

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Accountants' 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 American Institute of Certified Public Accountants. 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.

Accountants' Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
February 4, 2020

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 79,877	\$ 121,570
Investments	1,818,413	1,538,795
Accounts Receivable	17,091	2,352
Prepaid Expenses	18,144	36,410
Total Current Assets	<u>1,933,525</u>	<u>1,699,127</u>
PROPERTY AND EQUIPMENT, at Cost		
Office Furniture and Equipment	55,620	59,820
Leasehold Improvements	7,689	7,689
Total Property and Equipment	<u>63,309</u>	<u>67,509</u>
Less: Accumulated Depreciation	58,635	61,883
Total Property and Equipment, Net	<u>4,674</u>	<u>5,626</u>
Total Assets	<u><u>\$ 1,938,199</u></u>	<u><u>\$ 1,704,753</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 576	\$ 897
Accrued Payroll and Benefits	25,609	35,789
Deferred Revenues	197,477	210,361
Total Current Liabilities	<u>223,662</u>	<u>247,047</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,633,946	1,373,931
Designated by the Board for Donor Development and Conference Funds	65,276	68,241
Total Without Donor Restrictions	<u>1,699,222</u>	<u>1,442,172</u>
With Donor Restrictions	15,315	15,534
Total Net Assets	<u>1,714,537</u>	<u>1,457,706</u>
Total Liabilities and Net Assets	<u><u>\$ 1,938,199</u></u>	<u><u>\$ 1,704,753</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Membership Dues	\$ 466,527	\$ -	\$ 466,527	\$ 471,675	\$ -	\$ 471,675
Certification Fees	70,700	-	70,700	62,775	-	62,775
Annual Appeal	64,549	-	64,549	59,877	-	59,877
Contributions and Grants	29,820	-	29,820	40,520	-	40,520
National Conference	149,996	-	149,996	259,420	-	259,420
Educational Events	14,227	-	14,227	12,853	-	12,853
Webinars/Audio Conferences	45,550	-	45,550	46,855	-	46,855
Investment Income (Loss), Net	279,388	315	279,703	(70,810)	209	(70,601)
Miscellaneous Income	33,368	-	33,368	38,891	-	38,891
Net Assets Released from Restrictions:						
Restricted Funds Utilized	534	(534)	-	-	-	-
Total Revenues and Support	<u>1,154,659</u>	<u>(219)</u>	<u>1,154,440</u>	<u>922,056</u>	<u>209</u>	<u>922,265</u>
EXPENSES						
Program Services:						
Advocating/Promoting/Chaplaincy	77,636	-	77,636	79,673	-	79,673
Governance	148,525	-	148,525	122,250	-	122,250
Certification	158,429	-	158,429	145,728	-	145,728
Education	256,589	-	256,589	375,689	-	375,689
Member Support	58,446	-	58,446	57,208	-	57,208
Member Networking/Communications	64,903	-	64,903	66,710	-	66,710
Total Program Services	<u>764,528</u>	<u>-</u>	<u>764,528</u>	<u>847,258</u>	<u>-</u>	<u>847,258</u>
Supporting Services:						
Administration	107,372	-	107,372	109,606	-	109,606
Fund Raising	25,709	-	25,709	26,202	-	26,202
Total Supporting Expenses	<u>133,081</u>	<u>-</u>	<u>133,081</u>	<u>135,808</u>	<u>-</u>	<u>135,808</u>
Total Expenses	<u>897,609</u>	<u>-</u>	<u>897,609</u>	<u>983,066</u>	<u>-</u>	<u>983,066</u>
CHANGES IN NET ASSETS	257,050	(219)	256,831	(61,010)	209	(60,801)
NET ASSETS						
Beginning of Year	<u>1,442,172</u>	<u>15,534</u>	<u>1,457,706</u>	<u>1,503,182</u>	<u>15,325</u>	<u>1,518,507</u>
End of Year	<u>\$ 1,699,222</u>	<u>\$ 15,315</u>	<u>\$ 1,714,537</u>	<u>\$ 1,442,172</u>	<u>\$ 15,534</u>	<u>\$ 1,457,706</u>

