

**CORPORATION OF THE CATHOLIC BISHOP OF  
YAKIMA – DIOCESAN ADMINISTRATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Finance Council  
Diocese of Yakima Capital Revolving Program  
Yakima, Washington

We have audited the accompanying financial statements of the Diocese of Yakima Capital Revolving Program (the CRP) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in unrestricted 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.

### **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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CRP as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
September 5, 2017

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND JUNE 30, 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,368,211	\$ 681,953
Notes Receivable:		
Related Party, Net of Allowance for Doubtful		
Accounts of \$74,100 and \$102,800, Respectively	206,205	232,197
Current Portion of Notes Receivable	54,201	45,839
ACA Pledges Receivable, Net of Allowance for Doubtful		
Accounts of \$10,013 and \$4,574, Respectively	109,618	50,069
Health Plan Claims Receivable	54,000	-
Bishop's Founder Circle Pledges Receivable - Current Portion	22,450	11,000
Prepaid Expenses	3,780	-
Investments	2,673,637	2,567,014
Total Current Assets	4,492,102	3,588,072
<b>PROPERTY AND EQUIPMENT, Net</b>	1,624,008	1,669,233
<b>OTHER ASSETS</b>		
Investments, Charitable Gift Annuities	277,437	210,213
Bishop's Founder Circle Pledges Receivable - Long Term Portion	42,075	18,250
Notes Receivable, Other	203,850	257,750
Total Non-Current Assets	523,362	486,213
Total Assets	\$ 6,639,472	\$ 5,743,518
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 103,142	\$ 30,231
Health Plan Incurred But Not Reported Reserve	367,316	-
Health Plan Claims Payable	68,355	-
Accrued Liabilities	298,202	260,799
Deferred Income - Grants	-	113,075
Custodial Liability	223,418	128,427
Total Current Liabilities	1,060,433	532,532
<b>LONG-TERM DEBT</b>		
Reserve for Annuity Payments	229,708	241,426
Total Long-Term Debt	229,708	241,426
Total Liabilities	1,290,141	773,958
<b>NET ASSETS</b>		
Unrestricted	3,556,232	3,438,842
Temporarily Restricted	1,793,099	1,530,718
Total Net Assets	5,349,331	4,969,560
Total Liabilities and Net Assets	\$ 6,639,472	\$ 5,743,518

*See accompanying notes to financial statements.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions:			
Annual Catholic Appeal	\$ 1,495,662	\$ 109,618	\$ 1,605,280
Seminarian Education Fund	-	631,821	631,821
Special Funds	-	256,990	256,990
Priest Retirement Fund	-	194,698	194,698
Other Donations and Bequests	93,382	-	93,382
Health Plan	1,623,292	-	1,623,292
Diocesanum	556,962	-	556,962
Property Income	232,334	-	232,334
Management and Investment Fees	184,888	-	184,888
Other Income	88,770	-	88,770
Grants	48,454	-	48,454
Total Revenues	<u>4,323,744</u>	<u>1,193,127</u>	<u>5,516,871</u>
Net Assets Released from Restrictions due to Lapse in Time Restrictions	50,069	(50,069)	-
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	880,677	(880,677)	-
	<u>5,254,490</u>	<u>262,381</u>	<u>5,516,871</u>
<b>OPERATING EXPENSES</b>	<u>5,169,147</u>	<u>-</u>	<u>5,169,147</u>
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	85,343	262,381	347,724
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	18,293	-	18,293
Interest Expense	(859)	-	(859)
Realized Gain (Loss) on Investments	(9,356)	-	(9,356)
Unrealized Gain on Investments	13,306	-	13,306
Gain (Loss) on CRP Savings	56,185	-	56,185
Gain (Loss) on Gift Annuities	(45,522)	-	(45,522)
Total Other Income (Expense)	<u>32,047</u>	<u>-</u>	<u>32,047</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 117,390</u>	<u>\$ 262,381</u>	<u>\$ 379,771</u>

