

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Services Appeal Foundation
of the Saint Paul and Minneapolis Area
Minneapolis, Minnesota

We have audited the accompanying financial statements of Catholic Services Appeal Foundation of the Saint Paul and Minneapolis Area, which comprise the statements of financial position as of December 31, 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 Services Appeal Foundation
of the Saint Paul and Minneapolis Area

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Services Appeal Foundation of the Saint Paul and Minneapolis Area as of December 31, 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

Minneapolis, Minnesota
March 28, 2019

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 573,835	\$ 863,225
Pledges Receivable, Net	138,144	123,479
Prepaid Expenses and Other	177,669	40,737
Property and Equipment, Net	22,628	20,497
Total Assets	\$ 912,276	\$ 1,047,938
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,023	\$ 8,999
Contributions Payable to Ministries	20,558	399,629
Accrued Liabilities	16,929	20,529
Contributions Payable to Parishes	578,758	442,155
Total Liabilities	621,268	871,312
NET ASSETS		
Without Donor Restrictions	291,008	176,626
Total Liabilities and Net Assets	\$ 912,276	\$ 1,047,938

See accompanying Notes to Financial Statements.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 9,568,696	\$ -	\$ 9,568,696	\$ 9,720,709	\$ -	\$ 9,720,709
Interest Income		-	-	827	-	827
Total Revenues, Gains, and Other Support	<u>9,568,696</u>	<u>-</u>	<u>9,568,696</u>	<u>9,721,536</u>	<u>-</u>	<u>9,721,536</u>
EXPENSES						
Program Services	8,617,630	-	8,617,630	8,824,324	-	8,824,324
Supporting Services:						
Management and General	396,144	-	396,144	409,485	-	409,485
Fundraising	440,540	-	440,540	445,740	-	445,740
Total Supporting Services	<u>836,684</u>	<u>-</u>	<u>836,684</u>	<u>855,225</u>	<u>-</u>	<u>855,225</u>
Total Expenses	<u>9,454,314</u>	<u>-</u>	<u>9,454,314</u>	<u>9,679,549</u>	<u>-</u>	<u>9,679,549</u>
CHANGE IN NET ASSETS	114,382	-	114,382	41,987	-	41,987
Net Assets - Beginning of Year	<u>176,626</u>	<u>-</u>	<u>176,626</u>	<u>134,639</u>	<u>-</u>	<u>134,639</u>
NET ASSETS - END OF YEAR	<u>\$ 291,008</u>	<u>\$ -</u>	<u>\$ 291,008</u>	<u>\$ 176,626</u>	<u>\$ -</u>	<u>\$ 176,626</u>

See accompanying Notes to Financial Statements.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Contributions	\$ 8,584,243	\$ -	\$ -	\$ 8,584,243	\$ 8,650,275	\$ -	\$ -	\$ 8,650,275
Salaries and Benefits	2,982	113,314	181,899	298,195	145,242	116,195	29,048	290,485
Professional Services	-	49,994	-	49,994	-	56,700	-	56,700
Travel and Meetings	-	3,103	-	3,103	-	1,356	-	1,356
Postage and Printing	15,071	15,071	34,085	64,227	12,831	12,831	29,376	55,038
Information Technology	15,334	53,022	6,134	74,490	15,976	53,614	6,390	75,980
Occupancy	-	20,110	-	20,110	-	19,074	-	19,074
Office Expenses	-	11,130	14,630	25,760	-	10,080	16,045	26,125
Telemarketing	-	-	-	-	-	-	134,087	134,087
Depreciation	-	16,360	-	16,360	-	28,802	-	28,802
Insurance	-	10,948	-	10,948	-	10,579	-	10,579
Campaign Supplies	-	-	153,749	153,749	-	-	193,968	193,968
Campaign Promotion	-	-	50,043	50,043	-	-	36,826	36,826
Bank and Payment Processing	-	103,092	-	103,092	-	100,254	-	100,254
Total Expenses	\$ 8,617,630	\$ 396,144	\$ 440,540	\$ 9,454,314	\$ 8,824,324	\$ 409,485	\$ 445,740	\$ 9,679,549

See accompanying Notes to Financial Statements.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 114,382	\$ 41,987
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	16,360	28,802
Change in Allowance for Doubtful Accounts	(127,718)	27,422
(Increase) Decrease in Assets:		
Prepaid Expenses and Other	(136,932)	(13,268)
Pledges Receivable	113,053	(71,421)
Planned Giving Receivable	-	270,000
Increase (Decrease) in Liabilities:		
Accounts Payable	(3,976)	(15,780)
Contributions Payable to Ministries	(379,071)	115,315
Planned Giving Payable	-	(270,000)
Accrued Liabilities	(3,600)	5,639
Contributions Payable to Parishes	136,603	(60,383)
Net Cash Provided (Used) by Operating Activities	(270,899)	58,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(18,491)	-
NET CHANGE IN CASH	(289,390)	58,313
Cash - Beginning of Year	863,225	804,912
CASH - END OF YEAR	\$ 573,835	\$ 863,225