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Program Services						Supporting Services		Total
	Advocating/ Promoting Chaplaincy	Governance	Certification	Education	Member Support	Member Networking/ Communications	Administration	Fundraising	
	Salaries and Benefits	\$ 74,747	\$ 46,573	\$ 78,155	\$ 102,171	\$ 45,794	\$ 45,476	\$ 65,576	
Contracted Services	-	-	-	-	-	13,290	-	-	13,290
Miscellaneous	-	-	-	-	-	-	1,403	-	1,403
Communications and Postage	989	291	1,164	1,164	3,204	1,323	201	-	8,336
Occupancy	-	2,106	8,429	10,536	8,427	4,214	8,428	-	42,140
Maintenance and Insurance	-	5,140	-	-	-	-	16,934	-	22,074
Professional Fees	-	393	-	-	-	-	6,165	-	6,558
Printing	2	-	9	9	665	472	5	9	1,171
Subscriptions, Dues, Fees, and Awards	1,882	-	2,012	3,500	-	-	7,567	-	14,961
Office Supplies	16	71	356	356	356	128	141	-	1,424
Depreciation	-	-	-	-	-	-	952	-	952
Board of Directors	-	21,254	-	-	-	-	-	-	21,254
Committees and Panels	-	6,401	-	-	-	-	-	-	6,401
Special Projects	-	36,729	-	-	-	-	-	-	36,729
Marketing, Recruitment and Development	-	29,567	-	-	-	-	-	-	29,567
Certification Commission	-	-	15,015	-	-	-	-	-	15,015
Certification ITEs and Site Coordinators	-	-	18,735	-	-	-	-	-	18,735
Certification Interviews	-	-	34,554	-	-	-	-	-	34,554
Annual Campaign	-	-	-	-	-	-	-	3,832	3,832
National Conference	-	-	-	120,172	-	-	-	-	120,172
Educational Events	-	-	-	11,866	-	-	-	-	11,866
Webinar/Audio Conferences	-	-	-	6,815	-	-	-	-	6,815
Total Expenses	\$ 77,636	\$ 148,525	\$ 158,429	\$ 256,589	\$ 58,446	\$ 64,903	\$ 107,372	\$ 25,709	\$ 897,609

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Program Services						Supporting Services		
	Advocating/ Promoting Chaplaincy	Governance	Certification	Education	Member Support	Member Networking/ Communications	Administration	Fundraising	Total
	Salaries and Benefits	\$ 75,734	\$ 45,617	\$ 62,926	\$ 97,618	\$ 45,137	\$ 46,552	\$ 69,499	\$ 22,287
Contracted Services	-	-	-	-	-	13,290	-	-	13,290
Miscellaneous	-	-	-	-	-	-	1,156	-	1,156
Communications and Postage	815	240	959	959	2,741	1,985	169	-	7,868
Occupancy	-	2,190	8,761	10,951	8,761	4,381	8,761	-	43,805
Maintenance and Insurance	-	4,990	-	-	-	-	16,620	-	21,610
Professional Fees	-	344	-	-	-	-	5,386	-	5,730
Printing	65	-	261	261	326	414	130	261	1,718
Subscriptions, Dues, Fees, and Awards	3,049	-	2,110	-	-	-	7,312	-	12,471
Office Supplies	10	49	243	243	243	88	97	-	973
Depreciation	-	-	-	-	-	-	476	-	476
Board of Directors	-	25,645	-	-	-	-	-	-	25,645
Committees and Panels	-	1,660	-	-	-	-	-	-	1,660
Special Projects	-	21,614	-	-	-	-	-	-	21,614
Marketing, Recruitment and Development	-	19,901	-	-	-	-	-	-	19,901
Certification Commission	-	-	14,769	-	-	-	-	-	14,769
Certification ITEs and Site Coordinators	-	-	21,577	-	-	-	-	-	21,577
Certification Interviews	-	-	34,122	-	-	-	-	-	34,122
Annual Campaign	-	-	-	-	-	-	-	3,654	3,654
National Conference	-	-	-	248,988	-	-	-	-	248,988
Educational Events	-	-	-	7,670	-	-	-	-	7,670
Webinar/Audio Conferences	-	-	-	8,999	-	-	-	-	8,999
Total Expenses	\$ 79,673	\$ 122,250	\$ 145,728	\$ 375,689	\$ 57,208	\$ 66,710	\$ 109,606	\$ 26,202	\$ 983,066

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 256,831	\$ (60,801)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows from Operating Activities		
Depreciation	952	476
Realized and Unrealized (Gains) Losses on Investments	(255,821)	91,569
(Increase) Decrease in:		
Accounts Receivable	(14,739)	16,897
Prepaid Expenses	18,266	(18,263)
Increase (Decrease) in:		
Accounts Payable	(321)	(2,289)
Accrued Payroll and Benefits	(10,180)	495
Deferred Revenues	(12,884)	14,422
Net Cash Flows from Operating Activities	(17,896)	42,506
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	(6,102)
Purchase of Investments, including Reinvested Earnings	(23,797)	(20,824)
Net Cash Flows from Investing Activities	(23,797)	(26,926)
NET CHANGE IN CASH	(41,693)	15,580
Cash - Beginning of Year	121,570	105,990
CASH - END OF YEAR	\$ 79,877	\$ 121,570

See accompanying Notes to Financial Statements.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

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 (IRC) 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.