*See accompanying notes to financial statements.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES</b>			
Contributions:			
Annual Catholic Appeal	\$ 1,491,641	\$ 50,069	\$ 1,541,710
Seminarian Education Fund	-	697,953	697,953
Special Funds	-	215,887	215,887
Priest Retirement Fund	-	162,067	162,067
Other Donations and Bequests	35,766	-	35,766
Diocesanum	554,890	-	554,890
Property Income	224,963	-	224,963
Management and Investment Fees	166,634	-	166,634
Other Income	73,010	-	73,010
Grants	49,699	-	49,699
Total Revenues	2,596,603	1,125,976	3,722,579
Net Assets Released from Restrictions due to Lapse in Time Restrictions	106,064	(106,064)	-
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	877,183	(877,183)	-
	3,579,850	142,729	3,722,579
<b>OPERATING EXPENSES</b>	3,391,711	-	3,391,711
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	188,139	142,729	330,868
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	17,202	-	17,202
Interest Expense	(14,644)	-	(14,644)
Gain on Sale of Property and Equipment	142,676	-	142,676
Unrealized Gain on Investments	2,844	-	2,844
Gain (Loss) on CRP Savings	11,703	-	11,703
Gain (Loss) on Gift Annuities	(45,398)	-	(45,398)
Total Other Income (Expense)	114,383	-	114,383
<b>CHANGES IN NET ASSETS</b>	\$ 302,522	\$ 142,729	\$ 445,251

*See accompanying notes to financial statements.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENTS OF CHANGES IN NET ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>NET ASSETS - JUNE 30, 2015</b>	\$ 3,136,320	\$ 1,387,989	\$ 4,524,309
<b>CHANGES IN NET ASSETS</b>	<u>302,522</u>	<u>142,729</u>	<u>445,251</u>
<b>NET ASSETS - JUNE 30, 2016</b>	3,438,842	1,530,718	4,969,560
<b>CHANGES IN NET ASSETS</b>	<u>117,390</u>	<u>262,381</u>	<u>379,771</u>
<b>NET ASSETS - JUNE 30, 2017</b>	<u>\$ 3,556,232</u>	<u>\$ 1,793,099</u>	<u>\$ 5,349,331</u>

*See accompanying notes to financial statements.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions and Services	\$ 5,425,778	\$ 4,203,545
Cash Paid to Suppliers and Employees	(4,571,681)	(3,062,093)
Investment/Interest Income Received	18,293	17,202
Interest Paid	(859)	(14,644)
Net Cash Provided by Operating Activities	871,531	1,144,010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(510,956)	(1,636,777)
Proceeds from Sale of Investments	399,496	144,699
Principal Payments Received - Notes Receivable - Other	52,734	11,834
New Loans Issued - Notes Receivable - Other	(7,196)	(30,206)
Proceeds from Disposal of Property and Equipment	2,060	73,897
Purchase of Property and Equipment	(121,411)	(214,005)
Net Cash Used by Investing Activities	(185,273)	(1,650,558)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	-	(204,419)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	686,258	(710,967)
Cash and Cash Equivalents - Beginning of Year	681,953	1,392,920
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,368,211	\$ 681,953
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 379,771	\$ 445,251
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	162,324	153,085
Gain on Disposal of Land, Buildings, and Equipment	2,252	(146,799)
Bad Debt Allowance	(23,261)	17,910
Unrealized Loss (Gain) on Investments	(13,306)	(2,844)
Realized Loss (Gain) on Investments	(49,081)	(10,866)
(Increase) Decrease in Assets:		
Accounts Receivable from Related Parties	49,253	494,729
Annual Catholic Appeal Pledges Receivable, Net	(59,549)	60,885
Bishop's Founder Circle Pledges Receivable, Net	(35,275)	(29,250)
Health Plan Claim Receivable	(54,000)	-
Prepaid Expenses	(3,780)	5,333
Increase (Decrease) in Liabilities:		
Accounts Payable	72,911	(2,759)
Health Plan Incurred But Not Reported Reserve	367,316	-
Health Plan Claims Payable	68,355	-
Accrued Liabilities	37,403	167,224
Deferred Income - Grants	(113,075)	4,850
Custodial Liability	94,991	(896)
Reserve for Annuity Payments	(11,718)	(11,843)
Total Adjustments	491,760	698,759
Net Cash Provided by Operating Activities	\$ 871,531	\$ 1,144,010

See accompanying notes to financial statements.



