

Financial Statements and Report of  
Independent Certified Public Accountants

**World Meeting of Families - Philadelphia**

June 30, 2016 and 2015

# Contents

	<b>Page</b>
Report of Independent Certified Public Accountants	3
Financial statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	8
Notes to financial statements	9



## Report of Independent Certified Public Accountants

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### **Report on the financial statements**

We have audited the accompanying financial statements of the World Meeting of Families - Philadelphia (“WMOF”), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets 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 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 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 WMOF’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 WMOF’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 the World Meeting of Families - Philadelphia as of June 30, 2016 and 2015, 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.

**Emphasis of matter - regarding going concern**

The accompanying financial statements have been prepared assuming that World Meeting of Families - Philadelphia will continue as a going concern. As discussed in Note A to the financial statements, World Meeting of Families - Philadelphia was set up as a limited duration entity solely to undertake activities related to the Eighth World Meeting of Families which occurred during September 2015. The planned limited life of the World Meeting of Families - Philadelphia raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

August 24, 2016

World Meeting of Families - Philadelphia

**STATEMENTS OF FINANCIAL POSITION**

June 30,

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 354,511	\$ 13,178,646
Pledges and other receivables, less allowance for doubtful accounts of \$-0- and \$150,580 at June 30, 2016 and 2015, respectively	49,270	4,633,894
Prepaid expenses and other assets	43,752	7,020,951
Investments	-	257,470
Equipment, less accumulated depreciation of \$9,900 and \$6,194 at June 30, 2016 and 2015, respectively	<u>-</u>	<u>3,706</u>
 Total assets	 <u>\$ 447,533</u>	 <u>\$ 25,094,667</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ -	\$ 242,159
Deferred revenue	-	3,209,796
Accrued expenses and other payables	284,528	283,569
Deposits	<u>-</u>	<u>77,046</u>
 Total liabilities	 <u>284,528</u>	 <u>3,812,570</u>
 Net assets		
Unrestricted	133,005	16,028,701
Temporarily restricted	<u>30,000</u>	<u>5,253,396</u>
 Total net assets	 <u>163,005</u>	 <u>21,282,097</u>
 Total liabilities and net assets	 <u>\$ 447,533</u>	 <u>\$ 25,094,667</u>

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue			
Contributions and grant revenue	\$ 17,457,012	\$ -	\$ 17,457,012
Interest income	8,690	-	8,690
Retail merchandise commissions	508,908	-	508,908
Registration and exhibit income	4,335,691	-	4,335,691
Other income	1,924,075	-	1,924,075
Net realized appreciation on investments	14,464	-	14,464
Net assets released from restrictions	<u>5,223,396</u>	<u>(5,223,396)</u>	<u>-</u>
Total revenue	<u>29,472,236</u>	<u>(5,223,396)</u>	<u>24,248,840</u>
Expenses			
Salaries and wages	1,003,015	-	1,003,015
Payroll taxes and fringe benefits	277,318	-	277,318
Purchased services	39,946,639	-	39,946,639
Support expenses	3,931,217	-	3,931,217
Depreciation expense	3,706	-	3,706
Other	<u>206,037</u>	<u>-</u>	<u>206,037</u>
Total expenses	<u>45,367,932</u>	<u>-</u>	<u>45,367,932</u>
Change in net assets	(15,895,696)	(5,223,396)	(21,119,092)
Net assets			
Beginning of year	<u>16,028,701</u>	<u>5,253,396</u>	<u>21,282,097</u>
End of year	<u>\$ 133,005</u>	<u>\$ 30,000</u>	<u>\$ 163,005</u>

The accompanying notes are an integral part of this financial statement.

World Meeting of Families - Philadelphia

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue			
Contributions and grant revenue	\$ 21,884,868	\$ 3,653,396	\$ 25,538,264
Investment income	11,630	-	11,630
Retail merchandise commissions	51,687	-	51,687
Other income	21,905	-	21,905
Net unrealized depreciation on investments	(48,266)	-	(48,266)
Net assets released from restrictions	<u>1,250,000</u>	<u>(1,250,000)</u>	<u>-</u>
 Total revenue	 <u>23,171,824</u>	 <u>2,403,396</u>	 <u>25,575,220</u>
Expenses			
Salaries and wages	1,225,603	-	1,225,603
Payroll taxes and fringe benefits	326,993	-	326,993
Purchased services	5,618,905	-	5,618,905
Support expenses	1,367,594	-	1,367,594
Depreciation expense	4,955	-	4,955
Other	<u>41,579</u>	<u>-</u>	<u>41,579</u>
 Total expenses	 <u>8,585,629</u>	 <u>-</u>	 <u>8,585,629</u>
 Change in net assets	 14,586,195	 2,403,396	 16,989,591
Net assets			
Beginning of year	<u>1,442,506</u>	<u>2,850,000</u>	<u>4,292,506</u>
 End of year	 <u>\$ 16,028,701</u>	 <u>\$ 5,253,396</u>	 <u>\$ 21,282,097</u>

The accompanying notes are an integral part of this financial statement.

