

**THE CHURCH OF THE IMMACULATE HEART OF
MARY OF GLEN LAKE, MINNESOTA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

**THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Church of the Immaculate Heart of Mary of Glen Lake, Minnesota
Minnetonka, Minnesota

We have audited the accompanying financial statements of The Church of the Immaculate Heart of Mary of Glen Lake, Minnesota (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 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 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 Trustees
The Church of the Immaculate Heart of Mary of Glen Lake, Minnesota

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Church of the Immaculate Heart of Mary of Glen Lake, Minnesota as of June 30, 2014 and 2013, 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
December 16, 2014

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 278,320	\$ -
Cash Restricted for Capital Campaign	292,153	347,734
Investments	72,761	159,204
Interest in the Net Assets of Catholic Community Foundation	280,094	244,222
Accounts Receivable	641	28,240
Property and Equipment, Net	3,476,082	3,661,552
Total Assets	\$ 4,400,051	\$ 4,440,952
LIABILITIES AND NET ASSETS		
LIABILITIES		
Cash Overdraft Position	\$ -	\$ 3,077
Accounts Payable	351,521	267,482
Loans Payable	401,336	445,077
Line of Credit Payable	34,333	-
Accrued Liabilities	57,268	224,548
Total Liabilities	844,458	940,184
NET ASSETS		
Unrestricted Net Assets	2,585,829	2,730,009
Temporarily Restricted Net Assets	748,764	549,759
Permanently Restricted Net Assets	221,000	221,000
Total Net Assets	3,555,593	3,500,768
Total Liabilities and Net Assets	\$ 4,400,051	\$ 4,440,952

See accompanying Notes to Financial Statements.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Offerings	\$ 1,048,430	\$ -	\$ -	\$ 1,048,430	\$ 1,036,781	\$ -	\$ -	\$ 1,036,781
Capital Campaign Contributions	-	179,018	-	179,018	-	396,913	-	396,913
Other Contributions	17,505	16,247	-	33,752	120,932	21,352	-	142,284
Tuition	-	-	-	-	788,350	-	-	788,350
Rental Income	142,359	-	-	142,359	-	-	-	-
Other Program and Student Activities Income	67,311	-	-	67,311	265,988	-	-	265,988
Investment Income	12,127	-	-	12,127	23,041	-	-	23,041
Change in Valuation of the Interest in the Net Assets of Catholic Community Foundation	-	44,558	-	44,558	-	28,961	-	28,961
Special Events, Net	-	-	-	-	147,548	-	-	147,548
Releases from Restriction	40,818	(40,818)	-	-	211,698	(211,698)	-	-
Total Revenues	1,328,550	199,005	-	1,527,555	2,594,338	235,528	-	2,829,866
EXPENSES								
Program	1,081,783	-	-	1,081,783	2,114,707	-	-	2,114,707
Administration and General	336,926	-	-	336,926	607,288	-	-	607,288
Fundraising	54,021	-	-	54,021	116,927	-	-	116,927
Total Expenses	1,472,730	-	-	1,472,730	2,838,922	-	-	2,838,922
CHANGE IN NET ASSETS	(144,180)	199,005	-	54,825	(244,584)	235,528	-	(9,056)
Net Assets - Beginning of Year	2,730,009	549,759	221,000	3,500,768	2,974,593	314,231	221,000	3,509,824
NET ASSETS - END OF YEAR	\$ 2,585,829	\$ 748,764	\$ 221,000	\$ 3,555,593	\$ 2,730,009	\$ 549,759	\$ 221,000	\$ 3,500,768

See accompanying Notes to Financial Statements.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 54,825	\$ (9,056)
Non-Cash Adjustments:		
Depreciation	188,339	206,334
Unrealized Gain on Investments	(8,728)	(16,660)
Change in Valuation of Interest in the Net Assets of Catholic Community Foundation	(44,558)	(28,961)
Capital Campaign Contributions	(179,018)	(396,913)
Change in Assets and Liabilities:		
Accounts Receivable and Other Assets	27,599	(21,490)
Change in Overdraft Position	(3,077)	(59,221)
Accounts Payable	84,039	258,293
Accrued Liabilities	(167,280)	10,117
Net Cash Used by Operating Activities	(47,859)	(57,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,869)	(186,024)
Purchase of Investments	(13,215)	(8,032)
Sale of Investments	117,072	143,093
Net Cash Provided (Used) by Investing Activities	100,988	(50,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(43,741)	(99,082)
Proceeds on Long-Term Debt	34,333	-
Capital Campaign Contributions	234,599	207,602
Net Cash Provided by Financing Activities	225,191	108,520
NET INCREASE IN CASH AND CASH EQUIVALENTS	278,320	-
Cash and Cash Equivalents - Beginning of Year	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 278,320	\$ -
SUPPLEMENTAL INFORMATION		
Cash Payments for Interest	\$ 25,851	\$ 17,627