See accompanying Notes to Financial Statements.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Catholic Services Appeal Foundation of the Saint Paul and Minneapolis Area (the Foundation) is a nonprofit organization formed under Minnesota law in December 2013 for the purpose of conducting, with the parishes of the Archdiocese, the annual Catholic Services Appeal (CSA) within the Archdiocese of Saint Paul and Minneapolis (the Archdiocese). The Foundation provides funds for ministries that serve families, strengthen parishes, support Catholic school students, form local Church leaders, and reach out to invite others to full life in the faith. All gifts to the Foundation are restricted to conduct the campaign and to support the designated ministries.

As outlined in the bylaws of the Foundation, the recipients of contributions from the Foundation are to include the following designated ministries. Parishes also receive contributions based on giving levels.

Clergy Services

- St John Vianney – seminarian support
- St Paul Seminary – seminarian support
- Hospital Chaplains
- Prison Chaplains

Community Services

- Catholic Charities
- Rachel's Vineyard

Education

- Elementary Schools
- Secondary Schools – tuition aid
- Campus Ministries

Parish Outreach

- ACCW
- Latino Ministry
- Indian Ministry
- Deaf Ministry
- Venezuelan Mission

Marriage, Family and Life

- Archdiocesan Youth Day
- Disabilities Outreach
- Preparation for end of life issues

Evangelization and Mission

- Rediscover

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Accounting for Net Assets

The Foundation's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Those resources over which the board of directors has discretionary control subject to the restrictions and limitations of the Foundation's articles of incorporation and bylaws.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions that: a) restrict their use to a specific purpose and/or the passage of time; b) require that they be maintained in perpetuity by the Foundation, generally, the donor of these assets permits the Foundation to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes

Cash

For purposes of the statements of cash flows, the Foundation considers cash to include cash on hand and on deposit in banks. At times, such deposits may be in excess of Federal Deposit Insurance Corporation insurance limits.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for uncollectible pledges has been established based on management's experience. Net pledges receivable are considered current and are due within the next year.

Property and Equipment

Property, which consists of leasehold improvements, office furniture and equipment, and software, is stated at cost, if purchased. Depreciation on equipment is computed using the straight-line method over an estimated useful life of three to five years. Amortization of property is computed over the term of the lease. When assets are retired or otherwise disposed of, the recorded value and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected as revenue for the period. Equipment purchased at a cost of less than \$1,000 is expensed when acquired.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Payable to Parishes

The Foundation establishes a fundraising goal for each parish within the Archdiocese. If members of a parish contribute 90% of that goal, the parish will receive a contribution from the Foundation of 10% of the amount raised. If the amount raised meets or exceeds the fundraising goal the parish will receive 25% of the amount raised. Contributions to parishes are distributed twice a year with the final payment based on the campaign to be distributed in April of the following year. Contributions payable to parishes are estimated based on amounts raised through December 2018 less amounts previously paid to the parish. Contributions to parishes are included within contributions expenses in the statements of functional expenses.

Contributions Payable to Ministries

The Foundation records contributions payable for contributions awarded by the board of directors to beneficiaries that have not yet been paid out at year-end.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. The Foundation has elected to present donor restricted contributions, when restrictions are fulfilled in the same time period as received, within the without donor restriction net asset class.

Functional Allocation of Expenses

The expenses incurred to provide the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Except for certain expenses allocated directly, expenses are allocated among the program and supporting services categories based upon estimates of time expended by employees in each of those categories.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. The Foundation follows the income tax standard for evaluating uncertain tax positions and has no current liability for unrelated business income tax. The Foundation is a religiously affiliated organization under the group exemption of the Roman Catholic Church and is considered an integrated auxiliary of the Roman Catholic Church, therefore, does not file tax returns with the Internal Revenue Service.

Change in Accounting Principle

The Foundation has adopted the accounting guidance in Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-04, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retroactively to ensure comparability with the prior year. The update changes presentation and disclosure requirement for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through March 28, 2019, the date at which the financial statements were available to be issued.

NOTE 2 LIQUIDITY

The Foundation conducts the annual Catholic Services Appeal within the geographic area served by the Archdiocese of Saint Paul and Minneapolis. The Foundation works with all the parishes of the Archdiocese to raise funds for the annual operating expenses of Catholic Ministries operating within the Archdiocese. The annual Appeal is conducted within each parish by means of an "in pew" ask on a designated Sunday before Lent, and a simultaneous "direct mailing" solicitation.

