

**THE CHURCH OF SAINT JOAN OF ARC
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**THE CHURCH OF SAINT JOAN OF ARC
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INDEPENDENT AUDITORS' REPORT

Finance Council
The Church of Saint Joan of Arc
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Church of Saint Joan of Arc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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.

Finance Council
The Church of Saint Joan of Arc

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Church of Saint Joan of Arc 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

Minneapolis, Minnesota
August 28, 2018

**THE CHURCH OF SAINT JOAN OF ARC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 574,846	\$ 1,295,118
Money Market Account	301,373	485,103
Prepaid Expenses and Other Assets	31,418	31,269
Property and Equipment, Net	5,630,871	3,652,957
Total Assets	\$ 6,538,508	\$ 5,464,447
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 45,430	\$ 47,558
Construction Payable	18,230	139,041
Accrued Vacation and Benefits	24,959	31,560
Deferred Revenue	21,645	16,845
Note Payable	400,000	-
Total Liabilities	510,264	235,004
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	398,188	355,593
Designated for Programs	219,795	193,291
Invested in Property and Equipment	5,212,641	3,513,916
Total Unrestricted Net Assets	5,830,624	4,062,800
Temporarily Restricted Net Assets	197,620	1,166,643
Total Net Assets	6,028,244	5,229,443
Total Liabilities and Net Assets	\$ 6,538,508	\$ 5,464,447

See accompanying Notes to Financial Statements.

**THE CHURCH OF SAINT JOAN OF ARC
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Offerings	\$ 1,953,929	\$ -	\$ 1,953,929	\$ 1,946,515	\$ -	\$ 1,946,515
Building Fund Revenue	-	1,087,787	1,087,787	-	1,205,026	1,205,026
Plate	83,080	-	83,080	88,624	-	88,624
Investment Income	3,656	-	3,656	2,092	-	2,092
Rental Income	184,722	-	184,722	185,744	-	185,744
Archdiocese Assessment Contributions	1,620	-	1,620	1,185	-	1,185
Outreach	-	214,179	214,179	-	235,794	235,794
Memorial Garden	21,273	-	21,273	13,071	-	13,071
Program Revenue	289,244	-	289,244	293,533	-	293,533
Other Income (Loss)	(72,780)	-	(72,780)	3,035	-	3,035
Net Assets Released from Restriction	2,270,989	(2,270,989)	-	453,476	(453,476)	-
Total Revenues	<u>4,735,733</u>	<u>(969,023)</u>	<u>3,766,710</u>	<u>2,987,275</u>	<u>987,344</u>	<u>3,974,619</u>
EXPENSES						
Salaries and Benefits	1,533,638	-	1,533,638	1,492,841	-	1,492,841
Archdiocese Assessment	197,358	-	197,358	165,364	-	165,364
Outreach	276,508	-	276,508	155,144	-	155,144
Administration	98,909	-	98,909	173,766	-	173,766
Facilities	268,114	-	268,114	282,346	-	282,346
Program Activities	329,445	-	329,445	301,711	-	301,711
Other	20,990	-	20,990	17,029	-	17,029
Interest	5,550	-	5,550	-	-	-
Depreciation	237,397	-	237,397	248,032	-	248,032
Total Expenses	<u>2,967,909</u>	<u>-</u>	<u>2,967,909</u>	<u>2,836,233</u>	<u>-</u>	<u>2,836,233</u>
CHANGE IN NET ASSETS	1,767,824	(969,023)	798,801	151,042	987,344	1,138,386
Net Assets - Beginning of Year	<u>4,062,800</u>	<u>1,166,643</u>	<u>5,229,443</u>	<u>3,911,758</u>	<u>179,299</u>	<u>4,091,057</u>
NET ASSETS - END OF YEAR	<u>\$ 5,830,624</u>	<u>\$ 197,620</u>	<u>\$ 6,028,244</u>	<u>\$ 4,062,800</u>	<u>\$ 1,166,643</u>	<u>\$ 5,229,443</u>

See accompanying Notes to Financial Statements.

**THE CHURCH OF SAINT JOAN OF ARC
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 798,801	\$ 1,138,386
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Noncash Adjustments:		
Depreciation	237,397	248,032
Loss on Disposal of Property and Equipment	81,670	4,922
Contributions for Long-Term Purposes	(1,087,787)	(1,205,026)
Change in Assets and Liabilities:		
Prepaid Expenses	(149)	1,019
Accounts Payable	(2,128)	21,720
Deferred Revenue	4,800	(11,379)
Accrued Vacation	(6,601)	16,024
Net Cash Provided by Operating Activities	26,003	213,698
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,417,792)	(202,047)
Money Market Account Deposits, Net	183,730	(319,462)
Net Cash Used by Investing Activities	(2,234,062)	(521,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for Long-Term Purposes	1,087,787	1,205,026
Proceeds from Notes Payable	400,000	-
Net Cash Provided by Financing Activities	1,487,787	1,205,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(720,272)	897,215
Cash and Cash Equivalents - Beginning of Year	1,295,118	397,903
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 574,846	\$ 1,295,118
SUPPLEMENTAL INFORMATION		
Purchases of Property and Equipment Included in Accounts Payable	\$ 18,230	\$ 139,041

See accompanying Notes to Financial Statements.

