

**Catholic Charities of Northeast
Kansas, Inc. and Subsidiary**

Consolidated Financial Report
June 30, 2012

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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, 2012 and 2011 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, 2012 and 2011 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 LLP

Kansas City, Missouri
October 4, 2012

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statements of Financial Position
June 30, 2012 and 2011**

Assets	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 1,425,152	\$ 2,063,502
Promises to give – United Way funding for the next fiscal year (Note 2)	370,575	389,363
Grants receivable (Note 2)	19,445	20,879
Accounts receivable:		
Program fees, less allowance for doubtful accounts of \$40,309 and \$77,572	875,937	686,659
Inventories	94,565	92,004
Due from related parties (Note 4)	247,350	143,786
Prepaid expense	40,107	36,520
Total current assets	3,073,131	3,432,713
Interest in Net Assets of the Catholic Charities Foundation of Northeast Kansas (Notes 1 and 4)	3,156,357	3,272,133
Property and Equipment:		
Land	127,972	113,972
Building	1,140,995	1,132,618
Furniture and equipment	858,758	1,066,752
Building and leasehold improvements	1,734,006	2,397,124
Vehicles	365,325	368,009
Art and collectibles	4,224	4,224
	4,231,280	5,082,699
Less: Accumulated depreciation and amortization	2,133,100	2,617,409
	2,098,180	2,465,290
	\$ 8,327,668	\$ 9,170,136

(Continued)

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Consolidated Statements of Financial Position (Continued)
June 30, 2012 and 2011

Liabilities and Net Assets	2012	2011
Current Liabilities:		
Current maturities of long-term debt (Notes 3 and 4)	\$ -	\$ 42,076
Accounts payable	310,597	369,260
Accrued expenses	699,960	875,344
Refundable advances	141,028	85,555
Total current liabilities	1,151,585	1,372,235
Long-term debt, less current maturities (Notes 3 and 4)	-	9,124
Total liabilities	1,151,585	1,381,359
Commitments and Contingencies (Notes 6 and 7)		
Net Assets:		
Unrestricted	3,392,407	3,954,664
Unrestricted - Foundation (Note 4)	724,310	817,232
Unrestricted - designated - Foundation	209,316	110,521
Total unrestricted	4,326,033	4,882,417
Temporarily restricted (Notes 8 and 9)	627,319	561,980
Temporarily restricted - Foundation (Notes 4 and 8)	518,863	518,863
Total temporarily restricted	1,146,182	1,080,843
Permanently restricted - Foundation (Note 4)	1,703,868	1,825,517
	7,176,083	7,788,777
	\$ 8,327,668	\$ 9,170,136

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 4)	\$ 1,769,149	\$ -	\$ -	\$ 1,769,149
Contributed goods	2,319,392	-	-	2,319,392
United Way	480,032	370,575	-	850,607
Grants	3,978,054	486,514	-	4,464,568
Program service fees, net of contractual discounts of \$18,730	7,203,713	-	-	7,203,713
Contributions from special events, net of direct costs of \$5,293	6,484	-	-	6,484
Interest	23,208	-	-	23,208
Other revenue	3,320	-	-	3,320
Net assets released from restrictions (Note 9):				
United Way funding	389,363	(389,363)	-	-
Other	402,387	(402,387)	-	-
Total support and revenue	16,575,102	65,339	-	16,640,441
Expenses (Note 4):				
Program services:				
Counseling	742,914	-	-	742,914
Family support	4,048,336	-	-	4,048,336
Family and child care	2,897,357	-	-	2,897,357
Senior care	979,427	-	-	979,427
Home health care	389,186	-	-	389,186
Hospice	3,488,577	-	-	3,488,577
Refugee and migrant assistance	1,799,264	-	-	1,799,264
Thrift stores	723,445	-	-	723,445
Supporting services:				
Management and general, net of management fee reimbursements of \$489,599	1,496,956	-	-	1,496,956
Fundraising	296,094	-	-	296,094
Total expenses	16,861,556	-	-	16,861,556
Change in net assets from operations	(286,454)	65,339	-	(221,115)
Loss on disposal of property and equipment	(275,803)	-	-	(275,803)
Change in interest in net assets of the Foundation (Note 4)	5,873	-	(121,649)	(115,776)
Change in Net Assets	(556,384)	65,339	(121,649)	(612,694)
Net Assets:				
Beginning	4,882,417	1,080,843	1,825,517	7,788,777
Ending	<u>\$ 4,326,033</u>	<u>\$ 1,146,182</u>	<u>\$ 1,703,868</u>	<u>\$ 7,176,083</u>

