

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Consolidated Financial Report
June 30, 2011

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Independent Auditor's Report

To the Board of Directors
Catholic Charities of Northeast Kansas, Inc.
and Subsidiary
Kansas City, Kansas

We have audited the accompanying consolidated statements of financial position of Catholic Charities of Northeast Kansas, Inc. and Subsidiary, (collectively, "the Organization") as of June 30, 2011 and 2010 and the related consolidated statements of activities, program and supporting services expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Kansas City, Missouri
October 14, 2011

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statements of Financial Position
June 30, 2011 and 2010**

Assets	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 2,063,502	\$ 2,308,186
Promises to give – United Way funding for the next fiscal year (Note 2)	389,363	408,195
Grants receivable (Note 2)	20,879	32,500
Accounts receivable:		
Program fees, less allowance for doubtful accounts of \$77,572 and \$126,366	686,659	642,826
Inventories	92,004	72,325
Due from related parties (Note 4)	143,786	134,383
Prepaid expense	36,520	31,839
Total current assets	3,432,713	3,630,254
Interest in Net Assets of the Catholic Charities Foundation of Northeast Kansas (Notes 1 and 4)	3,272,133	2,980,334
Property and Equipment:		
Land	113,972	113,972
Building	1,132,618	996,161
Furniture and equipment	1,066,752	1,035,338
Building and leasehold improvements	2,397,124	2,348,494
Vehicles	368,009	328,172
Art and collectibles	4,224	4,244
	5,082,699	4,826,381
Less: Accumulated depreciation and amortization	2,617,409	2,369,554
	2,465,290	2,456,827
	\$ 9,170,136	\$ 9,067,415

(Continued)

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Consolidated Statements of Financial Position (Continued)

June 30, 2011 and 2010

Liabilities and Net Assets	2011	2010
Current Liabilities:		
Current maturities of long-term debt (Notes 3 and 4)	\$ 42,076	\$ 40,229
Accounts payable	369,260	348,680
Accrued expenses	875,344	1,063,968
Refundable advances	85,555	23,292
Total current liabilities	1,372,235	1,476,169
Refundable advances	-	55,264
Long-term debt, less current maturities (Notes 3 and 4)	9,124	51,200
Total liabilities	1,381,359	1,582,633
Commitments and Contingencies (Notes 6 and 7)		
Net Assets:		
Unrestricted	3,954,664	3,969,860
Unrestricted - Foundation (Note 4)	817,232	868,137
Unrestricted - designated - Foundation	110,521	-
Total unrestricted	4,882,417	4,837,997
Temporarily restricted (Notes 8 and 9)	561,980	534,588
Temporarily restricted - Foundation (Notes 4 and 8)	518,863	518,863
Total temporarily restricted	1,080,843	1,053,451
Permanently restricted - Foundation (Note 4)	1,825,517	1,593,334
	7,788,777	7,484,782
	\$ 9,170,136	\$ 9,067,415

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 4)	\$ 1,772,517	\$ -	\$ -	\$ 1,772,517
Contributed goods	1,846,100	-	-	1,846,100
United Way	483,215	389,363	-	872,578
Grants	3,732,920	332,288	-	4,065,208
Program service fees, net of contractual discounts of \$35,526	7,357,554	-	-	7,357,554
Contributions from special events, net of direct costs of \$4,041	6,009	-	-	6,009
Interest	35,300	-	-	35,300
Other revenue	2,189	-	-	2,189
Net assets released from restrictions (Note 9):				
United Way funding	408,195	(408,195)	-	-
Other	286,064	(286,064)	-	-
Total support and revenue	15,930,063	27,392	-	15,957,455
Expenses (Note 4):				
Program services:				
Counseling	857,193	-	-	857,193
Family support	3,815,008	-	-	3,815,008
Family and child care	2,747,094	-	-	2,747,094
Senior care	1,004,134	-	-	1,004,134
Home health care	369,565	-	-	369,565
Hospice	3,299,331	-	-	3,299,331
Refugee and migrant assistance	1,500,611	-	-	1,500,611
Thrift stores	691,592	-	-	691,592
Supporting services:				
Management and general, net of management fee reimbursements of \$461,543	1,371,282	-	-	1,371,282
Fundraising	289,449	-	-	289,449
Total expenses	15,945,259	-	-	15,945,259
Change in net assets from operations	(15,196)	27,392	-	12,196
Change in interest in net assets of the Foundation (Note 4)	59,616	-	232,183	291,799
Change in Net Assets	44,420	27,392	232,183	303,995
Net Assets:				
Beginning	4,837,997	1,053,451	1,593,334	7,484,782
Ending	<u>\$ 4,882,417</u>	<u>\$ 1,080,843</u>	<u>\$ 1,825,517</u>	<u>\$ 7,788,777</u>

