

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

Consolidated Financial Report
June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of Northeast Kansas, Inc. and Subsidiary (collectively, "the Organization") which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Northeast Kansas, Inc. and Subsidiary as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Kansas City, Missouri
October 3, 2013

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statements of Financial Position
June 30, 2013 and 2012**

Assets	2013	2012
Current Assets:		
Cash and cash equivalents	\$ 1,606,505	\$ 1,425,152
Promises to give – United Way funding for the next fiscal year (Note 2)	361,808	370,575
Grants receivable (Note 2)	140,850	19,445
Accounts receivable:		
Program fees, less allowance for doubtful accounts of \$73,264 and \$40,309	828,570	875,937
Inventories	102,879	94,565
Due from related parties (Note 3)	327,531	247,350
Prepaid expense	64,749	40,107
Total current assets	3,432,892	3,073,131
Interest in Net Assets of the Catholic Charities Foundation of Northeast Kansas (Notes 1 and 3)	3,911,536	3,156,357
Property and Equipment:		
Land	113,972	127,972
Building	1,177,547	1,140,995
Furniture and equipment	851,833	858,758
Building and leasehold improvements	1,811,544	1,734,006
Vehicles	383,318	365,325
Art and collectibles	4,244	4,224
	4,342,458	4,231,280
Less: Accumulated depreciation and amortization	2,287,344	2,133,100
	2,055,114	2,098,180
	\$ 9,399,542	\$ 8,327,668

(Continued)

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statements of Financial Position (Continued)
June 30, 2013 and 2012**

Liabilities and Net Assets	2013	2012
Current Liabilities:		
Accounts payable	\$ 453,843	\$ 310,597
Accrued expenses	684,747	699,960
Refundable advances	137,296	141,028
Total liabilities	1,275,886	1,151,585
Commitments and Contingencies (Notes 5 and 6)		
Net Assets:		
Unrestricted	3,534,444	3,392,407
Unrestricted - Foundation (Note 3)	1,412,013	724,310
Unrestricted - designated - Foundation	193,668	209,316
Total unrestricted	5,140,125	4,326,033
Temporarily restricted (Notes 7 and 8)	677,676	627,319
Temporarily restricted - Foundation (Notes 3 and 8)	518,863	518,863
Total temporarily restricted	1,196,539	1,146,182
Permanently restricted - Foundation (Note 3)	1,786,992	1,703,868
	8,123,656	7,176,083
	\$ 9,399,542	\$ 8,327,668

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 3)	\$ 1,537,366	\$ -	\$ -	\$ 1,537,366
Contributed goods	2,732,106	-	-	2,732,106
United Way	436,223	361,808	-	798,031
Grants	3,586,442	472,368	-	4,058,810
Program service fees, net of contractual discounts of \$3,705 and bad debt expense of \$58,500	7,564,319	-	-	7,564,319
Contributions from special events, net of direct costs of \$5,439	5,437	-	-	5,437
Interest	8,572	-	-	8,572
Other revenue	19,951	-	-	19,951
Net assets released from restrictions (Note 8):				
United Way funding	370,575	(370,575)	-	-
Other	413,244	(413,244)	-	-
Total support and revenue	16,674,235	50,357	-	16,724,592
Expenses (Note 4):				
Program services:				
Family support	4,839,315	-	-	4,839,315
Family and child care	2,580,871	-	-	2,580,871
Senior care	1,003,024	-	-	1,003,024
Home health care	3,663	-	-	3,663
Hospice	4,064,005	-	-	4,064,005
Refugee and migrant assistance	1,399,984	-	-	1,399,984
Thrift stores	722,790	-	-	722,790
Supporting services:				
Management and general, net of management fee reimbursements of \$526,154	1,644,964	-	-	1,644,964
Fundraising	273,582	-	-	273,582
Total expenses	16,532,198	-	-	16,532,198
Change in net assets from operations	142,037	50,357	-	192,394
Change in interest in net assets of the Foundation (Note 3)	672,055	-	83,124	755,179
Change in net assets	814,092	50,357	83,124	947,573
Net Assets:				
Beginning	4,326,033	1,146,182	1,703,868	7,176,083
Ending	\$ 5,140,125	\$ 1,196,539	\$ 1,786,992	\$ 8,123,656

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 3)	\$ 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 and bad debt expense of \$0	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 8):				
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 3)	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>

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Program and Supporting Services Expenses
Year Ended June 30, 2013**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,189,179	\$ 940,991	\$ 135,682	\$ 6,265,852
Employee benefits	630,068	126,496	19,372	775,936
Payroll taxes	455,562	73,988	11,329	540,879
Total compensation and related expenses	6,274,809	1,141,475	166,383	7,582,667
Assistance to individuals	1,331,552	-	-	1,331,552
Assistance - Care contracts	1,802,715	-	-	1,802,715
Continuing education	54,682	14,418	376	69,476
Contributed goods	2,723,468	-	-	2,723,468
Contract services	256,338	59,752	8,232	324,322
Depreciation	214,950	42,132	11,132	268,214
Dues and subscriptions	22,029	15,963	1,445	39,437
Insurance	15,449	37,719	51	53,219
Occupancy	556,454	66,951	17,639	641,044
Postage	30,724	4,602	11,487	46,813
Printing and public relations	124,190	7,325	42,365	173,880
Professional services	64,455	189,373	191	254,019
Rental and maintenance equipment	157,510	3,029	859	161,398
Supplies	481,391	17,103	2,235	500,729
Telephone	149,378	20,471	3,774	173,623
Mileage reimbursement and other travel	221,839	4,517	1,658	228,014
Miscellaneous	27,894	15,242	4,570	47,706
Vehicle	55,473	4,214	1,142	60,829
Volunteer	48,352	678	43	49,073
Total	\$ 14,613,652	\$ 1,644,964	\$ 273,582	\$ 16,532,198

