

**Catholic Foundation for the
Diocese of Davenport**

Financial Report
June 30, 2010

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Independent Auditor's Report

To the Board of Directors
Catholic Foundation for the Diocese of Davenport
Davenport, Iowa

We have audited the accompanying balance sheets of Catholic Foundation for the Diocese of Davenport as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the year ended June 30, 2010 and the period from February 10, 2009, date of inception, through June 30, 2009. These financial statements are the responsibility of the Foundation's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Foundation for the Diocese of Davenport as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the year ended June 30, 2010 and the period from February 10, 2009, date of inception, through June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Davenport, Iowa
October 15, 2010

**Catholic Foundation for the
Diocese of Davenport**

**Balance Sheets
June 30, 2010 and 2009**

Assets	2010	2009
Cash and cash equivalents	\$ 1,720,635	\$ 82,835
Contributions receivable, net (Note 2)	12,372,497	1,268,349
Prepays	590	-
	\$ 14,093,722	\$ 1,351,184
Liabilities and Net Assets		
Due to Diocese of Davenport (Note 6)	\$ 19,102	\$ 316,277
Accounts payable	5,176	-
Payable to parishes (Note 6)	927,620	-
	951,898	316,277
Commitment (Note 6)		
Net assets:		
Unrestricted	12,975,167	1,011,059
Temporarily restricted	166,657	23,848
	13,141,824	1,034,907
	\$ 14,093,722	\$ 1,351,184

See Notes to Financial Statements.

**Catholic Foundation for the
Diocese of Davenport**

Statements of Activities

**Year Ended June 30, 2010 and Period from February 10, 2009,
(Date of Inception) to June 30, 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
Revenue, contributions	\$ 16,884,247	\$ 178,799	\$ 17,063,046
Net assets released from restrictions, satisfaction of program restrictions (Note 4)	28,149	(28,149)	-
	<u>16,912,396</u>	<u>150,650</u>	<u>17,063,046</u>
Expenses:			
Program services:			
Provision for uncollectible contributions and contribution write-offs	1,078,401	7,841	1,086,242
Contribution to Diocese (Note 6)	1,400,000	-	1,400,000
Parish sharing contributions (Note 6)	927,620	-	927,620
Other	1,916	-	1,916
Total program services expenses	<u>3,407,937</u>	<u>7,841</u>	<u>3,415,778</u>
Support services, management and general, primarily professional fees	15,148	-	15,148
Fund raising:			
Contracted services (Note 6)	1,380,000	-	1,380,000
Printing and publications	122,652	-	122,652
Meetings and travel	22,551	-	22,551
Total fund raising expenses	<u>1,525,203</u>	<u>-</u>	<u>1,525,203</u>
Total expenses	<u>4,948,288</u>	<u>7,841</u>	<u>4,956,129</u>
Changes in net assets	<u>11,964,108</u>	<u>142,809</u>	<u>12,106,917</u>
Net assets:			
Beginning	1,011,059	23,848	1,034,907
Ending	<u>\$ 12,975,167</u>	<u>\$ 166,657</u>	<u>\$ 13,141,824</u>

See Notes to Financial Statements.

2009

Unrestricted	Temporarily Restricted	Total
\$ 1,439,118	\$ 25,888	\$ 1,465,006
-	-	-
1,439,118	25,888	1,465,006
111,617	2,040	113,657
-	-	-
-	-	-
28	-	28
111,645	2,040	113,685
6,822	-	6,822
301,000	-	301,000
7,788	-	7,788
804	-	804
309,592	-	309,592
428,059	2,040	430,099
1,011,059	23,848	1,034,907
-	-	-
\$ 1,011,059	\$ 23,848	\$ 1,034,907

**Catholic Foundation for the
Diocese of Davenport**

**Statements of Cash Flows
Year Ended June 30, 2010 and Period From February 10, 2009,
(Date of Inception) to June 30, 2009**

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ 12,106,917	\$ 1,034,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of contributions	99,881	-
Changes in assets and liabilities:		
(Increase) in contributions receivable	(11,204,029)	(1,268,349)
(Increase) in prepaids	(590)	-
Increase (decrease) in due to Diocese of Davenport	(297,175)	316,277
Increase in accounts payable and payable to parishes	932,796	-
Increase in cash and cash equivalents provided by operating activities	1,637,800	82,835
Cash and cash equivalents:		
Beginning	82,835	-
Ending	\$ 1,720,635	\$ 82,835

See Notes to Financial Statements.