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 4)	\$ 1,561,199	\$ -	\$ -	\$ 1,561,199
Contributed goods	1,956,040	-	-	1,956,040
United Way	428,645	408,195	-	836,840
Grants	3,793,598	236,764	-	4,030,362
Program service fees, net of contractual discounts of \$257,958	7,858,958	-	-	7,858,958
Contributions from special events, net of direct costs of \$5,333	13,432	-	-	13,432
Interest	39,966	-	-	39,966
Other revenue	7,144	-	-	7,144
Net assets released from restrictions (Note 9):				
United Way funding	429,152	(429,152)	-	-
Other	258,559	(258,559)	-	-
Total support and revenue	16,346,693	(42,752)	-	16,303,941
Expenses (Note 4):				
Program services:				
Counseling	1,053,212	-	-	1,053,212
Family support	4,169,715	-	-	4,169,715
Family and child care	2,745,577	-	-	2,745,577
Senior care	1,098,119	-	-	1,098,119
Home health care	379,846	-	-	379,846
Hospice	3,583,020	-	-	3,583,020
Refugee and migrant assistance	1,187,006	-	-	1,187,006
Thrift stores	515,346	-	-	515,346
Supporting services:				
Management and general, net of management fee reimbursements of \$461,543	1,281,465	-	-	1,281,465
Fundraising	317,575	-	-	317,575
Total expenses	16,330,881	-	-	16,330,881
Change in net assets from operations	15,812	(42,752)	-	(26,940)
Change in interest in net assets of the Foundation (Note 4)	126,295	-	152,972	279,267
Change in Net Assets	142,107	(42,752)	152,972	252,327
Net Assets:				
Beginning	4,695,890	1,096,203	1,440,362	7,232,455
Ending	\$ 4,837,997	\$ 1,053,451	\$ 1,593,334	\$ 7,484,782

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Program and Supporting Services Expenses
Year Ended June 30, 2011**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,590,142	\$ 827,382	\$ 164,078	\$ 6,581,602
Employee benefits	603,361	115,631	17,116	736,108
Payroll taxes	481,799	65,791	13,501	561,091
Total compensation and related expenses	6,675,302	1,008,804	194,695	7,878,801
Assistance to individuals	1,535,988	97	-	1,536,085
Assistance - Care contracts	1,579,553	-	-	1,579,553
Continuing education	54,009	15,531	2,021	71,561
Contributed goods	1,814,273	-	-	1,814,273
Contract services	272,774	23,865	17,310	313,949
Depreciation	260,364	37,977	10,765	309,106
Dues and subscriptions	24,454	5,586	337	30,377
Insurance	20,204	37,101	30	57,335
Occupancy	561,830	59,578	18,158	639,566
Postage	23,198	6,360	4,963	34,521
Printing and public relations	65,925	14,681	28,546	109,152
Professional services	61,252	112,142	2,342	175,736
Rental and maintenance equipment	213,293	2,450	738	216,481
Supplies	548,500	20,437	4,700	573,637
Telephone	173,926	-	2,425	176,351
Mileage reimbursement and other travel	226,994	9,104	1,862	237,960
Miscellaneous	38,481	14,202	169	52,852
Vehicle	77,858	1,252	269	79,379
Volunteer	56,350	2,115	119	58,584
Total	\$ 14,284,528	\$ 1,371,282	\$ 289,449	\$ 15,945,259

