

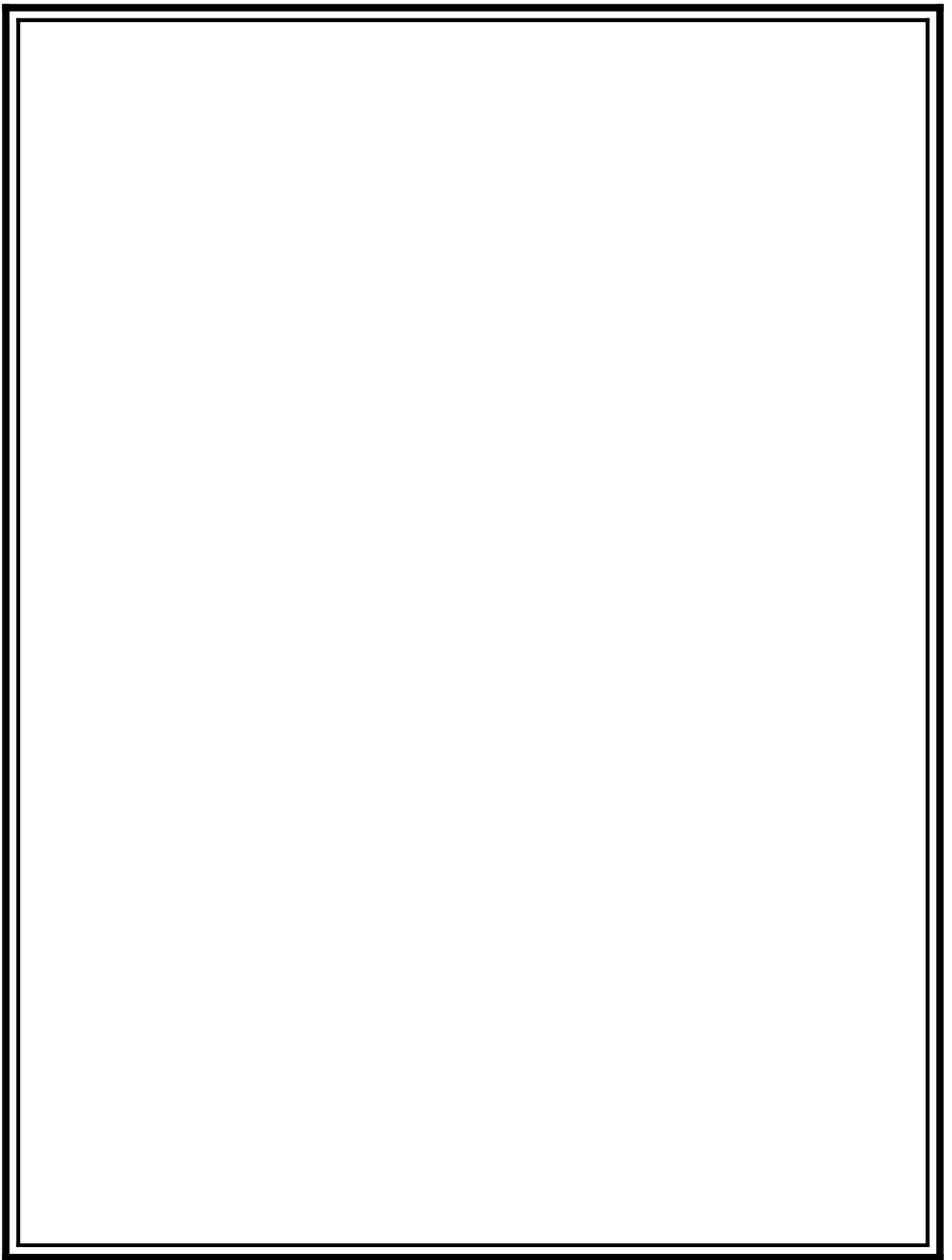
USA Council of Serra International

Audit Report

For the Year Ended

May 31, 2009

**Walter J. Newton & Co., CPAs
Chicago, IL**



**USA Council of Serra International
Financial Statements
May 31, 2009**

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Independent Auditors' Report**

Board of Trustees
USA Council of Serra International
65 East Wacker Place, Suite 802
Chicago, IL 60601

Dear Boardmembers:

We have audited the accompanying Statement of Financial Position of USA Council of Serra International as of May 31, 2009 and May 31, 2008 and the related statements of changes in Fund Balances and Fund Revenue and Expenses and Statement of Cash Flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

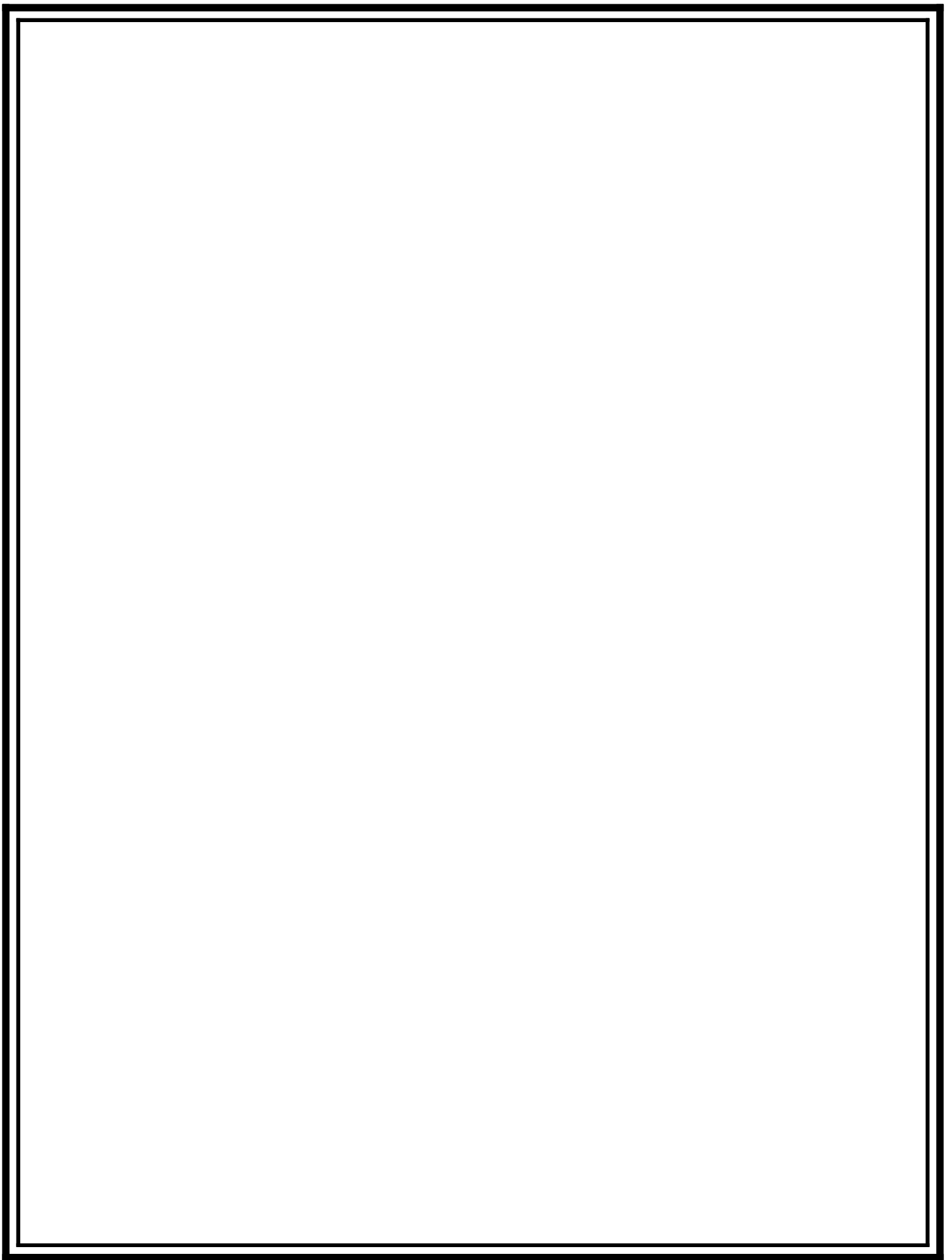
In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of USA Council of Serra International as of May 31, 2009 and May 31, 2008 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Respectfully submitted,