**Catholic Foundation for the
Diocese of Davenport**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Catholic Foundation for the Diocese of Davenport (Foundation) was incorporated on February 10, 2009, and is a not-for-profit foundation established to promote the strength and growth of the Diocese of Davenport and its affiliated entities. This financial report includes all known funds and all known major assets and liabilities of the Catholic Foundation for the Diocese of Davenport.

Significant accounting policies:

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America.

Accounting 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. Significant estimates include the provision for uncollectible contributions and the discount on the contributions.

Net assets: The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. The Foundation had no permanently restricted net assets as of June 30, 2010 and 2009.

Cash and cash equivalents: The Foundation considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Contributions receivable and revenue: The Foundation records contributions (including promises to give) when the contribution is deemed unconditional. Unconditional promises relate to the Foundation's capital campaign are included in the financial statements as contributions receivable and contributions revenue by the appropriate net asset category. Contributions are reflected in the financial statements at the earlier of the transfer of assets or at the time the unconditional promises to give are made. Pledges, bequests and other promises to give that are to be received within a one-year period have not been discounted to reflect the present value of the future cash flows. Contributions which are material and are to be received in excess of one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on contributions.

An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as collection history of the industry, type of contribution and nature of fund raising activity. Management periodically evaluates individual contributions receivable for collectability. Contributions written off as uncollectible totaled \$99,881 and none for the year ended June 30, 2010 and the period ended June 30, 2009, respectively.

**Catholic Foundation for the
Diocese of Davenport**

Notes to Financial Statements

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

The Foundation reports gifts of cash and other assets 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Foundation reports gifts of land, buildings and equipment 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 Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of assets or promises to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. There are approximately \$260,900 and \$7,500 of conditional promises to give as of June 30, 2010 and 2009.

Contributions payable: Contributions payable, including payable to parishes, are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid.

Functional expenses: The costs of providing contributions and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide overall support and direction of the Foundation. Fundraising expenses include those expenses that are directly identifiable to the solicitation of contributions.

Income tax: The Internal Revenue Service has recognized the Foundation as exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Subsequent events: The Foundation has evaluated subsequent events through October 15, 2010, which is the date on which the financial statements were available to be issued. The Foundation invested \$1 million of its cash in a socially responsible investment account in September 2010.

**Catholic Foundation for the
Diocese of Davenport**

Notes to Financial Statements

Note 2. Contributions Receivable

Contributions receivable as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Amounts due in:		
Less than one year	\$ 3,921,802	\$ 324,876
One to five years	9,710,379	1,069,726
After five years	119,292	17,608
	<u>13,751,473</u>	<u>1,412,210</u>
Less:		
Unamortized discount	278,858	30,204
Provision for uncollectible contributions	1,100,118	113,657
	<u>\$ 12,372,497</u>	<u>\$ 1,268,349</u>

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2010 and 2009 can be used for the following:

	2010	2009
Vocations	\$ 69,163	\$ 21,056
Faith formation	7,383	1,792
Social action	20,630	1,000
Diocesan operations	5,875	-
Schools	29,350	-
Deacon formation	5,731	-
Priest health care	21,085	-
Cathedral renovation	7,440	-
	<u>\$ 166,657</u>	<u>\$ 23,848</u>

Note 4. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the year ended June 30, 2010 by incurring expenses satisfying the restricted purposes.

