

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Consolidated Financial Report
June 30, 2015

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Independent Auditor's Report

To the Audit Committee
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 (the Organization) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, statements of program and supporting services expenses 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 consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2015 and 2014, 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 7, 2015

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statements of Financial Position
June 30, 2015 and 2014**

Assets	2015	2014
Current Assets		
Cash and cash equivalents	\$ 1,998,884	\$ 1,709,240
Promises to give—United Way funding for the next fiscal year (Note 2)	415,412	429,148
Grants receivable (Note 2)	184,591	157,426
Accounts receivable:		
Program fees, less allowance for doubtful accounts of \$50,604 and \$48,619	689,939	733,237
Inventories	190,159	128,659
Due from related parties (Note 3)	287,695	527,001
Prepaid expense	56,063	62,671
Total current assets	3,822,743	3,747,382
Certificates of deposit (Note 1)	250,000	-
Interest in net assets of the Catholic Charities Foundation of Northeast Kansas (Notes 1 and 3)	4,199,515	4,281,186
Property and Equipment:		
Land	113,972	113,972
Building	1,668,866	1,513,028
Furniture and equipment	975,356	891,483
Building and leasehold improvements	1,950,239	1,915,919
Vehicles	369,495	393,763
Art and collectibles	4,244	4,244
	5,082,172	4,832,409
Less: Accumulated depreciation and amortization	2,820,866	2,573,245
	2,261,306	2,259,164
	\$ 10,533,564	\$ 10,287,732

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	2015	2014
Current Liabilities		
Accounts payable	\$ 301,939	\$ 432,406
Accrued expenses	648,661	672,730
Refundable advances	130,930	115,568
Total liabilities	1,081,530	1,220,704

Commitments and Contingencies (Notes 5 and 6)

Net Assets		
Unrestricted	4,340,582	3,972,193
Unrestricted—Foundation (Note 3)	1,467,320	1,549,117
Unrestricted—designated—Foundation	396,504	310,016
Total unrestricted	6,204,406	5,831,326

Temporarily restricted (Notes 7 and 8)	911,937	813,649
Temporarily restricted—Foundation (Notes 3 and 8)	518,863	518,863
Total temporarily restricted	1,430,800	1,332,512

Permanently restricted—Foundation (Note 3)	1,816,828	1,903,190
	9,452,034	9,067,028
	\$ 10,533,564	\$ 10,287,732

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 3)	\$ 1,887,940	\$ 100,000	\$ -	\$ 1,987,940
Contributed goods	6,393,221	-	-	6,393,221
United Way	357,232	415,412	-	772,644
Grants	4,726,017	507,604	-	5,233,621
Program service fees, net of contractual discounts of \$1,271 and bad debt expense of \$64,000	5,758,356	-	-	5,758,356
Contributions from special events, net of direct costs of \$97	403	-	-	403
Interest	14,462	-	-	14,462
Other revenue	2,014	-	-	2,014
Net assets released from restrictions (Note 8):				
United Way funding	429,148	(429,148)	-	-
Other	495,580	(495,580)	-	-
Total support and revenue	20,064,373	98,288	-	20,162,661
Expenses (Note 4):				
Program services:				
Family support	9,746,704	-	-	9,746,704
Family and child care	807,409	-	-	807,409
Senior care	998,592	-	-	998,592
Hospice	3,889,612	-	-	3,889,612
Refugee and migrant assistance	1,711,019	-	-	1,711,019
Thrift stores	678,801	-	-	678,801
Supporting services:				
Management and general, net of management fee reimbursements of \$472,518	1,326,640	-	-	1,326,640
Fundraising	537,207	-	-	537,207
Total expenses	19,695,984	-	-	19,695,984
Change in net assets from operations	368,389	98,288	-	466,677
Change in interest in net assets of the Foundation (Note 3)	4,691	-	(86,362)	(81,671)
Change in net assets	373,080	98,288	(86,362)	385,006
Net Assets:				
Beginning	5,831,326	1,332,512	1,903,190	9,067,028
Ending	<u>\$ 6,204,406</u>	<u>\$ 1,430,800</u>	<u>\$ 1,816,828</u>	<u>\$ 9,452,034</u>