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

July 27, 2009



**USA Council of Serra International
Statement of Financial Position
As of May 31,**

Exhibit A

ASSETS

	2009	2008
Current Assets:		
Cash in Bank	\$ 96,271.02	107,555.61
Accounts Receivable-Merchandise (See Note 1)	1,017.45	1,261.83
Accounts Receivable-Per Capita (Se (See Note 1)	28,982.17	28,115.08
Prepaid Expenses	7,913.68	8,212.21
Inventory (See Note 1)	<u>40,806.48</u>	<u>37,738.01</u>
Total Current Assets	174,990.80	182,882.74
	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment	23,653.84	19,594.50
Furniture & Fixtures	<u>14,715.36</u>	<u>13,518.89</u>
Total Fixed Assets	<u>38,369.20</u>	<u>33,113.39</u>
	<u>Net Book Value</u>	
	4,059.34	8,696.10
	<u>1,196.47</u>	<u>2,540.28</u>
	<u>5,255.81</u>	<u>11,236.38</u>
Total Assets	<u>\$ 180,246.61</u>	<u>194,119.12</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 6,022.66	1,350.00
Deferred Grant Income	26,785.00	20,000.00
Deferred Dues	<u>35,173.15</u>	<u>59,689.00</u>
Total Current Liabilities	<u>67,980.81</u>	<u>81,039.00</u>
Long-Term Liabilities:	0.00	0.00
Total Liabilities	67,980.81	81,039.00
Net Assets:		
Total Net Assets (See Exhibit B)	<u>112,265.80</u>	<u>113,080.12</u>
Total Liabilities and Net Assets	<u>\$180,246.61</u>	<u>194,119.12</u>

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

**USA Council of Serra International
Statement of Activities
For the years ended May 31,**

Exhibit B

	<u>2009</u>	<u>2009 Pctg of Rev</u>	<u>2008</u>	<u>2008 Pctg of Rev</u>
Changes in Net Assets:				
Revenues:				
Bishop Britt Vocation Fund	\$ 0	0.00	7,666	1.23
Leadership Fund	0	0.00	2,950	0.47
Endowment Fund Revenue	0	0.00	900	0.14
Legacies & Bequests	0	0.00	63,267	10.16
Investment Income	969	0.17	1,168	0.19
Per Capita Dues	408,249	71.14	419,729	67.42
Gift Subscriptions	9,544	1.66	9,060	1.46
Other Income	12,669	2.21	7,095	1.14
Sale of Merchandise	47,593	8.29	51,380	8.25
Spouse per Capita Dues	34,992	6.10	34,839	5.60
Super Weekend Income	36,914	6.43	6,500	1.04
Grants - Unrestricted	18,644	3.25	0	0.00
Grants - USA Restricted	4,300	0.75	18,000	2.89
Total Revenue	<u>573,874</u>	<u>100.00</u>	<u>622,554</u>	<u>100.00</u>
 Operating Expenditures by Function:				
Membership	126,581	22.06	124,369	19.98
Communications	154,039	26.84	130,974	21.04
Program	2,716	0.47	1,544	0.25
Vocation	83,383	14.53	74,278	11.93
Standing Committee	76,754	13.37	64,279	10.33
General Administrative	87,104	15.18	118,379	19.02
Merchandise Costs	43,298	7.54	48,443	7.78
Total Operating Expenditures	<u>573,875</u>	<u>100.00</u>	<u>562,362</u>	<u>90.33</u>
 Increase (Decrease) in Net Assets	<u>(1)</u>	<u>0.00</u>	<u>60,192</u>	<u>9.67</u>
 Unrestricted Funds:				
Net Assets at Beginning of Year	(78)		(1,391)	
Net Transfer (To) From Restricted	94		(58,879)	
Net Assets Unrestricted at May 31	<u>\$ 15</u>		<u>(78)</u>	
 Net Assets (see also Footnote 8)				
Beginning Unrestricted Fund	\$ (78)		(1,391)	
Beginning Board Restricted Funds	113,062		29,294	
Net Change in Board Restricted Fnds	(814)		(83,768)	
Net Change in Unrestricted Funds	94		1,409	
Net Assets as of May 31	<u>\$ 112,266</u>		<u>113,080</u>	