World Meeting of Families - Philadelphia

**STATEMENTS OF CASH FLOWS**

For the year ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (21,119,092)	\$ 16,989,591
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	3,706	4,955
Bad debt expense	-	150,580
Contributed investments	-	(305,736)
Net (appreciation) depreciation on investments	(14,464)	48,266
Changes in assets and liabilities		
Pledges receivable	4,584,624	(2,609,474)
Prepaid expenses	6,977,199	(7,015,894)
Accounts payable	(242,159)	108,090
Deferred revenue	(3,209,796)	3,209,796
Accrued expenses and other payables	959	252,248
Deposits	<u>(77,046)</u>	<u>77,046</u>
Net cash (used in) provided by operating activities	<u>(13,096,069)</u>	<u>10,909,468</u>
Cash flows from investing activities		
Proceeds from the sale of investments	<u>271,934</u>	<u>-</u>
Net cash provided by investing activities	<u>271,934</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(12,824,135)	10,909,468
Cash and cash equivalents, beginning of year	<u>13,178,646</u>	<u>2,269,178</u>
Cash and cash equivalents, end of year	<u>\$ 354,511</u>	<u>\$ 13,178,646</u>

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



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

NOTE A - ORGANIZATION

The World Meeting of Families - Philadelphia (“WMOF”) was incorporated under the Pennsylvania Nonprofit Corporation Law of 1988 (as amended) in order to conduct exclusively religious, charitable and/or educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. WMOF was established on September 24, 2012, as a separate legal entity, to undertake the activities in relation to the Eighth World Meeting of Families which occurred from September 22 - 27, 2015 in Philadelphia, Pennsylvania. The WMOF will cease to exist once all obligations of the WMOF have been satisfied.

These activities included but were not limited to:

- a. Undertaking the activities of or relating to the Eighth World Meeting of Families held in the geographic confines of the Archdiocese of Philadelphia, including, but not limited to, planning and paying the costs associated with holding the Eighth World Meeting of Families, including the WMOF Congress, the papal visit and Festival of Families, within the geographic confines of the Archdiocese of Philadelphia, and conducting the activities of the Eighth World Meeting of Families; and
- b. Engaging in all activities properly related to the foregoing, including, but not limited to, soliciting, accepting and/or receiving gifts, contributions, devises, or bequests, in any form, investing and reinvesting such gifts, contributions, devises, or bequests, and distributing such gifts, contributions, devises, or bequests in furtherance of the religious, charitable, and educational work of the Archdiocese of Philadelphia to help finance and offset the costs of holding the Eighth World Meeting of Families, including the WMOF Congress, the papal visit and Festival of Families, within the geographic confines of the Archdiocese of Philadelphia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

2. Financial Statement Presentation

Information regarding the financial position and activities of WMOF is reported according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets are free of donor-imposed restrictions.

Temporarily restricted net assets include gifts and pledges, for which donor-imposed restrictions have not been met. Such restrictions include purpose restrictions, where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift.

Permanently restricted net assets include gifts and pledges, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions. There were no permanently restricted net assets as of June 30, 2016 and 2015.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Financial Statement Presentation - Continued

Expenses are reported as decreases in unrestricted net assets. Net assets with donor-imposed restrictions that have expired or were fulfilled by WMOF in the same year as received are recorded as unrestricted revenues. Net assets with donor-imposed restrictions that have expired or were fulfilled by WMOF are first expended from temporarily restricted net assets.

Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

3. Cash and Cash Equivalents

WMOF considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2016 and 2015, WMOF had cash balances on deposit with financial institutions that exceeded the balance insured by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000. WMOF has not experienced any losses in such accounts.

4. Equipment

Equipment is capitalized at cost, or its fair market value if donated. Depreciation for fixed assets is computed on a straight-line basis over the estimated useful lives of 2 years. Depreciation expense of \$3,706 and \$4,955 was incurred for the years ended June 30, 2016 and 2015, respectively.

5. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

6. Income Tax Status

WMOF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through its inclusion in the United States Conference of Catholic Bishops ("USCCB") group ruling.

