

CATHOLIC LEADERSHIP INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**CATHOLIC LEADERSHIP INSTITUTE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional 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 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 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 audits 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, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 1, 2018

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,561,595	\$ 1,986,573
Accounts Receivable, Net	50,170	47,558
Pledges Receivable, Net of Allowance	463,867	953,059
Grants Receivable	-	91,898
Prepaid Expenses	66,001	47,366
Total Current Assets	4,141,633	3,126,454
PLEDGES RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT	542,568	682,479
EQUIPMENT	1,348	4,926
Total Assets	\$ 4,685,549	\$ 3,813,859
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 37,293	\$ 52,339
Accrued Expenses	113,417	115,824
Deferred Revenue	176,695	92,777
Total Liabilities	327,405	260,940
NET ASSETS		
Unrestricted	1,789,280	1,189,343
Temporarily Restricted	2,568,864	2,363,576
Total Net Assets	4,358,144	3,552,919
Total Liabilities and Net Assets	\$ 4,685,549	\$ 3,813,859

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Participant Fees	\$ 2,834,928	\$ -	\$ 2,834,928	\$ 3,182,515	\$ -	\$ 3,182,515
Contributions	724,066	2,087,062	2,811,128	195,018	2,144,785	2,339,803
Investment and Other Income (Loss)	10,742	-	10,742	10,739	-	10,739
Net Assets Released From Restrictions	1,881,774	(1,881,774)	-	2,260,114	(2,260,114)	-
Total Support and Revenue	<u>5,451,510</u>	<u>205,288</u>	<u>5,656,798</u>	<u>5,648,386</u>	<u>(115,329)</u>	<u>5,533,057</u>
EXPENSES						
Program Services	3,467,270	-	3,467,270	2,996,956	-	2,996,956
Management and General	436,226	-	436,226	421,376	-	421,376
Fundraising	948,077	-	948,077	1,167,428	-	1,167,428
Total Expenses	<u>4,851,573</u>	<u>-</u>	<u>4,851,573</u>	<u>4,585,760</u>	<u>-</u>	<u>4,585,760</u>
CHANGE IN NET ASSETS	599,937	205,288	805,225	1,062,626	(115,329)	947,297
Net Assets (Deficit) - Beginning of Year	<u>1,189,343</u>	<u>2,363,576</u>	<u>3,552,919</u>	<u>126,717</u>	<u>2,478,905</u>	<u>2,605,622</u>
NET ASSETS - END OF YEAR	<u>\$ 1,789,280</u>	<u>\$ 2,568,864</u>	<u>\$ 4,358,144</u>	<u>\$ 1,189,343</u>	<u>\$ 2,363,576</u>	<u>\$ 3,552,919</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 1,157,295	\$ 260,572	\$ 506,219	\$ 1,924,086
Payroll Taxes	96,128	20,170	39,895	156,193
Employee Benefits	102,489	47,244	31,867	181,600
Insurance	-	29,002	-	29,002
Program Expenses	83,252	-	-	83,252
Program Materials	454,205	-	-	454,205
Program Development/Quality	15,690	-	-	15,690
Bishop's Program	89,184	-	-	89,184
Staff Training	48,522	1,584	3,020	53,126
Travel	295,428	-	57,378	352,806
Technology	24,529	-	21,815	46,344
Communications and Stewardship	-	-	177,872	177,872
Administrative	-	19,965	-	19,965
Uncollectible Accounts and Pledges Receivable	25,124	7,267	13,857	46,248
Office and General	10,796	3,014	5,748	19,558
Supplies	15,573	4,348	8,292	28,213
Professional Fees	70,218	19,607	37,389	127,214
Rent	82,021	22,902	43,673	148,596
Scholarship	894,841	-	-	894,841
Depreciation	1,975	551	1,052	3,578
Total	<u>\$ 3,467,270</u>	<u>\$ 436,226</u>	<u>\$ 948,077</u>	<u>\$ 4,851,573</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 1,090,468	\$ 264,263	\$ 713,905	\$ 2,068,636
Payroll Taxes	77,963	17,428	52,665	148,056
Employee Benefits	113,334	47,933	53,649	214,916
Insurance	-	27,072	-	27,072
Program Expenses	121,523	-	-	121,523
Program Materials	488,293	-	-	488,293
Program Development/Quality	6,083	-	-	6,083
Bishop's Program	3,337	-	-	3,337
Staff Training	18,485	912	2,139	21,536
Travel	304,340	-	50,145	354,485
Technology	18,074	-	22,802	40,876
Communications and Stewardship	-	-	182,418	182,418
Administrative	-	25,522	-	25,522
Uncollectible Accounts and Pledges Receivable	5,584	2,037	4,778	12,399
Office and General	10,153	2,727	6,397	19,277
Supplies	9,553	2,566	6,019	18,138
Professional Fees	35,493	9,534	22,362	67,389
Rent	76,257	20,484	48,044	144,785
Scholarship	614,675	-	-	614,675
Depreciation	3,341	898	2,105	6,344
Total	<u>\$ 2,996,956</u>	<u>\$ 421,376</u>	<u>\$ 1,167,428</u>	<u>\$ 4,585,760</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 805,225	\$ 947,297
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,578	6,344
Loss on Disposal of Equipment	-	224
(Increase) Decrease in:		
Accounts Receivable	(2,612)	127,120
Pledges Receivable	629,103	355,783
Grants Receivable	91,898	(16,898)
Prepaid Expenses	(18,635)	(7,483)
Increase (Decrease):		
Accounts Payable	(15,046)	(7,153)
Accrued Expenses	(2,407)	(48,506)
Deferred Revenue	83,918	(67,573)
Net Cash Provided by Operating Activities	1,575,022	1,289,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	-	(3,368)
Net Cash Used by Investing Activities	-	(3,368)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	-	(30,000)
Net Cash Used by Financing Activities	-	(30,000)
NET INCREASE IN CASH	1,575,022	1,255,787
Cash - Beginning of Year	1,986,573	730,786
CASH - END OF YEAR	\$ 3,561,595	\$ 1,986,573
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid During the Year	\$ -	\$ 2,458