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 \$506,881	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	\$ 4,882,417	\$ 1,080,843	\$ 1,825,517	\$ 7,788,777

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, 2012**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,968,385	\$ 899,063	\$ 162,110	\$ 7,029,558
Employee benefits	712,192	112,202	18,207	842,601
Payroll taxes	519,141	71,521	13,349	604,011
Total compensation and related expenses	7,199,718	1,082,786	193,666	8,476,170
Assistance to individuals	1,305,903	-	-	1,305,903
Assistance - Care contracts	1,723,301	-	-	1,723,301
Continuing education	47,726	17,221	1,485	66,432
Contributed goods	2,301,488	2,271	-	2,303,759
Contract services	280,739	35,986	10,089	326,814
Depreciation	250,718	60,162	11,713	322,593
Dues and subscriptions	33,764	15,115	2,221	51,100
Insurance	22,746	38,675	77	61,498
Occupancy	560,380	88,493	16,417	665,290
Postage	26,599	5,039	9,192	40,830
Printing and public relations	68,229	9,689	36,324	114,242
Professional services	29,411	68,598	2,954	100,963
Rental and maintenance equipment	154,782	2,969	845	158,596
Supplies	490,085	28,332	3,301	521,718
Telephone	166,763	18,943	2,763	188,469
Mileage reimbursement and other travel	247,205	7,807	3,232	258,244
Miscellaneous	25,889	8,756	28	34,673
Vehicle	94,706	3,483	1,523	99,712
Volunteer	38,354	2,631	264	41,249
Total	\$ 15,068,506	\$ 1,496,956	\$ 296,094	\$ 16,861,556

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 Cash Flows
Years Ended June 30, 2012 and 2011**

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ (612,694)	\$ 303,995
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	322,593	309,106
Loss on disposal of assets	275,803	8,616
Change in interest in net assets of the Foundation	115,776	(291,799)
(Increase) decrease in operating assets:		
United Way funding for the next fiscal year	18,788	18,832
Inventories	(2,561)	(19,679)
Grants receivable	1,434	11,621
Accounts receivable	(189,278)	(43,833)
Prepaid expenses	(3,587)	(4,681)
Related party	(103,564)	(9,403)
Increase (decrease) in operating liabilities:		
Accounts payable	(58,663)	20,580
Accrued expenses	(175,384)	(188,624)
Refundable advances	55,473	6,999
Net cash provided by (used in) operating activities	(355,864)	121,730
Cash Flows from Investing Activities, purchases of property and equipment	(231,286)	(326,185)
Cash Flows from Financing Activities, principal payments on long-term debt	(51,200)	(40,229)
(Decrease) in cash and cash equivalents	(638,350)	(244,684)
Cash and Cash Equivalents:		
Beginning	2,063,502	2,308,186
Ending	\$ 1,425,152	\$ 2,063,502
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	\$ -	\$ 3,293

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, 2012 and 2011.

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 \$37,487 and \$48,000 were written off against the existing allowance during the years ending June 30, 2012 and 2011, 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

Property and equipment with a net book value of \$275,803 was disposed during fiscal year ending June 30, 2012. Included in this disposal was property and equipment with a net book value of \$265,088 associated with a realignment of programs.