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Program and Supporting Services Expenses
Year Ended June 30, 2010**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,546,461	\$ 763,346	\$ 204,953	\$ 6,514,760
Employee benefits	679,534	109,721	18,487	807,742
Payroll taxes	467,534	59,094	16,415	543,043
Total compensation and related expenses	6,693,529	932,161	239,855	7,865,545
Assistance to individuals	1,710,693	-	-	1,710,693
Assistance - Care contracts	1,799,736	-	-	1,799,736
Bad debts	3,500	-	-	3,500
Continuing education	86,930	24,039	2,691	113,660
Contributed goods	1,972,878	-	-	1,972,878
Contract services	248,766	21,114	3,326	273,206
Depreciation	258,913	32,811	6,274	297,998
Dues and subscriptions	13,904	13,892	1,287	29,083
Insurance	18,333	37,093	14	55,440
Occupancy	545,680	56,532	10,545	612,757
Postage	21,304	7,497	6,805	35,606
Printing and public relations	99,968	23,502	21,200	144,670
Professional services	52,124	64,739	18,970	135,833
Rental and maintenance equipment	192,453	2,388	537	195,378
Supplies	535,730	17,074	2,908	555,712
Telephone	110,596	10,971	1,384	122,951
Mileage reimbursement and other travel	216,936	7,628	769	225,333
Miscellaneous	25,970	26,501	438	52,909
Vehicle	86,124	1,405	251	87,780
Volunteer	37,774	2,118	321	40,213
Total	\$ 14,731,841	\$ 1,281,465	\$ 317,575	\$ 16,330,881

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Cash Flows
Years Ended June 30, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ 303,995	\$ 252,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	309,106	297,998
Loss on disposal of assets	8,616	17,506
Change in interest in net assets of the Foundation	(291,799)	(279,267)
(Increase) decrease in operating assets:		
United Way funding for the next fiscal year	18,832	20,957
Inventories	(19,679)	23,063
Grants receivable	11,621	27,677
Accounts receivable	(43,833)	78,776
Prepaid expenses	(4,681)	(4,928)
Related party	(9,403)	(43,069)
Increase (decrease) in operating liabilities:		
Accounts payable	20,580	(24,764)
Accrued expenses	(188,624)	274,887
Refundable advances	6,999	(54,744)
Net cash provided by operating activities	121,730	586,419
Cash Flows from Investing Activities, purchases of property and equipment	(326,185)	(289,797)
Cash Flows from Financing Activities, principal payments on long-term debt	(40,229)	(38,462)
Increase (decrease) in cash and cash equivalents	(244,684)	258,160
Cash and Cash Equivalents:		
Beginning	2,308,186	2,050,026
Ending	\$ 2,063,502	\$ 2,308,186
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	\$ 3,293	\$ 5,060

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Catholic Charities of Northeast Kansas, Inc. and Subsidiary (collectively, “the Organization”) is a health and social service agency providing services for people of all faiths in 21 counties of northeast Kansas.

The Organization is supported by Catholic Charities Foundation of Northeast Kansas, Inc. (the Foundation). The accompanying financial statements include the Organization’s interest in the net assets of the Foundation. The Foundation was established to support the Organization. The Organization provides management services to the Foundation under a management agreement. Grants are made annually to the Organization as determined by the Foundation’s Board of Trustees.

The following is a summary of the Organization’s significant accounting policies:

Principles of consolidation: The consolidated financial statements include the accounts of Catholic Charities of Northeast Kansas, Inc. and its wholly owned subsidiary, Catholic Neighborhood Outreach, Inc. All significant interagency transactions and accounts are eliminated in consolidation.

Basis of presentation: The Organization classifies its net assets for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. The Organization may designate portions of its unrestricted net assets as board-designated for various purposes.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that expire neither by the passage of time nor by actions of the Organization.

Contributions: Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, building, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the asset is donated or as assets are acquired.

Gifts of materials and property are recorded as contributions at their estimated fair value at the date of donation. Such gifts are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional pledges at June 30, 2011 and 2010.

Net program service fees: Net program service fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered and are reported at the estimated net realizable amounts. A summary of the payment arrangements with major third-party payors follows:

Medicare – Services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Medicaid – Services rendered to Medicaid program beneficiaries are reimbursed under a predetermined reimbursement fee.

The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge and discounts from established rates.

At times, the Organization provides medical care without charge, or at a reduced cost, to residents of its community, primarily through (1) services provided at no charge to the uninsured, and (2) no charge for the difference between public program payments (primarily Medicare and Medicaid) and the related costs of providing such services.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand or deposits of all highly liquid investments that are unrestricted with an initial maturity of three months or less.

Promises to give: Pledges receivable are recognized as contributions revenue in the period that the unconditional promise to give is made and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. No allowance has been recorded on the books, as pledges receivable are expected to be collected in full. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Accounts receivable: Program fee receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. The Organization does not charge interest on past due program receivables. The Organization has elected the "reserve method" of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account and the bad debt expense is determined by adjusting the balance in the allowance account to a reserve determined by management based on a review of the accounts, along with an analysis of historical losses and recoveries. Receivables are written off when deemed uncollectible by management. Uncollected accounts amounting to approximately \$48,000 and \$30,000 were written off against the existing allowance during the years ending June 30, 2011 and 2010, respectively.