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Catholic Leadership Institute (the Institute) is a nonprofit corporation organized in 1991 under the Commonwealth of Pennsylvania nonprofit 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, 2018 and 2017.

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, 2018 AND 2017**

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 (FDIC) 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 \$10,000 and \$10,900 at June 30, 2018 and 2017, respectively.

Pledges Receivable

Pledges receivable are recorded as restricted or unrestricted based on the presence or absence of donor-imposed restrictions. 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 \$139,800 and \$106,900 as of June 30, 2018 and 2017, respectively.

In addition, as of June 30, 2018, the Institute has promises to give totaling \$3,398,213 that do not meet the criteria for recognition and are not included in the accompanying financial statements.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 expenses on the statements of net position at June 30, 2018 and 2017.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute. The Institute received donated services in the amount of \$39,345 for the year ending June 30, 2018, which consisted of waived royalty fees due on the use of training materials. No donated services were received for the year ending June 30, 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Catholic Leadership Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). 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 Internal Revenue Service (IRS) in the event that the Institute's tax-exempt status is challenged.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

Reclassifications

Certain amounts for the year ended June 30, 2017 have been reclassified to conform to current year presentation. The reclassifications had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, Catholic Leadership Institute has evaluated events and transactions for potential recognition or disclosure through October 1, 2018, 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, pledges receivable consisted of:

	2018	2017
Current:		
Unrestricted Pledges Receivable	\$ 123,577	\$ 729,196
Less: Allowance for Doubtful Accounts	(33,833)	(41,414)
Net Current Unrestricted Pledges Receivable	\$ 89,744	\$ 687,782
Restricted Pledges Receivable	\$ 402,924	\$ 281,250
Less: Allowance for Doubtful Accounts	(28,801)	(15,973)
Net Current Restricted Pledges Receivable	\$ 374,123	\$ 265,277
Long Term:		
Unrestricted Pledges Receivable	\$ 473,815	\$ 625,891
Less: Allowance for Doubtful Accounts	(58,868)	(35,546)
Less: Present Value Discount	(84,755)	(115,769)
Net Long Term Unrestricted Pledges Receivable	\$ 330,192	\$ 474,576
Restricted Pledges Receivable	\$ 256,000	\$ 245,924
Less: Allowance for Doubtful Accounts	(18,299)	(13,967)
Less: Present Value Discount	(25,325)	(24,054)
Net Long Term Restricted Pledges Receivable	\$ 212,376	\$ 207,903

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable as of June 30, 2018 are due to be collected as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 551,500
2020	264,815
2021	125,000
2022	125,000
2023	62,000
Thereafter	128,000
Total	<u>\$ 1,256,315</u>

As of June 30, 2018 and 2017, included in the above pledges are \$217,000 and \$127,500, respectively, from current board members and employees.

NOTE 3 EQUIPMENT

Equipment at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and Fixtures	\$ 56,307	\$ 56,307
Computer Equipment	79,871	79,871
Total	<u>136,178</u>	<u>136,178</u>
Less: Accumulated Depreciation	134,830	131,252
Total Equipment	<u>\$ 1,348</u>	<u>\$ 4,926</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$3,578 and \$6,344, respectively.

NOTE 4 LINE OF CREDIT

Catholic Leadership Institute had an available line of credit in the amount of \$500,000 as of June 30, 2018. 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 (6% at June 30, 2018). There was no outstanding balance on the line of credit at June 30, 2018 and 2017. This line is subject to renewal on February 1, 2019.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Time Restricted	\$ 1,006,435	\$ 1,727,435
Purpose Restricted	1,562,429	636,141
Total	<u>\$ 2,568,864</u>	<u>\$ 2,363,576</u>

NOTE 6 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 office equipment leases are five-year leases which continue through fiscal 2021. The total rent expense from space rentals and equipment amounted to \$154,190 and \$152,914 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of minimum future rental payments as of June 30, 2018 required under the operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 155,703
2020	80,944
2021	1,244
2022	584
2023	584
Total	<u>\$ 239,059</u>



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.