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Church of Saint Joan of Arc in Minneapolis (the Church) is located in Minneapolis, Minnesota. Its activities are governed by the board of trustees (the board) which consists of the Archbishop and the Vicar General of the Archdiocese of Saint Paul and Minneapolis, the Pastor of the Church, and two lay trustees.

The Church is a Minnesota religious parish corporation and is organized to promote the spiritual, religious, outreach and educational interests of its community. It is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code by reason of a Group Ruling.

The Church's activities are supported primarily by member offerings.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of trustees has discretionary control. Designated amounts represent those revenues which the parish council has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Church or passage of time.

Basis of Accounting

The accompanying financial statements of the Church are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Church classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents.

The Church maintains its cash in various bank deposit accounts. At times throughout the year, the Church's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Money Market Account

Money market accounts are recorded at deposit value and are held as investments for the long-term purposes of the Church.

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost. Additions with a cost of less than \$5,000 are expensed. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Revenue

Revenue from programs and property rental is recognized when services are provided or the event occurs. Amounts collected in advance are reported as deferred revenue.

Contributions

Contributions are recognized when the donor makes an unconditional commitment to give to the Church. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions considered irrevocable promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Contributed Services

Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills that would need to be purchased if not provided by donation. There were no contributed services recorded in 2018 or 2017. A substantial number of unpaid volunteers have made significant contributions of their time to the Church's programs. The value of this contributed time is not reflected in these statements, since the requirements for recognition have not been satisfied.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expense

Salaries and related expenses are allocated based on management's best estimate of time spent. Rents are allocated based on direct program or support service usage. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status

The Church is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes and generally is not subject to income taxes. Accordingly, no provision of federal or state taxes has been made. However, any unrelated business income may be subject to taxation.

The Church follows the provisions of Accounting for Uncertainty in Income Taxes. The Church is not aware of any activities that would jeopardize its tax-exempt status. However, should that status be challenged in the future, all years since inception would be subject to review and examination by federal and state authorities.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through August 28, 2018, the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017	Depreciation Lives - Years
Land	\$ 122,300	\$ 122,300	-
Land Improvements	164,750	164,750	15-30
Church	1,883,722	1,905,721	30
Parish Center	2,728,390	2,728,390	30
Furniture and Fixtures	1,151,397	1,144,689	5-10
The Arc	932,097	965,151	30
Youth House	79,302	79,302	30
School	3,359,157	3,439,499	30
Church Renovation	741,308	-	30
Welcome Center	1,790,664	-	30
Construction in Progress	18,148	298,332	-
Total	12,971,235	10,848,134	
Less: Accumulated Depreciation	7,340,364	7,195,177	
Net Property and Equipment	\$ 5,630,871	\$ 3,652,957	

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 LINE OF CREDIT

The Church has an outstanding line of credit agreement. The line provides for maximum borrowing of up to \$250,000, with interest at 0.25% over the index rate. The index rate is the prime rate as published. The interest rate at June 30, 2018 was 5.25%. The line expires April 7, 2020. There were no outstanding borrowings at June 30, 2018 and 2017.

NOTE 4 NOTE PAYABLE

The Church entered into a promissory note agreement of up to \$1,000,000 in borrowings in January 2018. As of June 30, 2018, the note had outstanding borrowings of \$400,000. The note requires monthly interest payments and the note principal is fully due on January 16, 2022. The note bears interest at a variable interest rate of 2.35% over the index rate. The interest rate as of June 30, 2018 was 4.44%. For the year ended June 30, 2018, \$5,550 of interest expense was incurred on the note. The note is secured by all assets of the Church.