See accompanying Notes to Financial Statements.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Church of the Immaculate Heart of Mary of Glen Lake, Minnesota (the Church) is a community whose members, called by Baptism and formed by life-long education, grow in faith and holiness through worship, prayer, and service guided by the Gospel and traditions of the Catholic Church. The Church is located in Minnetonka, Minnesota. Its activities are governed by the board of directors (the board) which consists of the Archbishop and the Vicar General of the Archdiocese of St. Paul and Minneapolis, the Pastor of the Church and two lay trustees. The Church is organized as a religious parish corporation

The Church's activities are primarily supported by member offerings and program fees. The Church offers a full spectrum of Faith Formation education to students of all ages from children thru adult in a number of different programs. During 2013 the Church included a parochial school, which was closed at the end of the 2013 school year. With the start of the 2014 school year the Church became one of two Parishes that are sponsoring of Notre Dame Academy regional elementary school, and offers Sunday School (ages 3 – Grade 1) through Adult Faith Enrichment programs including regional elementary school. The Church also offers Sunday School (ages 3 - Grade 1) and Adult Faith Enrichment programs.

Notre Dame Academy, is a Pre-K - 8th grade regional Catholic school serving families in the western suburbs of Minneapolis, MN. Located at 13505 Excelsior Boulevard in Minnetonka, Notre Dame Academy fosters an education rooted in the Catholic tradition. As a community of educators, staff, parents and parishioners, they challenge their students through academic excellence, spiritual formation, social development and moral growth. The Church supports the school which is separately incorporated, governed and controlled. The Church signed a three-year agreement to lease space to the School. The lease requires base rent of \$1 per year plus the sharing of joint costs applicable to the School such as utilities and maintenance.

Sunday school programs are designed to provide a warm and welcoming first experience within the Church. It is an opportunity to experience faith beyond the family. Sunday school is available during the 8:30 a.m. Mass for preschoolers through first grade.

Grades 2-9 Religious Education is open to parish children who do not attend Catholic school. Classes are held on Wednesday nights from 6:30-7:30 p.m., late September through April. The entire program from Grade 2 through Grade 9 is designed to provide children with a comprehensive experience and knowledge of the Catholic faith. Curriculum and materials have been carefully selected to provide developmental catechesis based on the current teaching documents of the Church and in accord with the policies of the Archdiocese of St. Paul and Minneapolis.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

In addition to the educational opportunities offered by the Church, the Church is offers many other outreach programs and community programs including:

- Sponsorship, along with six other Catholic Churches in the area, of a speaker series for persons who are recently separated and divorced
- Programs for 55 and older
- Book club
- ICA Food Shelf support
- Salvation Army
- Sponsorship of The Sacred Heart Seminary and Archbishop Harry Flynn School in Gulu, Uganda
- Blood Drives
- Participating sponsor in the Loaves and Fishes program at the Church of the Living Waters in north Minneapolis
- Provides a venues for performing artists
- St Jude's quilting group, provides blankets and other needs to St Joseph's Home

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 board members have 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.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Church. The donors of these resources permit the Church to use all or part of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes.

Net assets for which the restriction was met in the period received are considered unrestricted and are shown as additions to unrestricted net assets.

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.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking accounts and petty cash. At times throughout the year, cash and cash equivalents deposited in financial institutions may exceed Federal Deposit Insurance Corporation insurance limits. Cash that is restricted by donors for long-term purposes is held in a separate account and presented separately from operating cash in the statement of financial position.

Investments

Investments consist of money market mutual funds and equity securities and equity mutual funds. Money market funds are carried at deposit value, which approximates fair value. Equity securities and equity mutual fund is carried at fair value based on quoted market prices.

The Church invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Interest in the Net Assets of Catholic Community Foundation

Assets are valued at fair value, following accounting guidance for Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. The fair value of Assets Held by Others is not readily determinable through an outside source independent of the holder of these assets. Fair value is based on the amounts reported to the Church by the Catholic Community Foundation. Realized and unrealized gains and losses are recognized in the statements of activities.

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.

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.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial 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 the years ended June 30, 2014 and 2013. A 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.

Tax Exempt Status

The Church is recognized as 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.

