

**CATHOLIC LEADERSHIP INSTITUTE**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**CATHOLIC LEADERSHIP INSTITUTE  
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YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Leadership Institute  
Wayne, Pennsylvania

We have audited the accompanying financial statements of Catholic Leadership Institute (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

Board of Directors  
Catholic Leadership Institute

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Leadership Institute as of June 30, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter Regarding Correction of Error***

As described in Note 8 to the financial statements, Catholic Leadership Institute has restated net assets as of July 1, 2015 to reverse the recognition of planned giving revenue that was based on a conditional pledge that did not meet the criteria for recognition in the financial statements under generally accepted accounting principles in the United States. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
September 29, 2016

**CATHOLIC LEADERSHIP INSTITUTE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 730,786
Accounts Receivable, Net	174,678
Pledges Receivable, Net	726,990
Grants Receivable	75,000
Prepaid Expenses	39,883
Total Current Assets	1,747,337

**PLEDGES RECEIVABLE**

1,264,331

**EQUIPMENT**

8,126

Total Assets

\$ 3,019,794

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Notes Payable	\$ 30,000
Accounts Payable	59,492
Accrued Expenses	164,330
Deferred Revenue	160,350
Total Current Liabilities	414,172

**NET ASSETS**

Unrestricted	126,717
Temporarily Restricted	2,478,905
Total Net Assets	2,605,622

Total Liabilities and Net Assets

\$ 3,019,794

**CATHOLIC LEADERSHIP INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Participant Fees	\$ 3,336,697	\$ -	\$ 3,336,697
Contributions	679,644	2,003,701	2,683,345
Investment Income (Loss)	(344)	-	(344)
Net Assets Released From Restrictions	<u>2,014,008</u>	<u>(2,014,008)</u>	<u>-</u>
Total Support and Revenue	6,030,005	(10,307)	6,019,698
 <b>EXPENSES</b>			
Program Services	3,971,192	-	3,971,192
Management and General	644,754	-	644,754
Fundraising	<u>1,218,974</u>	<u>-</u>	<u>1,218,974</u>
Total Expenses	<u>5,834,920</u>	<u>-</u>	<u>5,834,920</u>
 <b>CHANGE IN NET ASSETS</b>	195,085	(10,307)	184,778
Net Assets (Deficit) - Beginning of Year, as Restated	<u>(68,368)</u>	<u>2,489,212</u>	<u>2,420,844</u>
 <b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 126,717</u></u>	<u><u>\$ 2,478,905</u></u>	<u><u>\$ 2,605,622</u></u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 1,689,562	\$ 398,860	\$ 671,544	\$ 2,759,966
Payroll Taxes	128,422	29,756	48,757	206,935
Employee Benefits	202,779	50,021	72,311	325,111
Insurance	-	59,023	-	59,023
Program Expenses	103,957	-	-	103,957
Program Materials	350,132	-	-	350,132
Program Development/Quality	265,527	-	-	265,527
Bishop's Program	124,567	-	-	124,567
Staff Training	47,470	1,790	2,840	52,100
Travel	401,080	-	69,868	470,948
Technology	18,000	-	21,445	39,445
Communications and Stewardship	-	-	209,296	209,296
Administrative	-	27,853	-	27,853
Uncollectible Accounts and Pledges Receivable	42,531	13,981	22,188	78,700
Office and General	16,003	4,991	7,919	28,913
Supplies	14,338	4,472	7,096	25,906
Professional Fees	97,310	30,347	48,160	175,817
Rent	70,819	22,086	35,050	127,955
Scholarship	393,645	-	-	393,645
Depreciation	4,830	1,506	2,391	8,727
Interest	220	68	109	397
Total	<u>\$ 3,971,192</u>	<u>\$ 644,754</u>	<u>\$ 1,218,974</u>	<u>\$ 5,834,920</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 184,778
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	8,727
Loss on Disposal of Equipment	328
(Increase) Decrease in:	
Accounts Receivable	(99,099)
Pledges Receivable	87,995
Grants Receivable	(55,000)
Prepaid Expenses	21,375
Increase (Decrease):	
Accounts Payable	(80,369)
Accrued Expenses	(187,583)
Deferred Revenue	141,324
Net Cash Provided by Operating Activities	<u>22,476</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Long-Term Debt	<u>(30,000)</u>
Net Cash Used by Financing Activities	<u>(30,000)</u>
<b>NET DECREASE IN CASH</b>	(7,524)
Cash - Beginning of Year	<u>738,310</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 730,786</u></u>
<b>SUPPLEMENTAL INFORMATION</b>	
Interest Paid During the Year	<u><u>\$ 6,123</u></u>

