

Serra's National Council for the United States, Inc.

(A Not-for-profit Corporation)

Audit Report

For the Period Beginning

June 1, 2014

And Ending

December 31, 2014

**Walter J Newton & Company
Certified Public Accountants
Chicago, IL**

Serra's National Council for the United States, Inc.
(A Not-for-profit Corporation)
Financial Statements
For the Period Beginning June 1, 2014
And Ending December 31, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Trustees

Serra's National Council for the United States Inc.:

We have audited the accompanying financial statements of Serra's National Council for the United States, Inc. (A Not-for-profit Corporation) which comprise the statements of financial position as of December 31, 2014 and the related statements of activities and changes in net assets, statement of functional expenses and statement of cash flows for the Period beginning June 1, 2014 and ending December 31, 2014 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serra's National Council for the United States, Inc. as of December 31, 2014 and the changes in its net assets and its cash flows for the Period beginning June 1, 2014 and ending December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,



Walter J. Newton & Co.
Certified Public Accountants
Chicago, Illinois
June 10, 2015

Serra's National Council for the United States, Inc.
(A Not-for-profit Corporation)
Statement of Financial Position
As of December 31, 2014

Exhibit A

ASSETS

Current Assets:

Cash in Bank	\$ 72,274
Accounts Receivable-Per Capita (See Note 1)	295,153
Prepaid Expenses	<u>2,000</u>
Total Current Assets	369,427

Total Assets \$ 369,427

TOTAL LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 50,743
Accrued Liabilities	520
Deferred Super Weekend Revenue	26,153
Deferred Dues	<u>184,610</u>
Total Current Liabilities	<u>262,026</u>

Long-Term Liabilities: 0

Total Liabilities 262,026

Net Assets:

Total Net Assets (See Exhibit B) 107,401

Total Liabilities and Net Assets \$ 369,427

The accompanying notes are an integral
part of these financial statements.

Serra's National Council for the United States, Inc.
(A Not-for-profit Corporation)

Exhibit B

Statement of Activities
For the Period Beginning June 1, 2014 and Ending December 31, 2014

	<u>2014</u>	<u>2014</u> <u>Pctg of Rev</u>
Changes in Net Assets:		
Revenues:		
Bishop Britt Vocation Fund	\$ 520	0.21
Per Capita Dues (see note 1)	216,061	85.28
Donations and Other Revenue	35,172	13.88
Sale of Merchandise	1,610	0.64
Total Revenue	253,363	100.00
 Operating Expenditures by Function:		
Membership	55,056	21.73
Communications	53,336	21.05
Program	1,721	0.68
Vocation	15,485	6.11
Standing Committee	10,323	4.07
General Administrative	36,129	14.26
Bad Debts	71,993	28.41
Merchandise Costs	371	0.15
Total Operating Expenditures	244,414	96.47
 Increase (Decrease) in Net Assets	 8,949	 3.53
 Unrestricted Funds:		
Net Assets at June 1, 2014	98,452	
Net Assets Unrestricted at December 31, 2014	\$ 107,401	
 Net Assets (see also Footnote 8)		
Beginning Unrestricted Fund - June 1, 2014	\$ 38,429	
Net Change in Unrestricted Funds	8,429	
Net Assets Unrestricted December 31, 2014	46,858	
 Beginning Board Restricted Funds - June 1, 2014	60,022	
Net Change in Board Restricted Funds	520	
Net Assets Restricted December 31, 2014	60,542	
 Total Net Assets as of December 31, 2014	 \$ 107,401	

The accompanying notes are an integral part of these financial statements.