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, 2012 or 2011.

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 2008 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 43% and 46% of the Organization's revenue sources for the years ended June 30, 2012 and 2011, 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, 2012 and 2011:

	2012	2011
United Way allocation for the next fiscal year:		
General allocation	\$ 138,370	\$ 218,407
Donor designations	232,205	170,956
	<u>370,575</u>	<u>389,363</u>
Grants receivable	19,445	20,879
	<u>\$ 390,020</u>	<u>\$ 410,242</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:

	2011
Note payable to Archdiocese of Kansas City in Kansas	\$ 51,200
Less current maturities	42,076
	<u>\$ 9,124</u>

The Organization paid off the note payable during the year ending June 30, 2012.

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 \$385,000 and \$435,000 for the years ended June 30, 2012 and 2011, respectively, and through church Christmas collections, amounting to \$465,528 and \$525,594 for the years ended June 30, 2012 and 2011, respectively.

The Organization paid the Archdiocese of Kansas City in Kansas premium expense for dental, health and life insurance of \$633,424 and \$605,917 for the years ended June 30, 2012 and 2011, respectively. The Organization owed \$0 and \$51,200 under uncollateralized note agreements at June 30, 2012 and 2011, respectively. Interest expense incurred on the note for the years ended June 30, 2012 and 2011 was \$0 and \$3,293, 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 \$1,560,790 and \$1,450,338 for the years ended June 30, 2012 and 2011, respectively. The Organization also had receivables of \$247,350 and \$143,786 recorded for amounts due from the Foundation as of June 30, 2012 and 2011, respectively. Condensed financial data of the Foundation as of and for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Assets:		
Cash	\$ 541,426	\$ 419,824
Other current assets	21,213	84,853
Investments, at fair value	2,871,739	2,944,873
	<u>\$ 3,434,378</u>	<u>\$ 3,449,550</u>
Total liabilities	<u>\$ 278,021</u>	<u>\$ 177,417</u>
Net assets:		
Unrestricted	724,310	817,232
Unrestricted - designated	209,316	110,521
Temporarily restricted	518,863	518,863
Permanently restricted	1,703,868	1,825,517
	<u>3,156,357</u>	<u>3,272,133</u>
	<u>\$ 3,434,378</u>	<u>\$ 3,449,550</u>
Contributions and contributed goods	2,038,345	1,822,426
Investment income	9,793	15,720
Change in value of split interest agreement	(73,004)	440,548
Other revenue	229	5,916
Operating expenses	(2,091,139)	(1,992,811)
Change in net assets	<u>\$ (115,776)</u>	<u>\$ 291,799</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, 2012 and 2011 amounted to \$135,113 and \$126,347, 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, 2012 and 2011 totaled \$387,071 and \$388,059, 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, 2012:

Year Ending June 30,	
2013	\$ 273,085
2014	271,335
2015	250,578
2016	253,998
2017	253,998
Thereafter	496,194
	<u>\$ 1,799,188</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, 2012 and 2011:

	2012	2011
Time restrictions:		
Time restriction on promises to give	\$ 370,574	\$ 413,432
Restrictions as to use:		
Program support	256,745	667,411
Total temporarily restricted net assets	<u>\$ 627,319</u>	<u>\$ 1,080,843</u>

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

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 2012 and 2011.

	2012	2011
Time restrictions on promises to give	\$ 389,363	\$ 408,195
Program support and general operations	402,387	286,064
	<u>\$ 791,750</u>	<u>\$ 694,259</u>

Note 10. Malpractice Claims

The Organization purchases professional and general liability insurance to cover malpractice claims with no deductible and a claim limitation of \$10,000,000.

Note 11. Recently Issued Accounting Pronouncements

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

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.

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The adoption of this guidance will expand the existing disclosure requirements but will not have an impact on the Organization's financial position, results of operations or cash flows.

Note 12. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 4, 2012, which is the date the financial statements were available to be issued.