Reclassifications

Certain amounts appearing in the 2013 financial statements have been reclassified to conform with the 2014 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Fair Value Measurements

The Church has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the organization has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. This includes investments in funds that provide frequent net asset valuations.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Assets and liabilities valued using Level 3 inputs included the interest in the net assets of the Catholic Community Foundation.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through December 16, 2014, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

The fair value of the investments at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Money Market Funds	\$ 5,288	\$ 4,769
Corporate Stocks	28,318	18,594
Equity Mutual Funds	39,155	135,841
Total	<u>\$ 72,761</u>	<u>\$ 159,204</u>

Investment income for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and Dividends	\$ 2,648	\$ 3,198
Unrealized Gains	8,728	16,660
Other	751	3,183
Total	<u>\$ 12,127</u>	<u>\$ 23,041</u>

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 INTEREST IN THE NET ASSETS OF THE CATHOLIC COMMUNITY FOUNDATION

The assets held by the Catholic Community Foundation for the benefit of the Church are held in a common fund. The fund invests in a variety of investments, which had the following approximate fund allocation at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	3%	8%
U.S. Government Securities	6%	2%
Corporate Bonds	10%	11%
Corporate Stocks	63%	56%
Hedge and Private Equity	14%	20%
Real Estate and Other	4%	3%
Total	<u>100%</u>	<u>100%</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Depreciation Life - Years</u>
Land	\$ 11,937	\$ 11,937	-
Parish Building	7,451,748	7,451,748	30
Parish School	1,280,312	1,277,443	30
Furniture and Fixtures	349,635	349,635	10
Work-in-progress	178,424	178,424	-
Total	<u>9,272,056</u>	<u>9,269,187</u>	
Less: Accumulated Depreciation	<u>(5,795,974)</u>	<u>(5,607,635)</u>	
Net Property and Equipment	<u>\$ 3,476,082</u>	<u>3,661,552</u>	

For the years ended June 30, 2014 and 2013, the Church incurred and capitalized interest of \$-0- and \$5,731, respectively, which is included in Work-in-progress.

NOTE 5 LOANS PAYABLE

In May 2000, the Church entered into a Mortgage Agreement with the Catholic United Financial. The loan was extended in 2014 to a maturity in December 2020 and requires monthly principal and interest payments of \$6,011. As of June 30, 2014 and 2013, the loan bore interest at 4.50%. The loan requires compliance with certain covenants.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 LOANS PAYABLE (CONTINUED)

Maturity requirements on the outstanding notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 55,195
2016	57,731
2017	60,383
2018	63,157
2019	66,059
Thereafter	98,811
Total	<u>\$ 401,336</u>

NOTE 6 LINE OF CREDIT

In October 2013, the Church entered into a line of credit agreement with First Minnetonka City Bank. The line provides for borrowing of up to \$100,000, with interest at the U.S. prime rate, with a minimum interest rate of 5%. The line expires on October 18, 2014. The outstanding balance on this line of credit as of June 30, 2014 was \$34,333.

NOTE 7 FAIR VALUE MEASUREMENTS

The following table presents the Church's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2014 and 2013:

	<u>2014</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Corporate Stocks	\$ 28,318	\$ -	\$ -	\$ 28,318
Equity Mutual Funds	39,155	-	-	39,155
Interest in the Net Assets of the CCF				
Catholic Community Foundation	-	-	280,094	280,094
	<u>\$ 67,473</u>	<u>\$ -</u>	<u>\$ 280,094</u>	<u>\$ 347,567</u>
	<u>2013</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Corporate Stocks	\$ 18,594	\$ -	\$ -	\$ 18,594
Equity Mutual Funds	135,841	-	-	135,841
Interest in the Net Assets of the CCF				
Catholic Community Foundation	-	-	244,222	244,222
	<u>\$ 154,435</u>	<u>\$ -</u>	<u>\$ 244,222</u>	<u>\$ 398,657</u>

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of the Church's Level 3 financial assets, the interest in the net assets of Catholic Community Foundation for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Year	\$ 244,222	\$ 224,541
Unrealized and Realized Gains	44,647	28,747
Interest	3,008	3,126
Fees	(3,097)	(2,912)
Distributions	(8,686)	(9,280)
Balance, End of Year	<u>\$ 280,094</u>	<u>\$ 244,222</u>

The unobservable inputs for Assets Held by the Catholic Community Foundation are the underlying assets controlled by the Foundation. These assets are classified as Level 3 assets as the Church relies on the Foundation for fair value amounts.