Interest in net assets of the Catholic Charities Foundation of Northeast Kansas: The Interest in net assets held by Catholic Charities Foundation of Northeast Kansas is recorded similar to the equity method of accounting.

Property and equipment: Acquisitions of property and equipment are capitalized at cost. Major improvements or additions to these items are capitalized, while minor improvements and maintenance are charged against current operations. In accordance with grant awards, the Kansas Department of Transportation has a lien against certain vehicles owned by the Organization, whereby those vehicles will revert to the Kansas Department of Transportation in the event the program is discontinued. Depreciation is provided using the straight-line method over the shorter of the useful lives of the assets or the lease term. The estimated useful lives of the assets are:

	Years
Building	40
Furniture and equipment	5-10
Building and leasehold improvements	10-20
Vehicles	5

Grant revenue and refundable advances: Grants are recorded as revenue when the related services or requirements have been performed.

Refundable advances include grants where cash has been received in advance of related expenditures.

Functional allocation of expenses: The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statement of program and supporting services. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income tax status: Catholic Charities of Northeast Kansas, Inc. and Subsidiary are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(c)(2)(B) and has been classified as an organization that is not a private foundation. Uncertain tax positions, if any, are recorded in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2011 or 2010.

Forms 990 filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state and local tax authorities for years 2007 and prior.

Fundraising costs: Fundraising costs are expensed as incurred and are included as supporting services on the statement of activities.

Concentration of credit risk: The Organization occasionally maintains cash balances in excess of federally insured amounts. Management believes that the risk of loss is minimal due to the strength of the institutions.

Primarily all of the Organization's patients and program recipients reside in the northeastern region of Kansas. A majority of the billings associated with the health care services provided are submitted to third-party insurers and Medicare. Total revenues recognized by program services, less discounts, comprised approximately 46% and 48% of the Organization's revenue sources for the years ended June 30, 2011 and 2010, respectively.

Note 2. Promises to Give and Grants Receivable

The amount due from the United Way pledges and grants receivable consists of the following as of June 30, 2011 and 2010:

	2011	2010
United Way allocation for the next fiscal year:		
General allocation	\$ 218,407	\$ 215,369
Donor designations	170,956	192,826
	<u>389,363</u>	<u>408,195</u>
Grants receivable	20,879	32,500
	<u>\$ 410,242</u>	<u>\$ 440,695</u>

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Long-Term Debt

Long-term debt consists of the following as of June 30, 2011 and 2010:

	2011	2010
Note payable to Archdiocese of Kansas City in Kansas; unsecured, due in monthly installments, including interest at 4.5%, through September 2012	\$ 51,200	\$ 91,429
Less current maturities	42,076	40,229
	<u>\$ 9,124</u>	<u>\$ 51,200</u>

Aggregate maturities required on long-term debt at June 30, 2011 are due in future years as follows:

Year Ending June 30,	
2012	\$ 42,076
2013	9,124
	<u>\$ 51,200</u>

Note 4. Related Parties

The members of the Organization are the Archbishop, the Chancellor, and all Vicars General of the Archdiocese of Kansas City in Kansas.

Included in contributions are contributions from individuals received through the Archbishop's Annual Appeal, amounting to \$435,000 for the years ended June 30, 2011 and 2010, and through church Christmas collections, amounting to \$525,594 and \$440,735 for the years ended June 30, 2011 and 2010, respectively.

The Organization paid the Archdiocese of Kansas City in Kansas premium expense for dental, health and life insurance of \$605,917 and \$549,096 for the years ended June 30, 2011 and 2010, respectively. The Organization owed \$51,200 and \$91,429 under uncollateralized note agreements at June 30, 2011 and 2010, respectively. Interest expense incurred on the note for the years ended June 30, 2011 and 2010 was \$3,293 and \$5,060, respectively.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Related Parties (Continued)