**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**Noncash Investing and Financing Activities**

The Corporation sold real property in 2016. The buyer paid a down-payment of \$90,000, and financed the remaining \$160,000 with the Corporation. A portion of the proceeds were used to pay settlement costs. The note is to be repaid over five years at 5% interest.

*See accompanying notes to financial statements.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 DESCRIPTION OF OPERATIONS**

The Corporation of the Catholic Bishop of Yakima – Diocesan Administration (the Corporation), a nonprofit organization, was created June 23, 1951, in Yakima, Washington, and serves 41 parishes, six schools, and four missions in seven counties. The accompanying financial statements include certain funds and accounts of the administrative departments of the Corporation and do not purport to represent the net assets, changes in net assets, and cash flows of the parishes and institutions. The parishes consist of churches, while the institutions consist primarily of schools and cemeteries. Under canonical law, the parishes and institutions are considered separate juridical persons. These financial statements include only the accounts of the Diocesan Administration.

Historically, the Diocesan Administration had included the investments of the parishes and institutions in its financial statements. On October 22, 2010, investments, other than those relating to gift annuities, notes receivable, and deposits payable from the parishes and institutions, were transferred from the Diocesan Administration to a new entity called the Diocese of Yakima Capital Revolving Program (CRP). This was done to clarify the civil and canonical relationships between the Diocesan Administration and the parishes and institutions and to document the equitable ownership of the assets transferred as property belonging to the separate entities.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Corporation presents its financial statements in accordance with accounting principles generally accepted in the United States of America. The full accrual basis of accounting is used to record revenues and expenses. Accordingly, all revenues and expenses are recognized when earned and incurred.

**Net Assets**

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Further, the Corporation reports contributions received as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence or nature of any donor restrictions. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations but are controlled and designated by the Corporation.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and the statement of changes in net assets as net assets released from restrictions.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Temporarily Restricted Net Assets (Continued)*

Temporarily restricted net assets include the funding the Corporation receives from grant and other gift income to be used for purposes specified by the donor. Temporarily restricted net assets at June 30, 2017 and 2016, were \$1,793,099 and \$1,530,718, respectively.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2017 and 2016.

**Cash and Cash Equivalents**

The Corporation considers all highly liquid investments with maturity dates of three months or less to be cash and cash equivalents. The Corporation maintains its cash and cash equivalent accounts at financial institutions which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

**Accounts Receivable from Related Parties**

Accounts receivable from related parties are receivables with amounts billed to the parishes and other Diocesan institutions for clergy long-term care and supplemental health and clergy retirement. In addition, the annual parish assessments are a component of these receivables. Accounts receivable from related parties totaled \$206,205 and \$232,197 for the years ended June 30, 2017 and 2016, respectively. These receivables are not subject to interest. Based upon management's evaluation of these receivables, an allowance for doubtful accounts of approximately \$74,100 and \$102,800, was deemed necessary for the years ended June 30, 2017 and 2016, respectively.

**Investments**

The Corporation is required to report investments with readily determinable fair values at fair value, with gains and losses included in the statement of activities and the statement of changes in net assets. Fair value is determined by the open market. As a result, investments are carried at fair value as of the financial statement date.

Investments in general are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible that, given the level of risk associated with the investment, changes in the near term could materially affect the Corporation's account balances and the amounts reported in the financial statements.