NOTE 8 RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds held for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Church Renovation	\$ 599,717	\$ 458,139
Other Capital Projects	64,880	40,733
Endowment purposes	59,094	23,222
Athletics Equity	14,093	15,199
St. Jude's Circle	5,251	6,259
Other	5,729	6,207
Total	<u>\$ 748,764</u>	<u>\$ 549,759</u>

Temporarily restricted net assets restricted for specific program purposes were released during the years ending June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Church Renovation	\$ 13,293	\$ 112,193
Sacred Heart Seminary	-	10,042
Scholarships and School Technology	-	54,991
General Parish and Pastoral Ministry	11,705	18,802
Other	15,820	15,670
Total	<u>\$ 40,818</u>	<u>\$ 211,698</u>

Permanently restricted net assets represent funds given for endowment purposes in prior years. There was no permanently restricted activity during the years ending June 30, 2014 and 2013.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 LEASES

The Church entered into agreements to lease copiers whose lease terms expire in June 2016 and June 2017, respectively. Lease expense for the years ended June 30, 2014 and 2013 was \$7,758 and \$7,944 respectively. Future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 5,556
2016	5,556
2017	3,540
Total	<u>\$ 14,652</u>

In addition, the Church entered into a three-year lease agreement to lease out its school property to the Notre Dame Academy from July 1, 2013 to June 30, 2016. The tenant is scheduled to pay usage fees of \$12,250 per month, or \$147,000 per year plus shared maintenance costs, over the three-year term.

NOTE 10 RETIREMENT PLAN

The Church makes contributions to two multi-employer defined benefit pension plans; the Pension Plan for Priests of The Archdiocese of St. Paul and Minneapolis (Priest Pension Plan) and the Pension Plan for Lay Employees of The Archdiocese 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 until these participants become fully vested by reaching five years of full time service. Employees who terminate with five or more years of credited service are generally entitled to annual pension benefits as defined by the Plan document. Pension benefits are based primarily on years of service and final average earnings calculated as the average of the employee's five highest earning years.

The Priest Pension Plan covers substantially all incardinated priests, or those beginning the process of incardination, under control of the Archbishop 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 CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 RETIREMENT PLAN (CONTINUED)

The funding status and total contributions for the two plans are not publicly available. However, because the Lay Pension Plan is frozen and payments are still required it can be assumed to be under funded. The Church has no basis to estimate the underfunded amount or for how long payments into the Lay Pension Plan will be required. The Church's contribution to the Lay Pension Plan is a percentage of qualified salaries which has been fixed based on year 2011 salaries and the contribution to the Priest Pension Plan are a fixed amount per Priest established by the Trustees of the Priest Pension Plan. Following is the Church's contributions to the Plans for the years ended June 30, 2014 and 2013:

	2014	2013
Priest Pension Plan	\$ 27,686	\$ 27,109
Lay Pension Plan	13,626	82,491
Total	<u>\$ 41,312</u>	<u>\$ 109,600</u>

NOTE 11 RELATED PARTY TRANSACTIONS

The Church participates in the Archdiocese Medical Benefit Plan which provides medical benefits for full-time employees. The Church obtains general insurance coverage from the Archdiocesan General Insurance Program. The Church also pays an assessment to the Archdiocese based on a percentage of revenue. The Church has accrued approximately \$30,000 and \$62,000 at June 30, 2014 and 2013 respectively in assessments payable as prior year school revenue will be included in the revenue base for the assessment calculations for fiscal 2014 and 2015. Expenses for the above for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Medical Benefit Plan and Other Benefits	\$ 85,993	\$ 192,774
General Insurance and Workers Compensation	37,580	55,915
Assessments and Catholic Spirit	99,820	118,116

At June 30, 2014 and 2013, the Church recorded a liability for the amount owed to the Archdiocese for health benefits and general insurance and assessments of approximately \$335,000 and \$251,000 respectively.

The Church has an agreement with the Catholic Community Foundation. This agreement appointed Catholic Community Foundation as the agent of the Church in managing certain of the Church's investments. Activity related to the Church's interest in the net assets of the Catholic Community Foundation is disclosed in the Fair Value Measurements note.

THE CHURCH OF THE IMMACULATE HEART OF MARY OF GLEN LAKE, MINNESOTA
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NOTE 12 CONTINGENCIES

The Church has received formal Notices of Claims involving sexual misconduct from the mid 1970's through the early 1980's by a member of the clergy which may result in litigation. At this time, it is not possible to predict the likely outcome of these Claims and the financial statements do not include any estimated liabilities related to this matter. The Church has notified its insurance carriers and will vigorously defend these matters consistent with the norms established by the U.S. Conference of Catholic Bishops and with all due respect to the victims of childhood sexual abuse.