The Association reports 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 statements of activities as Net Assets Released from Restrictions.

Cash

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

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances. The Association does not provide an allowance for uncollectible accounts since none is considered necessary based on management's review of outstanding receivables, historical collection information, and existing economic conditions.

Revenue Recognition

Membership Dues – Membership dues are on an anniversary-date basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Unearned membership revenue is reflected as deferred revenue on the statements of financial position.

Certification Fees – Certification fees are recognized as revenue upon member receiving certification. The portion related to future periods is recorded as deferred revenue.

National Conference, Educational Events, and Webinars/Audio Conferences – National conference, educational events, and webinars/audio conferences revenues are recognized when the activities or services are provided. Amounts collected for an event to be held in a subsequent year are recorded as deferred revenue.

Contributions and Grants – Contributions and grants are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded 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 statements of activities as net assets released from restrictions.

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 5 to 10 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.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consisting of cash equivalents, fixed income securities and equity securities are reported at their fair values in the statements 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 net assets without donor restrictions 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.

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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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 February 4, 2020, the date the financial statements were available to be issued.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Association's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Association's reported historical revenue.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (continued)

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08 beginning January 1, 2018. The new guidance does not require prior period results to be restated. The implementation of this standard did not affect the Association's net assets.

Recent Accounting Guidance

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 statements of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statements 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 the Association's year ending December 31, 2021, with early adoption permitted. Management will be evaluating the effects of this new standard.

NOTE 2 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 statements of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 79,877	\$ 121,570
Investments	1,818,413	1,538,795
Accounts Receivable	17,091	2,352
Less Net Assets With Donor Restrictions	<u>(15,315)</u>	<u>(15,534)</u>
Total	<u>\$ 1,900,066</u>	<u>\$ 1,647,183</u>

As part of the Association's liquidity management plan, the Association invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 3 REVENUE

The following table shows the Association's revenue disaggregated according to the timing of the transfer of goods or services:

Revenue Recognized at a Point in Time	2019	2018
Certification Fees	\$ 70,700	\$ 62,775
National Conference	149,996	259,420
Educational Events	14,227	12,853
Webinars/Audio Conferences	45,550	46,855
Miscellaneous Income	33,368	38,891
	\$ 313,841	\$ 420,794
 Revenue Recognized over Time		
Membership Dues	\$ 466,527	\$ 471,675

NOTE 4 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Association's contract assets and liabilities consist of:

	2019	2018
Accounts Receivable		
Accounts Receivable - Conferences	\$ 15,000	\$ -
Accounts Receivable - Miscellaneous Income	2,091	2,352
	\$ 17,091	\$ 2,352
 Deferred Revenue		
Deferred Revenue - Certification Fees	\$ 18,775	\$ 19,375
Deferred Revenue - Membership Dues	178,702	190,986
	\$ 197,477	\$ 210,361

NOTE 5 INVESTMENTS

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

	2019	2018
Cash Equivalents	\$ 212,370	\$ 208,570
Fixed Income Mutual Funds	376,301	359,824
Equity Mutual Funds	1,229,742	970,401
Subtotal	1,818,413	1,538,795
Unrealized Gain	(656,283)	(400,410)
Cost Basis at December 31	\$ 1,162,130	\$ 1,138,385

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 5 INVESTMENTS (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 23,882	\$ 20,967
Realized and Unrealized Gains (Losses)	255,821	(91,568)
Total	<u>\$ 279,703</u>	<u>\$ (70,601)</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 6 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. In September 2019, this lease was extended again through July 31, 2021. Total annual rent expense attributable to this lease was \$42,140 in 2019 and \$43,805 in 2018, respectively. The minimum future rental commitments under this operating lease are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 42,938
2021	25,047
Total	<u>\$ 67,985</u>

NOTE 7 NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Conference Fund	\$ 23,708	\$ 23,708
Donor Development Fund	41,568	44,533
Total	<u>\$ 65,276</u>	<u>\$ 68,241</u>

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

	<u>2019</u>	<u>2018</u>
Continuing Education Fund	\$ 15,315	\$ 15,534

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.

NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 8 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 9 RETIREMENT PLAN

The Association has a retirement plan qualified under Section 403(b) of the IRC. For 2019 and 2018, the Association contributed 5.5% of gross salaries to the plan for qualified employees; or, \$20,252 and \$19,505, respectively. Employees may make contributions to the plan up to the maximum amount allowed by the IRC 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 10 CONTINGENCIES

The Association allows employees to accumulate up to 60 days of sick time. The employee loses any right to this sick pay upon termination. At December 31, 2019 and 2018, this contingent liability amounted to \$63,619 and \$58,668, 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 statements of financial position and the statements of activities.