Serra's National Council for the United States, Inc. Exhibit C
(A Not-for-profit Corporation)
Statement of Functional Expenses
For the Period Beginning June 1, 2014 and Ending December 31, 2014

	<u>Program Services</u>	<u>Administrative Services</u>	<u>Fundraising Services</u>	<u>Total</u>
RTA/CTA Benefit	\$ 1,807	\$ 0	\$ 0	\$ 1,807
Cost of Merchandise	0	0	371	371
Subscriptions	0	205	0	205
Salaries	69,693	9,030	0	78,724
Temporary Services	0	2,000	0	2,000
Lease Payments	4,093	1,023	0	5,116
Rent and Utilities	15,755	3,458	0	19,213
Telephone Expense	1,844	648	0	2,492
General Insurance	2,488	622	0	3,110
Health/Life Insurance	18,162	2,018	0	20,179
Pension	2,482	1,654	0	4,136
Staff Travel - USA	265	265	0	531
ADP Expense	677	451	0	1,128
Payroll Taxes	3,614	2,409	0	6,024
Postage and Freight	932	104	0	1,036
Stationery and Supplies	952	168	0	1,120
Audit Fees	1,800	4,200	0	6,000
Bank Charges and Credit Card Fees	2,333	1,000	0	3,333
Office Equipment Expense	2,455	1,052	0	3,507
Repairs and Maintenance	351	117	0	468
Vocations Committee	4,430	0	0	4,430
Membership Committee	277	0	0	277
Communications Committee	1,512	0	0	1,512
Board Meeting	0	5,704	0	5,704
Bad Debts	71,993	0	0	71,993
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 207,914</u>	<u>\$ 36,129</u>	<u>\$ 371</u>	<u>\$ 244,414</u>

The accompanying notes are an integral
part of these financial statements.

Serra's National Council for the United States, Inc. **Exhibit D**
(A Not-for-profit Corporation)
Statement of Cash Flows
For the Period Beginning June 1, 2014 and Ended December 31, 2014

Net Income (Loss):	\$	8,949
Decrease (Increase) in		
Dues/Merchandise Receivable		(151,400)
Decrease (Increase) in		
Prepaid Expense		3,226
Increase (Decrease) in Accounts		
Payables & Accrued Expenses		(9,411)
Increase (Decrease) in Deferred Revenue		<u>210,063</u>
Net Cash Generated from (Used in)		
Operating Activities		61,427
Net Investment/Sale of Fixed Assets		<u>0</u>
Net Cash Used in Investing Activities		<u>0</u>
Financing Activities		
Increase (Decrease) in Cash and		
Equivalents		61,427
Cash and Equivalents Beginning - June 1, 2014		<u>10,847</u>
Cash and Equivalents End of Period - December 31, 2014	\$	<u><u>72,274</u></u>

The accompanying notes are an integral part of these financial statements.

Serra's National Council for the United States, Inc.

(A Not-for-profit Corporation)

Notes to Financial Statements

**For the Period Beginning June 1, 2014
and Ending December 31, 2014**

1. Nature of Organization and Significant Accounting Policies:

Serra's National Council for the United States, Inc. (the Council) was incorporated on June 29, 1994 as an Illinois not-for-profit corporation. The purposes of the Council are to foster and promote vocations to the ministerial priesthood and religious life for the Catholic Church, to further Catholicism, to establish and maintain liaison with the Roman Catholic Church Hierarchy, to enhance the spirituality of its members through education and fellowship, to communicate and disseminate the voice of Serra International, to assist in the orientation and coordination of club programs, to promote membership growth and the establishment of new clubs, to organize and carry out events, to support clubs in all ways, to publish and distribute magazines, newsletters, etc., to promote the ideals and objectives of Serra International, to set realistic goals for the Council and to be accountable to the membership. The Council is affiliated with Serra International and is subject to its Constitution, Bylaws and guidelines established by the Board of Serra International and Amendments thereto.

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles.

Revenue and Expense Recognition and Accounts Receivable

Revenue and expenses are recorded on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized as incurred. All contributions are considered to be available for unrestricted use unless otherwise specifically restricted by donors. Unrestricted contributions are recorded and recognized as income when received. Temporarily restricted contributions are recorded as revenue when they are received and/or pledged to the council and transferred to the unrestricted fund when they are expended.

Accounts Receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is an estimate based on management's assessment of the current status of individual accounts and historical bad debt experience. Management practice is to reserve 100% of receivables greater than 540 days outstanding and 50% of receivables greater than 360 days outstanding up to 540 days outstanding. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The total outstanding billings for dues as of December 31, 2014 are \$511,413.91 and the allowance for uncollectible billings as of December 31, 2014 is \$216,260.50, resulting in the Accounts Receivable presented on the Statement of Financial Position as \$295,153.41.