WMOF follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or not recognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. WMOF does not believe its financial statements include any material uncertain tax positions.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

## NOTE C - PLEDGES AND OTHER RECEIVABLES, NET

Pledges receivable, net at June 30, 2016 and 2015 consist of unconditional promises that are expected to be collected in less than one year. The pledges receivable balance comprised of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Corporations	\$ 25,000	\$ 1,925,000
Foundations	-	1,325,000
Individuals	5,000	926,655
Other	<u>19,270</u>	<u>5,498</u>
Total pledges receivable	49,270	4,182,153
 Direct marketing	 <u>-</u>	 <u>451,741</u>
	 <u>\$ 49,270</u>	 <u>\$ 4,633,894</u>

At June 30, 2016, the WMOF pledges receivable balance totaled \$49,270. Through August 1, 2016, \$44,270 of the June 30, 2016 pledges receivable balance has been collected.

The direct marketing campaign was implemented to increase awareness of and solicit contributions for WMOF. For the year ended June 30, 2016, net contributions from the direct marketing campaign included in the statement of activities and changes in net assets totaled \$556,084. The net balance consisted of donations totaling \$648,722 and expenses totaling \$92,638.

For the year ended June 30, 2015, net contributions from the direct marketing campaign included in the statement of activities and changes in net assets totaled \$308,915. The net balance consisted of donations totaling \$2,794,424 and expenses totaling \$2,485,509.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

## NOTE D - PREPAID EXPENSES

Prepaid expenses were comprised of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Costs associated with the Papal visit	\$ -	\$ 5,697,811
Costs associated with the WMOF event	-	1,285,986
Other, primarily insurance	<u>43,752</u>	<u>37,154</u>
	<u>\$ 43,752</u>	<u>\$ 7,020,951</u>

## NOTE E - INVESTMENTS

In December 2014, WMOF received stock in Liberty Property Trust as a donation in the amount of \$305,736. The fair market value at June 30, 2015 for this investment was \$257,470. The trust document stipulated a 6-month holding period before the stock could be sold. The hold expired on July 16, 2015. The stock was sold, with proceeds of \$271,934 realized in August 2015.

## NOTE F - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although WMOF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

## NOTE F - FAIR VALUE MEASUREMENTS - Continued

The following table presents the fair values of the investments held by WMOF by level within the fair value hierarchy, as of June 30, 2015:

	Quoted prices in active markets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant inputs supported by little or no market activity <u>(Level 3)</u>	Total fair value
Assets				
Investments				
Liberty Property Trust	\$ <u>257,470</u>	\$ -	\$ -	\$ <u>257,470</u>
Total assets at June 30, 2015	\$ <u>257,470</u>	\$ -	\$ -	\$ <u>257,470</u>

## NOTE G - DEFERRED REVENUE

Deferred revenue consisted of conference registration fees, exhibit space rental fees and sponsorship revenue that pertained exclusively to the WMOF event, totaling \$-0- and \$3,209,796 as of June 30, 2016 and 2015, respectively.

## NOTE H - ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Salaries and fringe benefits	\$ -	\$ 78,266
Purchased services	275,000	85,254
Support expenses	<u>9,528</u>	<u>120,049</u>
	<u>\$ 284,528</u>	<u>\$ 283,569</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

## NOTE I - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets consisted of the following in accordance with time and purpose restrictions stipulated by donors:

	<u>2016</u>	<u>2015</u>
Time restricted contributions to support WMOF	\$ 30,000	\$ 4,253,396
Contributions restricted for costs associated with the expected Papal visit	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 30,000</u>	<u>\$ 5,253,396</u>

## NOTE J - FUNCTIONAL EXPENSES

All expenses incurred during the years ended June 30, 2016 and 2015 relate to the preparation of the WMOF event noted in Note A. Included in the WMOF expenses are fundraising expenses for the years ended June 30, 2016 and 2015 of approximately \$621,000 (of which \$92,638 related to the direct marketing campaign) and \$3,054,000 (of which \$2,485,509 related to the direct marketing campaign), respectively.

## NOTE K - RELATED PARTY TRANSACTIONS

The Archdiocese of Philadelphia provided financial and administrative services to WMOF. Amounts charged for the years ended June 30, 2016 and 2015 in relation to these services were \$20,000 and \$60,000, respectively.

## NOTE L - SUBSEQUENT EVENTS

WMOF evaluated its June 30, 2016 financial statements for subsequent events through August 24, 2016, the date the financial statements were available to be issued. There were no subsequent events that would require recognition or additional disclosure in the financial statements.