*See accompanying Notes to Financial Statements.*



**CATHOLIC LEADERSHIP INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Catholic Leadership Institute (“the Institute”) is a not-for-profit corporation organized in 1991 under the Commonwealth of Pennsylvania not-for-profit laws. Catholic Leadership Institute provides bishops, priests, deacons and laity in the Roman Catholic Church with world-class, pastoral, leadership formation and consulting services that strengthen their confidence and competence in ministry, enabling them to articulate a vision for their local church, to call forth the gifts of those they lead, and to create more vibrant faith communities rooted in Jesus Christ. Catholic Leadership Institute offers multi-day, multi-year leadership formation programs in over 120 dioceses throughout the United States and Canada. Headquartered in Wayne, Pennsylvania, Catholic Leadership Institute is governed by an independent Board of Directors. Catholic Leadership Institute is supported primarily by program fees and individual, corporate and foundation contributions.

**Basis of Presentation**

Catholic Leadership Institute reports information regarding its financial position and activities into classes of net assets according to the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets whose use by Catholic Leadership Institute is subject to donor-imposed stipulations that can be fulfilled by actions of Catholic Leadership Institute pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by Catholic Leadership Institute. Catholic Leadership Institute had no permanently restricted net assets at June 30, 2016.

**Restricted and Unrestricted Contributions**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

**CATHOLIC LEADERSHIP INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted and Unrestricted Contributions (Continued)**

Contributed assets are valued at the fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, Catholic Leadership Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Catholic Leadership Institute reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Cash**

For purposes of reporting cash flows, Catholic Leadership Institute considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash in bank may exceed FDIC insurable limits. Catholic Leadership Institute has not experienced any losses in these accounts.

**Accounts Receivable**

Program revenues include all amounts that are billed or are billable to contracts for training programs and consulting services. Revenues are recognized as services are performed based on the terms of the contract. Catholic Leadership Institute provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts receivable are individually analyzed for collectability and when all collection possibilities are exhausted or the receivable is greater than 180 days, the accounts are written off against the allowance. The allowance was \$12,900 at June 30, 2016.

**Pledges Receivable**

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contribution receivables is provided based upon management's judgment, including such factors as collection history, type of contribution, and nature of fund-raising activity. Contribution payments are individually analyzed for collectability. Payments lapsed 90 days from expected payment date on an account with no activity in over 12 months are written off against the allowance when all collection possibilities have been exhausted. The allowance was \$105,000 as of June 30, 2016.

**Equipment**

Acquisitions of equipment in excess of \$2,500 are capitalized. Equipment is carried at cost, less accumulated depreciation. Depreciation of equipment is computed using the straight-line method over the estimated useful asset lives between three and five years. Expenditures for repairs and maintenance are charged to expense as incurred, while major renewals and betterments are capitalized.

**CATHOLIC LEADERSHIP INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue**

Revenues from certain fixed price agreements are recognized on the percentage of completion method, measured on the basis of efforts expended method. This method is used because management considers it to be the best available measure of progress on these agreements. Revenues are deferred when it is determined that actual extent of progress towards completion is less than estimated extent of progress for a specific agreement.

**Deferred Rent**

Rent expense is recognized on a straight line basis over the life of the lease. The difference between the rent expense recognized and rental payments as stipulated in the lease is reflected as deferred rent and is included in accrued liabilities on the statement of net position at June 30, 2016.

**Donated Services**

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Catholic Leadership Institute. Catholic Leadership Institute receives donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criterion for recognition under applicable accounting standards has not been satisfied.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Facilitator Fees are included in Payroll expense within Program Services, and Meals and Entertainment under Philanthropy are included in Philanthropy travel.