A significant portion of the Corporation's investments are in the CRP investments. The CRP invests in money market funds, certificates of deposit, bond funds, fixed income securities, and equity securities. A significant portion of the CRP investments is held with Christian Brothers Investment Services (CBIS). CBIS is a specialized investment asset management firm that works exclusively with Catholic institutions and their fiduciaries. Assets held by CBIS are exempt from filing with the Securities and Exchange Commission, and as a result are not considered actively traded in public markets. CRP investments also include cash sweep account investments. As the Diocese's investments are in CRP and not directly in the underlying investments, they are considered Level 2 investments.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pledges Receivable**

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected are recorded at net realizable value. Unconditional promises to give are reported as pledges receivable. Conditional promises to give are not included as support until the conditions are substantially met.

There were no conditional promises to give at June 30, 2017 and 2016.

Pledges receivable are reflected on the statements of financial position at the full value of the contribution. Management determined an allowance for uncollectible pledges of \$10,013 and \$4,574 as of June 30, 2017 and 2016, respectively.

**Property and Equipment**

Land is recorded at cost or fair market value at the date of gift or purchase. Buildings and equipment are recorded at cost or fair market value at the date of gift or purchase. The Corporation capitalizes all expenditures that are capital in nature and are greater than \$500. The Corporation provides for depreciation of buildings and equipment using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 – 40 Years
Equipment	5 – 20 Years

**Custodial Liability**

Special collections occur at varying times throughout the year. As funds are collected, the amounts are accumulated by the Finance Office of the Corporation and are recorded as payable to the various funds which the collections are meant to benefit. The payable is relieved upon completion of the collection term.

**Federal Income Tax Status**

The Corporation has been recognized as tax-exempt by the Internal Revenue Service (IRS) under Section 501(c)(3). The Corporation is exempt from filing tax returns under the Catholic Directory exemption. Income from certain activities not directly related to the Corporation's tax-exempt purpose would be subject to taxation as unrelated business income. In accordance with requirements related to accounting for uncertainties in income taxes, the Corporation has determined they have no uncertain tax positions at June 30, 2017 and 2016.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent events are events or transactions that occur after the statements of financial position date but before financial statements are issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements.

The Corporation has evaluated subsequent events through September 5, 2017, which is the date the financial statements were available to be issued.

**NOTE 3 CHARITABLE GIFT ANNUITIES AND DEFERRED LIABILITIES**

Charitable gift annuities are unrestricted irrevocable gifts under which the Corporation agrees in turn to pay a life annuity to the donor, or to the designated beneficiary. The contributed funds and the related reserve for annuity payments immediately become part of the general assets and liabilities of the Corporation.

The Corporation values deferred gifts of cash at face value and investments at market value. Contribution values are discounted on the basis of actuarial data. Published IRS discount rates (ranging from 3 percent to 6 percent) are employed to determine the net present value of both contributions and liabilities pertaining to these deferred-giving arrangements.

As an issuer of charitable gift annuities, Washington State requires that the Corporation has and maintains minimum unrestricted net assets of \$500,000. Unrestricted net assets are the excess of total assets over total liabilities that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

As of June 30, 2017 and 2016, charitable gift annuities of \$277,437 and \$210,213, respectively, are included in investments, and the liability for annuity payments to donors of \$229,708 and \$241,426, respectively, is included on the statements of financial position.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The fair market value of investments was as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Investments in CRP	\$ 2,592,106	\$ 2,485,921
Money Market Funds	189,716	88,342
Certificates of Deposit (Varying Maturities)	22,221	21,959
Corporate Bonds	-	42,013
Equity Securities	77,073	67,588
Bond Funds	69,958	71,404
Total	<u>\$ 2,951,074</u>	<u>\$ 2,777,227</u>

Reconciliation to the Statements of Net Position

Investments	\$ 2,673,637	\$ 2,567,014
Investments, Charitable Gift Annuities	277,437	210,213
	<u>\$ 2,951,074</u>	<u>\$ 2,777,227</u>

Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. The Corporation has no Level 3 assets or liabilities.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The following tables present the fair value hierarchy for the balances of the assets of the Corporation measured at fair value on a recurring basis as of June 30:

	<b>2017</b>			
	Level 1	Level 2	Level 3	Total
Investments in CRP	\$ -	\$ 2,592,106	\$ -	\$ 2,592,106
Money Market Funds	189,716	-	-	189,716
Certificates of Deposit (Varying Maturities)	-	22,221	-	22,221
Equity Securities	77,073	-	-	77,073
Bond Funds	69,958	-	-	69,958
Total	\$ 336,747	\$ 2,614,327	\$ -	\$ 2,951,074
	<b>2016</b>			
	Level 1	Level 2	Level 3	Total
Investments in CRP	\$ -	\$ 2,485,921	\$ -	\$ 2,485,921
Money Market Funds	88,342	-	-	88,342
Certificates of Deposit (Varying Maturities)	-	21,959	-	21,959
Corporate Bonds	-	42,013	-	42,013
Equity Securities	67,588	-	-	67,588
Bond Funds	71,404	-	-	71,404
Total	\$ 227,334	\$ 2,549,893	\$ -	\$ 2,777,227

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 were as follows:

	<b>2017</b>	<b>2016</b>
Land	\$ 257,733	\$ 257,733
Buildings and Building Improvements	3,597,563	3,534,936
Equipment	170,624	116,815
Total	4,025,920	3,909,484
Less: Accumulated Depreciation	2,401,912	2,240,251
Total	\$ 1,624,008	\$ 1,669,233

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Annual Catholic Appeal	\$ 109,618	\$ 50,069
Priest Retirement Fund	230,642	127,684
Seminarian Education Fund	726,888	615,529
Special Funds	725,951	737,436
	<u>\$1,793,099</u>	<u>\$1,530,718</u>

On June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by the lapsing of time restrictions in the amounts of \$930,746 and \$983,247, respectively. These amounts are included in net assets released from restrictions in the accompanying financial statements.

**NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions for use as specified by donors.



**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 8 CONTINGENCIES**

Occasionally, in the normal course of business, there are various claims, lawsuits, and pending actions involving the Corporation. When such matters arise, the Corporation intends to defend its position vigorously. The Diocese carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the three preceding years. The liability, if any, associated with these matters is not determinable at June 30, 2017 and 2016; however, the results of these matters could have a material effect on the Corporation’s financial position, changes in net assets, or cash flows. No amounts have been recorded in the financial statements related to these risks.

Self-insurance – The Diocese began self-insuring for its healthcare benefits provided to its employees and the employees of the parishes and institutions of the Diocese during the year ended June 30, 2017.

Employee medical claims are paid by the Diocese through a third-party plan administrator. Employees file their claims with the administrator. The administrator pays the claims out and is then reimbursed by the Diocese. Expenses for self-insured healthcare benefits coverage totaled \$1,702,549 for the year ended June 30, 2017. The Diocese accrued a liability of approximately \$367,316 at June 30, 2017, for estimated claims incurred but not reported. The Diocese has also accrued a receivable of approximately \$54,000 for the year ended June 30, 2017, for subrogated health claims. The plan includes \$125,000 of stop-loss insurance coverage per individual per year.

**NOTE 9 FUNCTIONAL EXPENSES**

The supporting activities of the Corporation are all activities other than depreciation and development office operations expense. Generally, they include management and general expenses and fundraising activities. Total functional expenses were as follows:

	<b>2017</b>	<b>2016</b>
Program	\$ 3,232,031	\$ 1,320,641
Management & General	1,719,645	1,830,124
Fundraising	217,471	240,946
Total Functional Expenses	\$ 5,169,147	\$ 3,391,711