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions (Note 3)	\$ 1,659,533	\$ -	\$ -	\$ 1,659,533
Contributed goods	3,653,606	-	-	3,653,606
United Way	390,573	429,148	-	819,721
Grants	4,425,975	554,753	-	4,980,728
Program service fees, net of contractual discounts of \$2,078 and bad debt expense of \$6,917	7,148,498	-	-	7,148,498
Contributions from special events, net of direct costs of \$2,727	7,902	-	-	7,902
Interest	12,355	-	-	12,355
Other revenue	3,275	-	-	3,275
Net assets released from restrictions (Note 8):				
United Way funding	361,808	(361,808)	-	-
Other	486,120	(486,120)	-	-
Total support and revenue	18,149,645	135,973	-	18,285,618
Expenses (Note 4):				
Program services:				
Family support	6,363,059	-	-	6,363,059
Family and child care	1,701,956	-	-	1,701,956
Senior care	1,000,923	-	-	1,000,923
Home health care	2,257	-	-	2,257
Hospice	4,479,816	-	-	4,479,816
Refugee and migrant assistance	1,487,525	-	-	1,487,525
Thrift stores	700,032	-	-	700,032
Supporting services:				
Management and general, net of management fee reimbursements of \$567,345	1,555,084	-	-	1,555,084
Fundraising	421,244	-	-	421,244
Total expenses	17,711,896	-	-	17,711,896
Change in net assets from operations	437,749	135,973	-	573,722
Change in interest in net assets of the Foundation (Note 3)	253,452	-	116,198	369,650
Change in net assets	691,201	135,973	116,198	943,372
Net Assets:				
Beginning	5,140,125	1,196,539	1,786,992	8,123,656
Ending	<u>\$ 5,831,326</u>	<u>\$ 1,332,512</u>	<u>\$ 1,903,190</u>	<u>\$ 9,067,028</u>

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, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,193,178	\$ 814,509	\$ 355,610	\$ 6,363,297
Employee benefits	565,935	101,480	30,361	697,776
Payroll taxes	463,967	67,166	32,892	564,025
Total compensation and related expenses	6,223,080	983,155	418,863	7,625,098
Assistance to individuals	1,848,443	475	-	1,848,918
Assistance—Care contracts	957,445	-	-	957,445
Continuing education	18,249	10,561	619	29,429
Contributed goods	6,298,059	-	-	6,298,059
Contract services	305,352	67,914	10,739	384,005
Depreciation	274,480	41,439	9,985	325,904
Dues and subscriptions	22,930	10,264	2,456	35,650
Insurance	22,828	39,454	44	62,326
Occupancy	644,585	76,880	21,335	742,800
Postage	24,962	4,508	1,726	31,196
Printing and public relations	103,521	5,127	47,583	156,231
Professional services	96,193	19,328	246	115,767
Rental and maintenance equipment	120,043	3,104	1,842	124,989
Supplies	388,681	17,951	10,225	416,857
Telephone	138,216	19,818	5,940	163,974
Mileage reimbursement and other travel	195,618	2,574	3,583	201,775
Miscellaneous	40,731	18,583	911	60,225
Vehicle	42,224	4,474	971	47,669
Volunteer	66,497	1,031	139	67,667
Total	\$ 17,832,137	\$ 1,326,640	\$ 537,207	\$ 19,695,984

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, 2014**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 5,170,271	\$ 952,805	\$ 248,797	\$ 6,371,873
Employee benefits	604,506	120,294	25,073	749,873
Payroll taxes	438,135	74,408	20,435	532,978
Total compensation and related expenses	6,212,912	1,147,507	294,305	7,654,724
Assistance to individuals	1,719,314	-	-	1,719,314
Assistance—Care contracts	1,586,883	-	-	1,586,883
Continuing education	48,436	13,239	1,698	63,373
Contributed goods	3,611,554	-	-	3,611,554
Contract services	336,303	40,166	13,326	389,795
Depreciation	244,232	38,547	10,957	293,736
Dues and subscriptions	24,991	15,000	1,539	41,530
Insurance	22,252	38,268	217	60,737
Occupancy	585,474	58,420	19,864	663,758
Postage	25,613	5,103	13,572	44,288
Printing and public relations	193,626	9,114	50,728	253,468
Professional services	65,109	116,500	-	181,609
Rental and maintenance equipment	138,674	2,522	882	142,078
Supplies	437,620	17,672	4,285	459,577
Telephone	143,294	20,006	4,810	168,110
Mileage reimbursement and other travel	207,899	10,878	3,086	221,863
Miscellaneous	22,479	16,004	345	38,828
Vehicle	35,907	5,102	1,468	42,477
Volunteer	72,996	1,036	162	74,194
Total	\$15,735,568	\$ 1,555,084	\$ 421,244	\$ 17,711,896

