets	<u>\$ 1,704,753</u>	<u>\$ 1,752,926</u>
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 897	\$ 3,186
Accrued payroll and benefits	35,789	35,294
Deferred revenues	<u>210,361</u>	<u>195,939</u>
Total current liabilities	<u>247,047</u>	<u>234,419</u>
<u>NET ASSETS</u>		
Net assets without Donor Restrictions:		
Undesignated	1,373,931	1,434,691
Designated by the Board for Donor Development and Conference Funds	<u>68,241</u>	<u>68,491</u>
Total Without Donor Restrictions	1,442,172	1,503,182
Net assets with Donor Restrictions	<u>15,534</u>	<u>15,325</u>
Total net assets	<u>1,457,706</u>	<u>1,518,507</u>
Total liabilities and net assets	<u>\$ 1,704,753</u>	<u>\$ 1,752,926</u>

See Independent Accountant's review report.
The Notes to Financial Statements are an integral part of those statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Membership dues	\$ 471,675	\$ 0	\$ 471,675	\$ 462,051	\$ 0	\$ 462,051
Certification fees	62,775	0	62,775	72,550	0	72,550
Annual appeal	59,877	0	59,877	61,524	0	61,524
Contributions and grants	40,520	0	40,520	37,760	0	37,760
National conference	259,420	0	259,420	171,725	0	171,725
Educational events	12,853	0	12,853	18,151	0	18,151
Webinars/Audio conferences	46,855	0	46,855	40,700	0	40,700
Investment income (loss), net	(70,810)	209	(70,601)	195,963	325	196,288
Miscellaneous income	38,891	0	38,891	40,503	0	40,503
Net assets released from restrictions:						
Restricted funds utilized	0	0	0	13,614	(13,614)	0
Total revenues	922,056	209	922,265	1,114,541	(13,289)	1,101,252
EXPENSES						
Program services:						
Advocating/Promoting/Chaplaincy	79,673	0	79,673	87,630	0	87,630
Governance	122,250	0	122,250	100,755	0	100,755
Certification	145,728	0	145,728	151,723	0	151,723
Education	375,689	0	375,689	310,769	0	310,769
Member Support	57,208	0	57,208	57,331	0	57,331
Member Networking/Communications	66,710	0	66,710	76,470	0	76,470
Total program services	847,258	0	847,258	784,678	0	784,678
Supporting services:						
Administration	109,606	0	109,606	129,079	0	129,079
Fundraising	26,202	0	26,202	3,534	0	3,534
Total supporting expenses	135,808	0	135,808	132,613	0	132,613
Total expenses	983,066	0	983,066	917,291	0	917,291
Changes in net assets	(61,010)	209	(60,801)	197,250	(13,289)	183,961
Return of grant funds	0	0	0	0	(3,696)	(3,696)
NET ASSETS						
Beginning of year	1,503,182	15,325	1,518,507	1,305,932	32,310	1,338,242
End of year	\$ 1,442,172	\$ 15,534	\$ 1,457,706	\$ 1,503,182	\$ 15,325	\$ 1,518,507

See Independent Accountant's review report.
The Notes to Financial Statements are an integral part of those statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year ended December 31, 2018 (With Comparative Totals for 2017)

	-----Program Services-----						-----Supporting Services-----				2018 Total	2017 Total
	Advocating/ Promoting Chaplaincy	Governance	Certification	Education	Member Support	Member Networking/ Communications	Total Program Services	Administration	Fundraising	Total Supporting Services		
Salaries and Benefits	\$75,734	\$45,617	\$62,926	\$97,618	\$45,137	\$46,552	\$373,584	\$69,499	\$22,287	\$91,786	\$465,370	\$482,822
Contracted Services	0	0	0	0	0	13,290	13,290	0	0	0	13,290	13,320
Miscellaneous	0	0	0	0	0	0	0	1,156	0	1,156	1,156	1,449
Communications and Postage	815	240	959	959	2,741	1,985	7,699	169	0	169	7,868	10,540
Occupancy	0	2,190	8,761	10,951	8,761	4,381	35,044	8,761	0	8,761	43,805	39,858
Maintenance and Insurance	0	4,990	0	0	0	0	4,990	16,620	0	16,620	21,610	22,071
Professional Fees	0	344	0	0	0	0	344	5,386	0	5,386	5,730	5,180
Printing	65	0	261	261	326	414	1,327	130	261	391	1,718	1,241
Subscriptions, Dues, Fees and Awards	3,049	0	2,110	0	0	0	5,159	7,312	0	7,312	12,471	12,530
Office Supplies	10	49	243	243	243	88	876	97	0	97	973	854
Depreciation	0	0	0	0	0	0	0	476	0	476	476	588
Board of Directors	0	25,645	0	0	0	0	25,645	0	0	0	25,645	23,786
Committees and Panels	0	1,660	0	0	0	0	1,660	0	0	0	1,660	1,473
Special Projects	0	21,614	0	0	0	0	21,614	0	0	0	21,614	16,557
Marketing, Recruitment and Development	0	19,901	0	0	0	0	19,901	0	0	0	19,901	10,168
Certification Commission	0	0	14,769	0	0	0	14,769	0	0	0	14,769	16,155
Certification ITEs & Site Coordinators	0	0	21,577	0	0	0	21,577	0	0	0	21,577	20,623
Certification Interviews	0	0	34,122	0	0	0	34,122	0	0	0	34,122	36,675
Certification Appeals Panel	0	0	0	0	0	0	0	0	0	0	0	12
Annual Campaign	0	0	0	0	0	0	0	0	3,654	3,654	3,654	3,534
National Conference	0	0	0	248,988	0	0	248,988	0	0	0	248,988	180,210
Educational Events	0	0	0	7,670	0	0	7,670	0	0	0	7,670	9,571
Webinar/Audio Conferences	0	0	0	8,999	0	0	8,999	0	0	0	8,999	8,074
Total expenses	\$79,673	\$122,250	\$145,728	\$375,689	\$57,208	\$66,710	\$847,258	\$109,606	\$26,202	\$135,808	\$983,066	\$917,291