**NOTE 10 SUBSEQUENT EVENT**

The Corporation entered into a loan agreement with Holy Family Catholic Church in August 2017. The agreement allows for Holy Family Catholic Church to borrow up to \$1,000,000. The borrowed funds will incur interest at 2% and must be repaid by August 1, 2020.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION  
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions:			
Annual Catholic Appeal	\$ 1,495,662	\$ 109,618	\$ 1,605,280
Seminarian Education Fund	-	631,821	631,821
Special Funds	-	256,990	256,990
Priest Retirement Fund	-	194,698	194,698
Other Donations and Bequests	93,382	-	93,382
Health Plan	1,623,292	-	1,623,292
Diocesanum	556,962	-	556,962
Property Income	232,334	-	232,334
Management and Investment Fees	184,888	-	184,888
Other Income	88,770	-	88,770
Grants	48,454	-	48,454
<b>Total Revenues</b>	<b>\$ 4,323,744</b>	<b>\$ 1,193,127</b>	<b>\$ 5,516,871</b>
<b>OPERATING EXPENSES</b>			
<b>Operating Expenses Funded from Unrestricted Net Assets</b>			
Employee Salaries and Benefits	878,209	-	878,209
Clergy Salaries and Benefits	245,372	-	245,372
Property Insurance	168,090	-	168,090
Bad Debt Recovery	(23,261)	-	(23,261)
Depreciation Expense	162,324	-	162,324
Legal and Professional Fees	91,971	-	91,971
Repairs and Maintenance	135,187	-	135,187
Continuing Education and Conferences	43,857	-	43,857
Office Supplies and Expense	93,457	-	93,457
Printing and Publications	84,739	-	84,739
Utilities	59,702	-	59,702
Clergy Continuing Education and Retreats	77,669	-	77,669
Dues and Memberships	54,598	-	54,598
Program Expense	41,059	-	41,059
Contractual Services	90,349	-	90,349
Disbursements to Other Catholic Organizations	50,750	-	50,750
Institution Subsidy	37,992	-	37,992
Property Taxes	35,465	-	35,465
Travel - Mileage	37,788	-	37,788
Postage	26,012	-	26,012
Finance Charges and Bank Fees	21,731	-	21,731
Lease Expense	12,895	-	12,895
Telephone and Communications	12,907	-	12,907
Safe Environment Expense	30,183	-	30,183
Books and Periodicals	5,583	-	5,583
Advertising	9,026	-	9,026
Other Expense (Income)	(6)	-	(6)
Health Plan Expenses	1,804,822	-	1,804,822
<b>Total Operating Expenses Funded from     Unrestricted Net Assets</b>	<b>4,288,470</b>	<b>-</b>	<b>4,288,470</b>
<b>Operating Expenses Funded from Temporarily Restricted Net Assets</b>			
Seminarian Education Fund Expense	520,464	-	520,464
Special Funds (includes Faith Formation)	268,472	-	268,472
Priest Retirement Fund Expense	91,741	-	91,741
<b>Total Operating Expenses Funded from     Unrestricted Net Assets</b>	<b>880,677</b>	<b>-</b>	<b>880,677</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,169,147</b>	<b>\$ -</b>	<b>\$ 5,169,147</b>

See accompanying independent auditors' report.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION  
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS DUE TO LAPSE IN TIME RESTRICTIONS</b>	\$ 50,069	\$ (50,069)	\$ -
<b>NET ASSETS RELEASED FROM RESTRICTIONS DUE TO SATISFACTION OF PROGRAM RESTRICTIONS</b>	880,677	(880,677)	-
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	85,343	262,381	347,724
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	18,293	-	18,293
Interest Expense	(859)	-	(859)
Realized Gain (Loss) on Investments	(9,356)	-	(9,356)
Unrealized Gain on Investments	13,306	-	13,306
Gain (Loss) on CRP Savings	56,185	-	56,185
Gain (Loss) on Gift Annuities	(45,522)	-	(45,522)
Total Other Income (Expense)	<u>32,047</u>	<u>-</u>	<u>32,047</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 117,390</u>	<u>\$ 262,381</u>	<u>\$ 379,771</u>

