

**CATHOLIC TUITION ORGANIZATION,
DIOCESE OF DES MOINES**

FINANCIAL REPORT

**YEARS ENDED
JUNE 30, 2017 AND 2016**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-7



Telford A. Lodden, CPA, CFP®,
CFF, CVA, ABV, Shareholder
Bruce W. Hartley, CPA, Shareholder
John E. Lamale, CPA, Shareholder
Brent L. Alexander, CPA, Shareholder
Anthony E. Wagner, CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Tuition Organization,
Diocese of Des Moines
Des Moines, Iowa

We have audited the accompanying financial statements of Catholic Tuition Organization, Diocese of Des Moines, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Tuition Organization, Diocese of Des Moines, as of June 30, 2017 and 2016, 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.



West Des Moines, Iowa
October 10, 2017

**CATHOLIC TUITION ORGANIZATION
DIOCESE OF DES MOINES**

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash	\$ 597,546	\$ 484,607
Account receivable - related party	11,843	28,152
Accounts receivable - other	3,955	5,043
Investments	<u>3,081,682</u>	<u>3,102,703</u>
 Total assets	 <u>\$ 3,695,026</u>	 <u>\$ 3,620,505</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 888	\$ 1,124
Payroll liabilities	8,983	9,243
Tuition grants payable	<u>3,404,820</u>	<u>3,373,512</u>
 Total liabilities	 <u>\$ 3,414,691</u>	 <u>\$ 3,383,879</u>
 NET ASSETS		
Unrestricted	<u>\$ 280,335</u>	<u>\$ 236,626</u>
 Total liabilities and net assets	 <u>\$ 3,695,026</u>	 <u>\$ 3,620,505</u>

See Notes to Financial Statements.

**CATHOLIC TUITION ORGANIZATION
DIOCESE OF DES MOINES**

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues:		
Contributions	\$ 3,314,891	\$ 3,357,037
Investment income	13,150	12,683
Total revenues	\$ 3,328,041	\$ 3,369,720
Expenses:		
Program services:		
Scholarships	\$ 3,051,424	\$ 3,148,152
Contributions	35,000	35,000
Total program services	\$ 3,086,424	\$ 3,183,152
Management and general:		
Salaries	\$ 83,759	\$ 81,997
Employee benefits	9,895	9,302
Payroll taxes	6,253	6,170
Supplies	5,424	3,917
Postage and shipping	928	-
Parking	1,165	1,290
Travel	3,460	3,535
Bank and investment fees	34,963	33,736
Rent	3,075	3,075
Professional fees	11,075	9,098
Contract services	2,242	3,135
Total supporting services	\$ 162,239	\$ 155,255
Fundraising:		
Printing and publications	\$ 4,494	\$ 4,310
Advertising	31,175	42,859
Total fundraising	\$ 35,669	\$ 47,169
Total expenses	\$ 3,284,332	\$ 3,385,576
Increase (decrease) in net assets	\$ 43,709	\$ (15,856)
NET ASSETS		
Beginning	236,626	252,482
Ending	\$ 280,335	\$ 236,626

See Notes to Financial Statements.

**CATHOLIC TUITION ORGANIZATION
DIOCESE OF DES MOINES**

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 43,709	\$ (15,856)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Unrealized (gains)/losses on investments	9,864	(481)
Realized (gains) on investments	(5,737)	(985)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable - related party	16,309	(19,400)
(Increase) decrease in accounts receivable - other	1,088	(5,043)
Increase in tuition grants payable	31,308	118,899
(Decrease) in accounts payable	(236)	(349)
Increase (decrease) in payroll liabilities	(260)	1,114
	\$ 96,045	\$ 77,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	\$ 1,092,192	\$ 1,899,833
Purchase of investments	(1,075,298)	(1,838,639)
	\$ 16,894	\$ 61,194
Net cash provided by investing activities		
	\$ 112,939	\$ 139,093
Net increase in cash		
	\$ 112,939	\$ 139,093
CASH		
Beginning	484,607	345,514
Ending	\$ 597,546	\$ 484,607

See Notes to Financial Statements.

**CATHOLIC TUITION ORGANIZATION
DIOCESE OF DES MOINES**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

The Catholic Tuition Organization, Diocese of Des Moines (the Organization) is a nonprofit corporation organized under the laws of the state of Iowa. Its purpose is to provide tuition support to eligible students at qualified schools within the state of Iowa, pursuant to the provisions of the Iowa law governing school tuition organizations.

The Organization has been organized to operate as a “school tuition organization” as defined by Iowa Code Section 422.11. Accordingly, 90 percent of the Organization’s annual revenue must be allocated to tuition grants for children to allow them to attend a qualified school in Iowa of their parents’ choice. Donors to the Organization receive an Iowa income tax credit of 65 percent of their contribution.

Significant accounting policies:

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Intentions to give to the Organization which are not legally enforceable are recorded as contribution revenue in the statement of activities when the contributions are collected.

Cash:

Cash consists of a single checking account at a local bank. The Organization considers cash management funds held in brokerage accounts to be investments.

Investments:

Investments are recorded at fair market value, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur.

NOTES TO FINANCIAL STATEMENTS

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

Significant accounting policies: (Continued)

Tuition grants payable:

Tuition grants payable represents the amount the Organization is legally required to distribute during the following year and are reported as liabilities at year end. Because the Organization is a school tuition organization, 90 percent of all revenues earned are required to be distributed in the form of tuition grants.

Income taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is not required to file an annual return for organizations exempt from income tax.

Concentration of credit risk:

The Organization's cash balances may exceed the FDIC insurance level from time to time.

Note 2. Investments and Investment Return

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority.

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash management funds (level 1)	\$ 29,657	\$ 90,262
Certificates of deposit (level 2)	-	1,324,704
U.S. government and agency securities (level 2)	3,052,025	1,687,737
	<u>\$ 3,081,682</u>	<u>\$ 3,102,703</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments and Investment Return (Continued)

The following schedule summarizes investment income (loss) for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized gains (losses) on investments	\$ (4,127)	\$ 1,466
Interest	<u>17,277</u>	<u>11,217</u>
Total investment return	<u>\$ 13,150</u>	<u>\$ 12,683</u>

Note 3. Related Party Transactions

The Administrative Offices of the Roman Catholic Diocese of Des Moines, an affiliated entity, provided office space to the Organization as well as certain administrative and accounting support and parking. Total rent, parking, and accounting services expense for the years ended June 30, 2017 and 2016 was \$10,498 and \$10,498, respectively. The Organization had a receivable from the Administrative Offices of \$11,843 and \$28,152 as of June 30, 2017 and 2016, respectively.

Note 4. Employee Benefit Plan

The Organization maintains a 403(b) retirement savings plan for all employees. Contributions by the Organization range from 4 percent to 6 percent of base compensation based on the employee's date of employment. Total contributions by the Organization totaled \$4,424 in 2017 and \$4,073 in 2016.

Note 5. Concentrations

The amount of contributions to the Organization is significantly dependent on the amount of Iowa income tax credit certificates that the Organization is authorized to issue. A reduction in the funding of the income tax credit by the state of Iowa, or the repeal of the income tax credit, would likely have a significant impact on the Organization's ability to continue its activities.

Note 6. Subsequent Events

The Organization has evaluated subsequent events through October 10, 2017, the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.