Purpose restrictions accomplished:	
Chancery building	\$ 25,119
Parish sharing	3,030
	<u>\$ 28,149</u>

**Catholic Foundation for the
Diocese of Davenport**

Notes to Financial Statements

Note 5. Capital Campaign

The Foundation is conducting the *Moving Forward in Faith and Hope* capital campaign to provide resources primarily for four essential needs: strengthening the Church of the Davenport Diocese, supporting our clergy and seminarians, reaching out to our people and assisting our parishes, plus other needs as allowed by the Foundation mission statement. The Foundation is hoping to raise approximately \$22,000,000 for the campaign.

The following reconciles the total contributions for the capital campaign as of June 30, 2010 to the amounts recorded in the statements of activities for the year ended June 30, 2010 and the period ended June 30, 2009:

	2010	2009	Total
Total contributions for the capital campaign	\$ 17,689,854	\$ 1,749,748	\$ 19,439,602
Less pledges received directly by the Diocese of Davenport (A)	(45,695)	(194,038)	(239,733)
Less gifts to Community Foundation of the Great River Bend for the Catholic Foundation, donor advised funds	(46,995)	(53,000)	(99,995)
Less conditional pledges not yet recognized	(274,715)	(7,500)	(282,215)
Less other adjustments	(10,749)	-	(10,749)
	<u>17,311,700</u>	<u>1,495,210</u>	<u>18,806,910</u>
Less unamortized discount	(248,654)	(30,204)	(278,858)
Contributions revenue on the statements of activities	<u>\$ 17,063,046</u>	<u>\$ 1,465,006</u>	<u>\$ 18,528,052</u>

- (A) These contributions were received by the Diocese of Davenport for the capital campaign. Donors have requested these contributions count towards the capital campaign goal.

**Catholic Foundation for the
Diocese of Davenport**

Notes to Financial Statements

Note 6. Related Party Transactions and Commitment

The Diocese of Davenport has a professional services contract with a company to provide campaign fund raising services for the benefit of the Foundation for the time period of December 2008 to July 2010. The monthly payment amounts range from \$16,000 to \$152,500. The Foundation has agreed to assume the liability under the contract. The costs incurred with the company for the year ended June 30, 2010 and the period ended June 30, 2009 were \$1,380,000 and \$301,000, respectively. The remaining fees due for professional services to be provided are \$85,000.

The Foundation made contributions to the Diocese of Davenport totaling \$1,400,000 and none for the year ended June 30, 2010 and the period ended June 30, 2009, respectively.

The Foundation owed the Diocese of Davenport \$19,102 and \$316,277 as of June 30, 2010 and 2009, respectively, related to the professional services contract and other expenses paid by the Diocese of Davenport on behalf of the Foundation.

Under the campaign policies, a parish is entitled to receive 20 percent of the cash received from its parishioners as part of the capital campaign. If the cash received exceeds the parish's goal under the capital campaign, the parish is entitled to receive 50 percent of the cash received from its parishioners in excess of the parish's goal. Payments will be made to the parishes on a semiannual basis. As of June 30, 2010 and 2009, the Foundation has a payable to parishes of \$927,620 and none, respectively. Parish sharing under the campaign policies were \$927,620 and none for the year ended June 30, 2010 and the period ended June 30, 2009, respectively.

The contributions revenue from members of the Foundation board and Foundation management for the year ended June 30, 2010 and the period ended June 30, 2009 were approximately \$49,000 and \$172,000, respectively. The contributions receivable from members of the Foundation board and Foundation management as of June 30, 2010 and 2009 are approximately \$159,000 and \$140,000, respectively.

Note 7. Concentration of Credit Risk

The Foundation routinely invests operating funds in money market funds with Edward Jones. Money market funds are not insured or guaranteed by the U.S. government; however, management believes that credit risk related to these funds is minimal. The balance in the money market fund was approximately \$388,000 as of June 30, 2010.