Most of the funds raised by the Appeal are raised in the first four months of the calendar year. Amounts are contributed to the ministries over the course of the year. Parishes can earn a rebate of up to 25% of the amount collected, most of which is paid in December of each Appeal year, and the balance in May of the following year. As a result, the Appeal has an excess amount of funds on hand versus amounts scheduled to be contributed to the ministries until December of each year.

The Foundation has the objective of contributing substantially all the funds it raises each year to the ministries. In the fourth quarter, based on amounts raised that year, the board of the Foundation determines if it will be able to fully fund projected contributions to the ministries. If funds are deemed insufficient, then the board reduces the amounts it gives to the ministries.

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 LIQUIDITY (CONTINUED)

Because the Foundation carries a payable to the parishes at year-end for the unpaid balance of the rebate parishes earn, the Foundation always has a sizable cash on hand balance at year-end which carries the Appeal over the first two months of the calendar year. In February of every year, new funds begin to be collected for the Appeal, and the cash on hand grows again. Because of the foregoing, the Appeal never has a cash shortage. The ability to reduce amounts given to the ministries, all of such amounts being completely at the discretion of the Foundation and its board, allows the Foundation to manage funds in the fourth quarter of each year.

Liquidity consisted of the following at December 31:

Cash	\$ 573,835
Pledges Receivable	138,144
Operating Reserve Available	<u>711,979</u>
Contributions Payable to Parishes	20,558
Contributions Payable to Ministries	578,758
Outstanding Operating Expenses	<u>599,316</u>
Operating Reserve	<u><u>\$ 112,663</u></u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 276,288	\$ 389,341
Allowance for Uncollectible Pledges	(138,144)	(265,862)
Net Pledges Receivable	<u>\$ 138,144</u>	<u>\$ 123,479</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Software and Other Assets	\$ 85,586	\$ 69,591
Office Furniture and Equipment	40,247	37,752
Total	125,833	107,343
Accumulated Depreciation and Amortization	(103,205)	(86,846)
Net Property and Equipment	<u>\$ 22,628</u>	<u>\$ 20,497</u>

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 RETIREMENT PLAN

Employees of the Foundation meeting certain eligibility requirements are eligible to participate in a contributory 403(b) retirement plan. The Foundation contributes a discretionary amount to the plan which was \$10,381 and \$5,412 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 OPERATING LEASES

During 2015, the Foundation signed a lease for office space that requires monthly payments of \$1,475 through March 1, 2019. In 2019, the Foundation extended the lease through March 1, 2022 that requires monthly payments of \$1,595. Rental expense for the years ended December 31, 2018 and 2017 was \$20,110 and \$19,074, respectively. The Foundation has future required minimum lease payments of:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 18,780
2020	19,140
2021	19,140
2022	4,785
Total	<u>\$ 61,845</u>

**CATHOLIC SERVICES APPEAL FOUNDATION
OF THE SAINT PAUL AND MINNEAPOLIS AREA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 CONTRIBUTION EXPENSES

During the years ended December 31, 2018 and 2017, the Foundation approved contributions to beneficiary organizations as listed below. As of December 31, 2018 and 2017, the Foundation recorded contributions payable of \$20,558 and \$399,629, respectively, included in the amounts below.

	<u>2018</u>	<u>2017</u>
Community Services:		
Catholic Charities	\$ 833,333	\$ 1,100,000
Rachel's Vineyard	26,875	-
Total Community Services	<u>860,208</u>	<u>1,100,000</u>
Clergy Services:		
Hospital Chaplains	611,093	600,000
Prison Chaplains	8,741	30,526
Saint Paul Seminary	780,604	741,897
St. John Vianney	<u>288,103</u>	<u>302,400</u>
Total Clergy Services	<u>1,688,541</u>	<u>1,674,823</u>
Donor Designated Gifts Paid to Beneficiaries	30,690	34,724
Education:		
ACCW	25,585	25,585
Campus Ministries-St. Lawrence-Newman Center	264,000	264,000
Campus Ministries-St. Paul's Outreach	11,000	11,000
Elementary Schools	1,303,125	1,253,125
Graduate Education	-	18,485
Grade School Scholarships	370,000	170,000
High Schools	<u>800,000</u>	<u>800,000</u>
Total Education	<u>2,773,710</u>	<u>2,542,195</u>
Evangelization, Mission	167,843	150,000
Marriage and Family Life/Youth and Young Adults	321,256	420,531
Parish Outreach (Ministries):		
Deaf Ministry	44,229	39,733
Indian Ministry	199,277	170,796
Latino Ministry	400,479	350,000
Venezuelan Mission	<u>205,527</u>	<u>204,163</u>
Total Parish Outreach (Ministries)	<u>849,512</u>	<u>764,692</u>
Parishes	<u>1,892,483</u>	<u>1,963,310</u>
Total	<u>\$ 8,584,243</u>	<u>\$ 8,650,275</u>