See Notes to Consolidated Financial Statements.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 385,006	\$ 943,372
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	325,904	293,736
(Gain) loss on disposal of assets	(1,832)	1,916
Change in interest in net assets of the Foundation	81,671	(369,650)
(Increase) decrease in operating assets:		
United Way funding for the next fiscal year	13,736	(67,340)
Inventories	(61,500)	(25,780)
Grants receivable	(27,165)	(16,576)
Accounts receivable	43,298	95,333
Prepaid expenses	6,608	2,078
Related party	239,306	(199,470)
Increase (decrease) in operating liabilities:		
Accounts payable	(130,467)	(21,437)
Accrued expenses	(24,069)	(12,057)
Refundable advances	15,362	(21,688)
Net cash provided by operating activities	865,858	602,437
Cash Flows from Investing Activities		
Purchase of certificates of deposit	(250,000)	-
Purchases of property and equipment	(326,214)	(499,702)
Net cash (used in) investing activities	(576,214)	(499,702)
Increase in cash and cash equivalents	289,644	102,735
Cash and Cash Equivalents:		
Beginning	1,709,240	1,606,505
Ending	<u>\$ 1,998,884</u>	<u>\$ 1,709,240</u>

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 (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, 2015 and 2014.

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.

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.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

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 \$62,016 and \$35,354 were written off against the existing allowance during the years ending June 30, 2015 and 2014, respectively.

Certificates of deposit: Certificates of deposit have original maturities greater than one year and are reported at fair value based on quoted market prices for those or similar investments. The Organization has restricted the certificates of deposit for collateral for the Kansas Loan Pool Project of Northeast Kansas.

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.

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: 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:

	<u>Years</u>
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.

Income tax status: The Organization is 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, 2015 or 2014.

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 2011 and prior.

Fundraising costs: Fundraising costs are expensed as incurred and are included as a component of 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 28 percent and 39 percent of the Organization's revenue sources for the years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014:

	2015	2014
United Way allocation for the next fiscal year:		
General allocation	\$ 200,422	\$ 202,278
Donor designations	214,990	226,870
	<u>415,412</u>	<u>429,148</u>
 Grants receivable	 184,591	 157,426
	<u>\$ 600,003</u>	<u>\$ 586,574</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 \$450,000 and \$420,000 for the years ended June 30, 2015 and 2014, respectively, and through church Christmas collections, amounting to \$501,957 and \$495,793 for the years ended June 30, 2015 and 2014, respectively.

The Organization paid the Archdiocese of Kansas City in Kansas premium expense for dental, health and life insurance of \$557,167 and \$565,368 for the years ended June 30, 2015 and 2014, 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 \$1,869,381 and \$1,561,937 for the years ended June 30, 2015 and 2014, respectively. The Organization also had receivables of \$287,695 and \$527,001 recorded for amounts due from the Foundation as of June 30, 2015 and 2014, respectively. Condensed financial data of the Foundation as of and for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Assets:		
Cash	\$ 1,236,248	\$ 1,517,442
Other current assets	41,514	47,124
Investments, at fair value	3,276,239	3,307,271
	<u>\$ 4,554,001</u>	<u>\$ 4,871,837</u>
 Total liabilities	 <u>\$ 354,486</u>	 <u>\$ 590,651</u>
 Net assets:		
Unrestricted	1,467,320	1,549,117
Unrestricted—designated	396,504	310,016
Temporarily restricted	518,863	518,863
Permanently restricted	1,816,828	1,903,190
	<u>4,199,515</u>	<u>4,281,186</u>
	<u>\$ 4,554,001</u>	<u>\$ 4,871,837</u>
 Contributions and contributed goods	 2,321,452	 2,240,487
Investment income	10,674	9,428
Change in value of split interest agreement	(31,769)	282,171
Other revenue (expense)	(2,505)	5,572
Operating expenses	(2,379,523)	(2,168,008)
Change in net assets	<u>\$ (81,671)</u>	<u>\$ 369,650</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.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 percent 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, 2015 and 2014 amounted to \$118,187 and \$149,862, respectively.

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, 2015 and 2014 totaled \$460,865 and \$422,644, 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, 2015:

Year Ending June 30,

2016	\$	436,645
2017		372,711
2018		224,078
2019		190,907
2020		172,434
Thereafter		29,253
	\$	<u>1,426,028</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.

Catholic Charities of Northeast Kansas, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015 and 2014:

	2015	2014
Time restrictions:		
Time restriction on promises to give	\$ 415,412	\$ 429,149
Restrictions as to use:		
Program support	496,525	384,500
Total temporarily restricted net assets	<u>\$ 911,937</u>	<u>\$ 813,649</u>

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 2015 and 2014.

	2015	2014
Time restrictions on promises to give	\$ 429,148	\$ 361,808
Program support and general operations	495,580	486,120
	<u>\$ 924,728</u>	<u>\$ 847,928</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, 2015, 2014 or 2013.

Note 10. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 7, 2015, which is the date the financial statements were available to be issued.