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

**USA Council of Serra International
Endowment Funds - Exhibit E
For the 12 Months ended May 31,**

Exhibit C

Operating Expenditures:	2009	2009 Pctg	2008	2008 Pctg
RTA/CTA Benefit	\$ 3,897	0.68	4,947	0.79
USA Serran Magazine	13,815	2.41	18,382	2.95
Cost of Merchandise	29,180	5.08	33,710	5.41
Employee Postage Credits	0	0.00	30	0.00
Subscriptions	1,879	0.33	1,370	0.22
Interest Expense	0	0.00	30	0.00
Unemployment Taxes	370	0.06	427	0.07
Salaries	224,362	39.10	235,056	37.76
Temporary Services	754	0.13	0	0.00
Lease Payments	14,804	2.58	14,392	2.31
Rent and Utilities	57,615	10.04	55,708	8.95
Telephone Expense	6,376	1.11	5,765	0.93
General Insurance	7,035	1.23	7,355	1.18
Health/Life Insurance	27,271	4.75	28,701	4.61
Pension	8,123	1.42	8,476	1.36
Staff Travel - USA	11,491	2.00	7,541	1.21
ADP Expense	1,819	0.32	1,794	0.29
Payroll Taxes	17,164	2.99	17,902	2.88
Registration & Other Gov. Exp.	10	0.00	5	0.00
Postage & Freight	2,124	0.37	3,180	0.51
Stationery & Supplies	9,544	1.66	9,710	1.56
Episcopal Advisor Travel	1,167	0.20	779	0.13
President's Travel	2,583	0.45	384	0.06
Legal, Audit & Other Professional Fees	5,479	0.95	5,760	0.93
Bank Charges	317	0.06	204	0.03
Credit Card Fees	3,342	0.58	4,785	0.77
Office Equipment Expense	670	0.12	891	0.14
Contingency	275	0.05	125	0.02
Repairs & Maintenance	836	0.15	2,277	0.37
Depreciation	5,981	1.04	5,996	0.96
Board Mail	11	0.00	282	0.05
Vocations Committee	18,647	3.25	20,644	3.32
Membership Committee	5,156	0.90	8,326	1.34
Programs Committee	1,216	0.21	783	0.13
Communications Committee	4,524	0.79	1,475	0.24
General	2,356	0.41	12,306	1.98
ByLaws	409	0.07	3	0.00
Nominating Committee	5	0.00	122	0.02
Clubs in Formation	486	0.08	332	0.05
Board Meeting	16,702	2.91	8,562	1.38
National Conference Church Voc.	5,000	0.87	5,000	0.80
Long Range Planning	0	0.00	26	0.00
Super Weekend Expense	48,359	8.43	15,611	2.51
Relationships Committee	1,384	0.24	3,716	0.60
Meetings & Conventions	173	0.03	136	0.02
Leadership Development	9,682	1.69	8,156	1.31
Fund Development Committee	1,484	0.26	1,107	0.18
Structures Committee	0	0.00	96	0.02
Total Operating Expenditures	<u>\$ 573,875</u>	<u>100.00</u>	<u>562,362</u>	<u>90.33</u>

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

**USA Council of Serra International
Statement of Cash Flows
For the Years Ended May 31,**

Exhibit D

	<u>2009</u>	<u>2008</u>
Net Income (Loss):	\$ 0	60,191
Depreciation & Amortization	5,981	5,996
Decrease (Increase) in		
Dues/Merchandise Receivable	244	(1,203)
Decrease (Increase) in		
Prepaid Expense	299	(8,212)
Decrease (Increase) in Inventory	(3,068)	1,443
Increase (Decrease) in Accounts		
Payables & Accrued Expenses	4,673	(17,100)
Increase (Decrease) in Deferred Revenue	<u>(17,731)</u>	<u>6,002</u>
Net Cash Generated from (Used in)		
Operating Activities	(9,603)	47,117
Net Investment/Sale of Fixed Assets	<u>0</u>	<u>(2,010)</u>
Net Cash Used in Investing Activities	<u>0</u>	<u>(2,010)</u>
Financing Activities		
Capitized Lease, net of payments	0	(1,282)
Increase (Decrease) in Cash and		
Equivalents	(9,603)	43,825
Increase to Restricted Funds	(1,586)	40,484
Cash and Equivalents Beginning of Year	<u>107,460</u>	<u>23,151</u>
Cash and Equivalents End of Year	<u>\$ 96,271</u>	<u>107,460</u>

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

USA Council of Serra International
Notes to Financial Statements
May 31, 2009

1. Nature of Organization and Significant Accounting Policies:

USA Council of Serra International (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 generally accepted accounting principles.