NOTE 5 DESIGNATED NET ASSETS

Designated net assets consist of amounts restricted by the finance committee, held for the following program purposes:

	2018	2017
Special Project	\$ 91,743	\$ 85,492
Memorial Garden	96,271	79,978
Memorial Garden - Perpetual Fund	31,781	27,821
Total	<u>\$ 219,795</u>	<u>\$ 193,291</u>

Designated net assets designated by the finance committee for specific program purposes were released during the years ended June 30 as follows:

	2018	2017
Special Project	\$ 6,875	\$ 735
Memorial Garden	1,020	3,796
Total	<u>\$ 7,895</u>	<u>\$ 4,531</u>

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of cash held for the following purposes:

	<u>2018</u>	<u>2017</u>
Outreach Fund - General	\$ 190,474	\$ 252,803
Campion Life Insurance	7,146	7,146
Building Fund	-	906,694
Total	<u>\$ 197,620</u>	<u>\$ 1,166,643</u>

Temporarily restricted net assets restricted for specific program purposes were released during the years ended June 30 as follows:

	<u>2018</u>	<u>2017</u>
Outreach Fund	\$ 276,508	\$ 155,144
Building Campaign	1,994,481	298,332
Total	<u>\$ 2,270,989</u>	<u>\$ 453,476</u>

NOTE 7 RENTAL INCOME AND CONTRIBUTIONS MADE

The Church leases its school to an unrelated organization on an annual basis. The lease term expires June 30, 2021. Annual lease payments were \$155,000 for each of the years ended June 30, 2018 and 2017. The Church holds a \$10,800 deposit for the property which will be returned to the lessee upon vacating the property in proper condition as defined by the lease. Future annual minimum lease payments assuming no early termination under the new lease are estimated to be approximately \$185,000 for each of the next three fiscal years.

NOTE 8 ASSESSMENT

The Church is required to pay a 9% annual assessment to the Archdiocese. The fee is calculated based on certain prior year contributions and paid monthly based on the annual amount.

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 RETIREMENT PLAN

The Church makes contributions to two multi-employer defined benefit pension plans; the Pension Plan for Priests of The Diocese of St. Paul and Minneapolis (Priest Pension Plan) and the Pension Plan for Lay Employees of The Diocese of St. Paul and Minneapolis (Lay Pension Plan).

Effective January 31, 2011, the Lay Pension Plan was frozen. Due to the frozen status of the plan, active plan participants are no longer earning benefits, are no longer accruing additional credited years of service, and pension benefits upon participant retirement will be based upon the participant's credited years of service and salary history as of January 31, 2011. Participants in the plan who were not vested as of the freeze date will continue to earn vesting service after January 31, 2011, for each year in which they work in a full time capacity. Employees who terminate with five or more years of credited service are generally entitled to annual pension benefits as defined by the plan document. Benefits are based primarily on years of service, average earnings over the final five consecutive years. The defined benefit plan covers only vested employees. The Church continues to fund this plan by making annual payments of \$27,160 in order to fully fund the plan. Employees who are not vested in the lay pension plan participate in the Lay Pension 403(b) plan. The Church makes a 2.5% contribution to the Lay 403(b) pension plan as a substitute for the defined pension plan. During 2016, the plan changed to require employees to work at least 1,000 hours of service during the first year following their date of hire or during a subsequent 403(b) plan year in order to be eligible to receive employer contributions.

The Priest Pension Plan covers substantially all incardinated priests, or those beginning the process of incardination, under control of the Bishop of the Diocese of the Archdiocese of St. Paul and Minneapolis. Priest retirement benefits are computed in accordance with the plan document which can be changed by the trustees of the plan. Pension benefits are calculated primarily based on age at the date of retirement through 65 and years of service, not to exceed 40. Active participants who become totally and permanently disabled receive disability benefits computed as though they had been employed to normal retirement age. The board of trustees has the discretionary authority to pay the cost of medical and dental insurance for participants who retire or become disabled.

The funding status and total contributions for the two plans are not publicly available. The Church's contribution to the Lay Pension Plan is a percentage of qualified salaries and the contribution to the Priest Pension Plan is a fixed amount per Priest established by the trustees of the Priest Pension Plan. The Church's contributions to the plan for the years ended June 30:

	2018	2017
Priest Pension Plan	\$ 36,000	\$ 34,800
Lay Pension Plan	46,632	46,232
Total	<u>\$ 82,632</u>	<u>\$ 81,032</u>

**THE CHURCH OF SAINT JOAN OF ARC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PROGRAM SERVICES AND SUPPORTING ACTIVITIES

Expenses for program services and supporting activities are summarized below:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 2,344,787	\$ 2,179,431
Management and General	395,739	374,788
Fundraising	<u>227,383</u>	<u>282,014</u>
Total	<u>\$ 2,967,909</u>	<u>\$ 2,836,233</u>

NOTE 11 RELATED PARTY TRANSACTIONS

The Church participates in group health insurance and general insurance plans administered by the Archdiocese. These plans are available for all employees meeting the required criteria. Contributions for the years ended June 30, 2018 and 2017 were \$209,548 and \$208,472, respectively.

The Church also pays an assessment to the Archdiocese. Total payments made for the years ended June 30, 2018 and 2017 were \$197,358, and \$165,364, respectively.

The Church pays other amounts to the Archdiocese for sabbatical, continuing education, which totaled \$1,000 for both years ended June 30, 2018 and 2017.