As noted in Note 1, the Organization is supported by Catholic Charities Foundation of Northeast Kansas, Inc. (the Foundation). Grant revenue from the Foundation was \$1,450,338 and \$1,311,032 for the years ended June 30, 2011 and 2010, respectively. The Organization also had receivables of \$143,786 and \$134,383 recorded for amounts due from the Foundation as of June 30, 2011 and 2010, respectively. Condensed financial data of the Foundation as of and for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Assets:		
Cash	\$ 419,824	\$ 647,554
Other current assets	84,853	127,423
Investments, at fair value	2,944,873	2,361,464
	<u>\$ 3,449,550</u>	<u>\$ 3,136,441</u>
Total liabilities	<u>\$ 177,417</u>	<u>\$ 156,107</u>
Net assets:		
Unrestricted	817,232	868,137
Unrestricted - designated	110,521	-
Temporarily restricted	518,863	518,863
Permanently restricted	1,825,517	1,593,334
	<u>3,272,133</u>	<u>2,980,334</u>
	<u>\$ 3,449,550</u>	<u>\$ 3,136,441</u>
Contributions and contributed goods	1,822,426	1,876,365
Investment income	15,720	89,720
Change in value of split interest agreement	440,548	86,372
Other revenue	5,916	35,138
Operating expenses	(1,992,811)	(1,808,328)
Change in net assets	<u>\$ 291,799</u>	<u>\$ 279,267</u>

The temporarily restricted net assets are restricted for program support and educational loans to employees. The income on the permanently restricted net assets is unrestricted.

Note 5. Retirement Plan

The Organization has a defined contribution plan for all full-time employees with at least three years of service. Under the plan, the Organization may elect to make discretionary contributions up to 5% of the eligible employee's salary to an insurance company to be invested in a tax-sheltered annuity. Employees are eligible to make voluntary contributions up to certain amounts as stated in the plan document. Retirement contributions for the years ended June 30, 2011 and 2010 amounted to \$126,347 and \$232,431, respectively.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Lease Commitments and Expense

The Organization leases offices for its programs and administrative services under lease agreements that expire at various times through September 30, 2020. The Organization is responsible under certain of the agreements for maintenance, insurance and taxes.

Rental expense related to these lease commitments for the years ended June 30, 2011 and 2010 totaled \$388,059 and \$341,995, respectively. The amounts include approximately \$50,000 in annual rentals to other organizations of the Archdiocese of Kansas City in Kansas under month-to-month lease arrangements.

Following is a schedule of future minimum annual rental commitments required under the operating leases at June 30, 2011:

Year Ending June 30,	
2012	\$ 265,231
2013	275,907
2014	271,335
2015	250,578
2016	253,998
Thereafter	635,562
	<u>\$ 1,952,611</u>

Note 7. Contingencies

The Organization receives certain revenue from government grants and contracts. These grants and contracts are subject to audit by the grantor agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government and, until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. The Organization believes that no liability will result from such audits.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2011 and 2010:

	2011	2010
Time restrictions:		
Time restriction on promises to give	\$ 413,432	\$ 408,195
Restrictions as to use:		
Program support	667,411	645,256
Total temporarily restricted net assets	<u>\$ 1,080,843</u>	<u>\$ 1,053,451</u>

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Notes to Consolidated Financial Statements

Note 9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors during 2011 and 2010.

	2011	2010
Time restrictions on promises to give	\$ 408,195	\$ 429,152
Program support and general operations	286,064	258,559
	<u>\$ 694,259</u>	<u>\$ 687,711</u>

Note 10. Malpractice Claims

The Organization purchases professional and general liability insurance to cover malpractice claims with no deductible, and no claim limitation.

Note 11. Recently Issued Accounting Pronouncements

The following accounting standards, issued but not yet effective, may affect future financial reporting by the Organization:

In August 2010 Accounting Standards Update (ASU) 2010-23, *Measuring Charity Care for Disclosure*, was issued. ASU 2010-23 is effective for fiscal year ending June 30, 2012. ASU addresses the diversity in the accounting for charity care disclosures, which some entities determine on the basis of a cost measurement, while others use a revenue measurement. ASU 2010-23 requires that the measurement of charity care for disclosure purposes be based on the direct and indirect costs of providing the charity care. Management is evaluating the impact this ASU may have on the financial statements.

In August 2010 ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, was issued. ASU 2010-24 is effective for fiscal year ending June 30, 2012. ASU 2010-24 addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by health care entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The ASU clarifies that a health care entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. Management is evaluating the impact this ASU may have on the financial statements.

In July 2011, ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the allowance for Doubtful Accounts for Certain Health Care Entities*, was issued. ASU 2011-07 is effective for the fiscal year ending June 30, 2013. The ASU requires certain health care entities to change the presentation in their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. Management is evaluating the impact this ASU may have on the financial statements.

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Note 12. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 14, 2011, which is the date the financial statements were available to be issued.