Revenue and Expense Recognition

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. The Accounts Receivable amounts presented in the Statement of Financial Position are presented net of an allowance for bad debts.

Furniture and Fixtures

Furniture and fixtures are recorded at cost and contributed assets are recorded at the fair market value on the date of the donation. Depreciation is on a straight-line method over the estimated life (five to ten years) of the assets using a half-year convention.

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 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.

Inventory

The Council values inventory at lower of cost (principally on a first-in, first-out method) or net realized value and consists mainly of club supplies and items bearing the Serra insignia which are available for sale to clubs and members. The inventory amounts presented in the Statement of Financial Position are presented net of an allowance for loss due to obsolete inventory.

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.

The Board has set aside certain funds and designated them as follows:

- Leadership Fund to establish a one month cash reserve with funds segregated from operating funds but available for cash shortages with the stipulation that they be repaid in one year.
- Vocations Fund to be used exclusively for vocations promotion and work in the US with the funds segregated from operating funds with up to 25% of the corpus available for annual use upon approval of the Executive Committee.

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 an unrelated party under a non-cancelable lease, which was entered into, effective September 1, 2005 for a period of five years and has been extended through August 31, 2013. Facility's rent expense was \$57,615.03 in 2009, including taxes, building operating expenses, storage and electricity . Future minimum annual base facility rentals, including taxes, building operating expenses, storage and electricity are \$54,4135.13 for 2010, \$54,705.09 for 2011 and \$55,828.38 for 2012 and \$13,856.55 for 2013. Equipment rental expense was \$ 14,804.18 in 2009. Future annual rentals are \$14,964.12 for 2010 2011 and 2012, and \$ 9,909.52 for 2013 and \$ 5,168.00 for 2014.

4. **Related Entities Transactions:**

The Council is affiliated with Serra International and Serra International Foundation. In the past, Serra International and the Foundations both made grants to the Council. A College Connection Restricted Grant for \$10,000.00 was received in 2009. The Council also collects Initiation Fees from the clubs and remits these on a monthly basis to Serra International.

The following is a summary of the various related party transactions included in the Council's financial statements for the year ended May 31, 2009:

Transactions with Serra International:

Initiation fees collected by the Council	\$ 5,220.65
Initiation fees paid to Serra International	\$ 5,220.65

Accounts Payable at May 31, 2009:

Serra International - Initiation Fees	\$ 0.00
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5. **Taxes:**

The Council is exempt from income tax under Section 501 (c)(3). The Council has no unrelated business income and accordingly, the accompanying financial statements contain no provision for income taxes. The Council has elected the reimbursement method for Illinois unemployment tax but has been assessed and is paying on a rate basis.

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 May 31, 2009 was \$ 8,122.85.

7. **Merchandise Sales:**

The following is a summary of the activity in merchandise sales for the year ended May 31, 2009

Sales	\$ 47,593.33.
Cost of Merchandise	\$ <u>28,180.45</u>
Gross profit	18,412.88
Labor & Occupancy allocated	<u>14,114.12</u>
Net income (loss)	\$ <u>4,295.33</u>

8. **Board Designated Funds:**

The following is a summary of the activity in board designated funds for the year ended May 31, 2009:

	<u>Leadership</u>	<u>Vocations</u>	<u>Board Rest.</u>	<u>Total</u>
Contributions & Transfers	\$ 50	\$12,080	\$ 0	\$ 12,130
Disbursements designated	<u>0</u>	<u>(4,300)</u>	<u>(8,644)</u>	<u>(12,944)</u>
Net Change in year	50	7,780	(8,644)	(814)
Balance beginning of year	\$ <u>25,745</u>	\$ <u>40,053</u>	\$ 47,266	\$113,062
Balance end of year	\$ <u>25,795</u>	\$ <u>47,833</u>	\$ <u>38,622</u>	\$ <u>112,250</u>

End of Notes