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (60,801)	\$ 183,961
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	476	588
Realized and unrealized (gains) losses on investments	91,569	(179,911)
Return of grant funds	0	(3,696)
(Increase) decrease in:		
Accounts receivable	16,897	(13,752)
Prepaid expenses	(18,263)	8,994
Increase (decrease) in:		
Accounts payable	(2,289)	1,608
Accrued payroll and benefits	495	6,205
Deferred revenues	<u>14,422</u>	<u>(17,364)</u>
Net cash flows from operating activities	<u>42,506</u>	<u>(13,367)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(6,102)	0
Purchase of investments, including reinvested earnings	<u>(20,824)</u>	<u>(16,208)</u>
Net cash flows from investing activities	<u>(26,926)</u>	<u>(16,208)</u>
Net change in cash	15,580	(29,575)
Cash - beginning of year	<u>105,990</u>	<u>135,565</u>
Cash - end of year	<u>\$ 121,570</u>	<u>\$ 105,990</u>

See Independent Accountant's review report.
The Notes to Financial Statements are an integral part of those 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.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for donor development and conference funds.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from 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)

Cash:

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

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 (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less direct investment expenses. 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.

See Independent Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies(continued)

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.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no effect on net assets with or without donor restrictions.

Date of Management's Review:

The Association evaluated subsequent events through January 31, 2019, the date the financial statements were available to be issued.

See Independent Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

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

	2018	2017
Cash equivalents	\$ 208,570	\$ 287,589
Fixed income mutual funds	359,824	277,523
Equity mutual funds	<u>970,402</u>	<u>1,044,428</u>
	1,538,795	1,609,540
Unrealized gain	<u>(400,411)</u>	<u>(491,965)</u>
Cost basis at December 31	<u>\$1,138,384</u>	<u>\$1,117,575</u>

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

Interest and dividends	\$ 20,967	\$ 16,377
Realized and unrealized gains (losses)	<u>(91,569)</u>	<u>179,911</u>
	<u>\$ (70,601)</u>	<u>\$ 196,288</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 measured using level 1 inputs.

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. In December 2015, this lease was extended again through July 31, 2018. In December 2018, this lease was extended again through July 31, 2020. Total annual rent expense attributable to this lease was \$43,805 in 2018 and \$39,360 in 2017. The minimum future rental commitments under this operating lease are as follows:

2019	\$ 43,567
2020	<u>25,047</u>
	<u>\$ 68,614</u>

See Independent Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

NOTES TO FINANCIAL STATEMENTS

Note 4. Net Assets

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

	2018	2017
Conference Fund	\$ 23,708	\$ 23,708
Donor Development Fund	<u>44,533</u>	<u>44,783</u>
	<u>\$ 68,241</u>	<u>\$ 68,491</u>

The following is a summary of the net assets with donor restrictions as of December 31:

	2018	2017
Continuing Education Fund	<u>\$ 15,534</u>	<u>\$ 15,325</u>

During 2018 and 2017, \$0 and \$3,696 of unused grant funds were returned to the Raskob Foundation, respectively.

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. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 6. Retirement Plan

The Association has a retirement plan qualified under Section 403(b) of the Internal Revenue Code. For 2018 and 2017, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$19,505 and \$17,924, 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 7. 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, 2018 and 2017, this contingent liability amounted to \$58,668 and \$56,404, respectively.

See Independent Accountant's review report.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.

NOTES TO FINANCIAL STATEMENTS

Note 7. Contingencies (continued)

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.

Note 8. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 121,570
Investments	1,538,795
Accounts receivable	<u>2,352</u>
Total	<u>\$1,662,717</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Note 8. Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which is effective for annual reporting periods beginning after December 15, 2018. Adoption is to be applied retrospectively. The Association is currently evaluating the impact of ASU 2014-09 on the Association's financial statements and has not yet determined its method of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Association is currently evaluating the impact of ASU 2016-02 on the Association's financial statement.

See Independent Accountant's review report.