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 Statements of Cash Flows
Years Ended June 30, 2013 and 2012**

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ 947,573	\$ (612,694)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	268,214	322,593
Loss on disposal of assets	26,980	275,803
Change in interest in net assets of the Foundation	(755,179)	115,776
(Increase) decrease in operating assets:		
United Way funding for the next fiscal year	8,767	18,788
Inventories	(8,314)	(2,561)
Grants receivable	(121,405)	1,434
Accounts receivable	47,367	(189,278)
Prepaid expenses	(24,642)	(3,587)
Related party	(80,181)	(103,564)
Increase (decrease) in operating liabilities:		
Accounts payable	143,246	(58,663)
Accrued expenses	(15,213)	(175,384)
Refundable advances	(3,732)	55,473
Net cash provided by (used in) operating activities	433,481	(355,864)
Cash Flows from Investing Activities, purchases of property and equipment	(252,128)	(231,286)
Cash Flows from Financing Activities, principal payments on long-term debt	-	(51,200)
Increase (decrease) in cash and cash equivalents	181,353	(638,350)
Cash and Cash Equivalents:		
Beginning	1,425,152	2,063,502
Ending	\$ 1,606,505	\$ 1,425,152

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, 2013 and 2012.

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 and net patient service revenue: 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.

Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. The Organization does not charge interest on patient receivables. Patient receivables are written off as provision for bad debt when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for bad debt when received.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of the provision for bad debts.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

Uncollected accounts amounting to approximately \$25,546 and \$37,487 were written off against the existing allowance during the years ending June 30, 2013 and 2012, 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

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

Property and equipment with a net book value of \$275,803 was disposed of during the 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.

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, 2013 or 2012.

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 2009 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 45% and 43% of the Organization's revenue sources for the years ended June 30, 2013 and 2012, respectively.

Implemented accounting pronouncements: In 2012, the Organization adopted FASB Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU requires the Organization to present the provisions for bad debts associated with patient service revenue as a deduction from patient service revenue. The adoption of this ASU changed where the provision for bad debts was presented within the consolidated statement of activities and the consolidated statement of program and supporting services expenses; however, it did not affect the overall change in net assets. All periods presented in these consolidated financial statements and notes to the consolidated financial statements have been reclassified in accordance with the guidance.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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, 2013 and 2012:

	2013	2012
United Way allocation for the next fiscal year:		
General allocation	\$ 138,217	\$ 138,370
Donor designations	223,591	232,205
	<u>361,808</u>	370,575
 Grants receivable	 140,850	 19,445
	<u>\$ 502,658</u>	<u>\$ 390,020</u>

Note 3. 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 \$420,000 and \$385,000 for the years ended June 30, 2013 and 2012, respectively, and through church Christmas collections, amounting to \$521,735 and \$465,528 for the years ended June 30, 2013 and 2012, respectively.

The Organization paid the Archdiocese of Kansas City in Kansas premium expense for dental, health and life insurance of \$556,765 and \$633,424 for the years ended June 30, 2013 and 2012, respectively.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Related Parties (Continued)

As described in Note 1, the Organization is supported by Catholic Charities Foundation of Northeast Kansas, Inc. (the Foundation). Grant revenue from the Foundation was \$1,311,999 and \$1,560,790 for the years ended June 30, 2013 and 2012, respectively. The Organization also had receivables of \$327,531 and \$247,350 recorded for amounts due from the Foundation as of June 30, 2013 and 2012, respectively. Condensed financial data of the Foundation as of and for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Assets:		
Cash	\$ 1,249,814	\$ 541,426
Other current assets	38,100	21,213
Investments, at fair value	2,990,813	2,871,739
	<u>\$ 4,278,727</u>	<u>\$ 3,434,378</u>
Total liabilities	<u>\$ 367,191</u>	<u>\$ 278,021</u>
Net assets:		
Unrestricted	1,412,013	724,310
Unrestricted - designated	193,668	209,316
Temporarily restricted	518,863	518,863
Permanently restricted	1,786,992	1,703,868
	<u>3,911,536</u>	<u>3,156,357</u>
	<u>\$ 4,278,727</u>	<u>\$ 3,434,378</u>
Contributions and contributed goods	2,380,390	2,038,345
Investment income	5,234	9,793
Change in value of split interest agreement	235,897	(73,004)
Other revenue	5,763	229
Operating expenses	(1,872,105)	(2,091,139)
Change in net assets	<u>\$ 755,179</u>	<u>\$ (115,776)</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 4. 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, 2013 and 2012 amounted to \$158,241 and \$135,113, respectively.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. 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, 2013 and 2012 totaled \$417,653 and \$387,071, 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, 2013:

Year Ending June 30,	
2014	\$ 272,335
2015	250,778
2016	253,998
2017	253,998
2018	178,441
Thereafter	317,753
	<u>\$ 1,527,303</u>

Note 6. 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 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2013 and 2012:

	2013	2012
Time restrictions:		
Time restriction on promises to give	\$ 361,808	\$ 370,574
Restrictions as to use:		
Program support	315,868	256,745
Total temporarily restricted net assets	<u>\$ 677,676</u>	<u>\$ 627,319</u>

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Notes to Consolidated Financial Statements

Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors during 2013 and 2012.

	2013	2012
Time restrictions on promises to give	\$ 370,575	\$ 389,363
Program support and general operations	413,244	402,387
	<u>\$ 783,819</u>	<u>\$ 791,750</u>

Note 9. 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, which the Organization has not exceeded during the years ending June 30, 2013, 2012 or 2011.

Note 10. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 3, 2013, which is the date the financial statements were available to be issued.