**Income Taxes**

Catholic Leadership Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Catholic Leadership Institute follows the income tax standard for uncertain tax positions. This standard has no impact on Catholic Leadership Institute's financial statements. The Institute has not been audited by any taxing authority in recent years. Therefore, all years are subject to examination by the IRS in the event that the Institute's tax exempt status is challenged.

**CATHOLIC LEADERSHIP INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, Catholic Leadership Institute has evaluated events and transactions for potential recognition or disclosure through September 29, 2016, the date the financial statements were available to be issued.

**NOTE 2 PLEDGES RECEIVABLE**

Pledges that are expected to be collected are recorded at their net realizable value. As of June 30, 2016 pledges receivable consisted of:

Total Pledges Receivable	\$ 2,249,490
Less: Allowance for Doubtful Accounts	105,000
Less: Present Value Discount @ 5%	153,169
Pledges Receivable, Net	\$ 1,991,321

Pledges receivable as of June 30, 2016 are due to be collected as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 831,990
2018	795,500
2019	163,000
2020	138,000
2021	68,000
Thereafter	253,000
Total	\$ 2,249,490

As of June 30, 2016, included in the above pledges is \$343,850 from current board members and employees.

**CATHOLIC LEADERSHIP INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 EQUIPMENT**

Equipment at June 30, 2016 consisted of the following:

Furniture and Fixtures	\$	54,717
Computer Equipment		79,871
Total		134,588
Less: Accumulated Depreciation		126,462
Total Equipment	\$	8,126

Depreciation expense for the year ended June 30, 2016 was \$8,727.

**NOTE 4 LINE OF CREDIT**

Catholic Leadership Institute had an available line of credit in the amount of \$500,000 as of June 30, 2016. This line of credit is secured by the assets of Catholic Leadership Institute. Interest on this line is charged at 1% above the prime lending rate (4.50% at June 30, 2016). There was no outstanding balance on the line of credit at June 30, 2016. This line is subject to renewal on November 1, 2016.

**NOTE 5 NOTES PAYABLE- RELATED PARTIES**

During the year ended June 30, 2007, Catholic Leadership Institute borrowed \$200,000 under four separate unsecured note payable agreements with three different board members and their respective spouses. Each note is for \$50,000 and requires interest to be paid on an annual basis at 5%. One of the notes was fully satisfied in the year ended June 30, 2013. Each of the other notes requires a principal payment of \$10,000 beginning in the year ending June 30, 2013 through the year ending June 30, 2017 annually. Interest accrued on the debts at June 30, 2016 was \$2,250.

As of June 30, 2016, \$30,000 of the debt is outstanding and considered current.

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2016, temporarily restricted net assets were detailed as follows:

Time Restricted	\$	2,066,319
Purpose Restricted		412,586
	\$	2,478,905

**CATHOLIC LEADERSHIP INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 OPERATING LEASES**

Catholic Leadership Institute leases office space and equipment under separate operating lease agreements. The office space agreement was a four year lease beginning in April 2010, has been extended to December, 2019 and calls for annual increases in the base rent. The total rent expense from space rentals amounted to \$127,955 for the year ended June 30, 2016. The office equipment leases are five year leases which continue through 2021. Total lease expenses amounted to \$10,048 for the year ended June 30, 2016.

The following is a schedule of minimum future rental payments as of June 30, 2016 required under the operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 151,095
2018	148,496
2019	151,651
2020	78,048
2021	1,980
Thereafter	660
Total	<u>\$ 531,930</u>

**NOTE 8 PRIOR PERIOD ADJUSTMENT**

In the prior years' issued financial statements, the Institute recognized planned giving revenue based on a donor pledge that was conditional, and as such, did not meet the criteria for revenue recognition under generally accepted accounting principles in the United States. That misstatement resulted in an overstatement of planned giving receivables and net assets of \$467,739 as of July 1, 2015.

Accordingly, prior period adjustments are required to correct net assets as of July 1, 2015.

As of July 1, 2015, net asset have been restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, July 1, 2015 as Previously Reported	\$ (68,368)	\$ 2,956,951	\$ 2,888,583
To Reverse Recognition of Planned Giving Revenue	-	(467,739)	(467,739)
Net Assets, July 1, 2015, as Restated	<u>\$ (68,368)</u>	<u>\$ 2,489,212</u>	<u>\$ 2,420,844</u>