The Per Capita Dues Revenue billed for the period of June, 2014 through May, 2015 was \$370,390. Seven months of these twelve months billings was booked as income, the amount of \$216,061 (\$370,390 times 7/12). Bad Debt Expense during the period of June, 2014 through December 31, 2014 was \$71,993.

Functional Expense Allocation

The cost of providing the various programs and activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated to programs and to supporting services based on estimates, which were made by management.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Change of Accounting Period

The Council Board elected to change from a fiscal year ending May 31, to a calendar year ending December 31, to be consistent with Serra International and The Serra International Foundation. Accordingly, these financial statements present activity conducted on a seven month period of time rather than a full twelve month year period of time.

2. **Description of net assets (fund balances):**

The Council has the following net assets:

Unrestricted Net Assets

This fund includes all resources over which the Board of Directors has discretionary control. All unrestricted revenue and expenses of the Council are included in the revenue and expenses of this fund. The fund also includes certain funds that the Board has designated to be used for certain purposes. These funds are considered restricted by the Board but the Board has discretion over these funds and can remove their designations at anytime.

Temporarily Restricted Net Assets

This fund includes all resources that are donor restricted. As the restrictions are met, the funds are transferred to the unrestricted fund..

3. **Lease commitments:**

The Council leases its office facility from its related party, Serra International with a written agreement. The council pays \$ 2,792.50 per month for the office space and for offsite storage space. In addition, the Council shares certain office equipment including a copier and postage meter and pays Serra International for usage of all equipment. The written lease became effective March 1, 2014 and expires February 28, 2017 and calls for a base monthly rent of \$2,650. As of December 31, 2014, the total obligation for the remaining 26 months is \$68,900.

4. **Related Entities Transactions:**

The Council is affiliated with Serra International and The Serra International Foundation. In the past, Serra International and the Foundation both made grants to the Council. No Grants were received from Serra International or The Serra International Foundation in 2014. The Council also collects Initiation Fees from the clubs on behalf of Serra International.

5. **Taxes:**

The Council is exempt from federal income taxes on related income under section 501(a) as described in Section 501(c)(3) of the Internal Revenue Code and applicable state law. Accordingly, no provision for federal or state income tax expense is included in the accompanying financial statements. The Council files an annual exempt organization information return in the U.S. federal jurisdiction. The Council is subject to examination by U.S. federal tax authorities for three years after a return is due or filed, whichever is later. The Council as an exempt organization is not subject to examination by Illinois state tax authorities.

6. **Pension:**

Effective June 1, 1999, the Council established a tax deferred annuity pension plan Section 403(b) of the Internal Revenue Code. The Council contributes 3% of compensation of all eligible employees, which is immediately vested. All employees who are at least 21 years of age, have completed at least one year of service and work at least 1,000 hours per year are eligible for participation in the plan. All employees may elect to and do make non-matching contributions to the plan. Pension expense for the year ended December 31, 2014 was \$ 4,135.96.

7. **Merchandise Sales:**

The following is a summary of the activity in merchandise sales for the year ended December 31, 2014

Sales	\$ 1,609.61
Cost of Merchandise	\$ <u>371.24</u>
Gross profit	1,238.37

No Labor or Occupancy has been allocated due to the immaterial affect of this revenue item.

8. **Board Designated Funds:**

The following is a summary of the activity in board designated funds for the period ended December 31, 2014

	Bishop Britt Vocations	Unrestricted	Total
Balance June 1, 2014	\$60,022	\$38,429	\$98,452
Contributions and Transfers In	520	252,813	253,363
Disbursements and Designations Out	<u>0</u>	<u>-244,414</u>	<u>-244,414</u>
Balance December 31, 2014	\$60,542	\$46,858	\$107,401

9. **Subsequent events:**

Management has evaluated subsequent events through June 10, 2015. This date represents the date the financial statements are available to be issued.

End of Notes