*See accompanying independent auditors' report.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION**  
**YEAR ENDED JUNE 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES</b>			
Contributions:			
Annual Catholic Appeal	\$ 1,491,641	\$ 50,069	\$ 1,541,710
Seminarian Education Fund	-	697,953	697,953
Special Funds	-	215,887	215,887
Priest Retirement Fund	-	162,067	162,067
Other Donations and Bequests	35,766		35,766
Diocesanum	554,890	-	554,890
Property Income	224,963	-	224,963
Management and Investment Fees	166,634	-	166,634
Other Income	73,010	-	73,010
Grants	49,699	-	49,699
<b>Total Revenues</b>	<b>\$ 2,596,603</b>	<b>\$ 1,125,976</b>	<b>\$ 3,722,579</b>
<b>OPERATING EXPENSES</b>			
<b>Operating Expenses Funded from Unrestricted Net Assets</b>			
Employee Salaries and Benefits	870,405	-	870,405
Clergy Salaries and Benefits	249,920	-	249,920
Property Insurance	203,424	-	203,424
Bad Debt Expense	17,910	-	17,910
Depreciation Expense	153,085	-	153,085
Legal and Professional Fees	137,504	-	137,504
Repairs and Maintenance	115,506	-	115,506
Continuing Education and Conferences	97,627	-	97,627
Office Supplies and Expense	93,663	-	93,663
Printing and Publications	75,881	-	75,881
Utilities	71,576	-	71,576
Clergy Continuing Education and Retreats	67,809	-	67,809
Dues and Memberships	51,468	-	51,468
Program Expense	47,585	-	47,585
Contractual Services	46,320	-	46,320
Disbursements to Other Catholic Organizations	18,878	-	18,878
Institution Subsidy	37,992	-	37,992
Property Taxes	33,522	-	33,522
Travel - Mileage	29,559	-	29,559
Postage	24,822	-	24,822
Finance Charges and Bank Fees	23,101	-	23,101
Lease Expense	14,030	-	14,030
Telephone and Communications	12,927	-	12,927
Safe Environment Expense	11,712	-	11,712
Books and Periodicals	6,454	-	6,454
Advertising	4,308	-	4,308
Other Expense (Income)	(2,460)	-	(2,460)
<b>Total Operating Expenses Funded from Unrestricted Net Assets</b>	<b>2,514,528</b>	<b>-</b>	<b>2,514,528</b>
<b>Operating Expenses Funded from Temporarily Restricted Net Assets</b>			
Seminarian Education Fund Expense	551,817	-	551,817
Special Funds (includes Faith Formation)	216,105	-	216,105
Priest Retirement Fund Expense	109,261	-	109,261
<b>Total Operating Expenses Funded from Unrestricted Net Assets</b>	<b>877,183</b>	<b>-</b>	<b>877,183</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 3,391,711</b>	<b>\$ -</b>	<b>\$ 3,391,711</b>

*See accompanying independent auditors' report.*

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION  
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS DUE TO LAPSE IN TIME RESTRICTIONS</b>	\$ 106,064	\$ (106,064)	\$ -
<b>NET ASSETS RELEASED FROM RESTRICTIONS DUE TO SATISFACTION OF PROGRAM RESTRICTIONS</b>	877,183	(877,183)	-
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	188,139	142,729	330,868
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	17,202	-	17,202
Interest Expense	(14,644)	-	(14,644)
Gain on Sale of Property and Equipment	142,676	-	142,676
Unrealized Gain on Investments	2,844	-	2,844
Gain (Loss) on CRP Savings	11,703	-	11,703
Gain (Loss) on Gift Annuities	(45,398)	-	(45,398)
Total Other Income (Expense)	<u>114,383</u>	<u>-</u>	<u>114,383</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 302,522</u>	<u>\$ 142,729</u>	<u>\$ 445,251</u>

*See accompanying independent auditors' report.*