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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting



**CORPORATION OF THE CATHOLIC BISHOP OF
YAKIMA – DIOCESAN ADMINISTRATION
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YEARS ENDED JUNE 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Joseph Tyson, Bishop of Yakima
Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Yakima, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Corporation of the Catholic Bishop of Yakima – Diocesan Administration (the Corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2015 and 2014, and the results of its operations 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 Combined Financial Statements

We also reviewed, in accordance with *Statement on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants, the combined statements of financial position of the Corporation as of June 30, 2015, and the related combined statements of activities, changes in net assets, and cash flows for the year then ended (none of which are presented herein). Such combined financial statements are the general-purpose financial statements of the Corporation. The parent-only financial statements presented herein are not a valid substitute for the combined financial statements of the Corporation.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2015 and 2014 statements of activities for Diocesan Administration on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Yakima, Washington
September 11, 2015

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,392,920	\$ 1,241,058
Notes Receivable:		
Related Party, Net of Allowance for Doubtful		
Accounts of \$80,000 and \$74,000, Respectively	725,640	876,812
Current Portion of Notes Receivable	15,819	4,549
ACA Pledges Receivable, Net of Allowance for Doubtful		
Accounts of \$167,300 and \$-0-, Respectively	270,172	-
Prepaid Expenses	5,333	104,647
Investments	992,004	964,803
Total Current Assets	3,401,888	3,191,869
PROPERTY AND EQUIPMENT, Net	1,695,411	1,706,805
OTHER ASSETS		
Investments, Annuities	279,435	334,400
Notes Receivable, Other	133,484	134,306
Total Other Assets	412,919	468,706
 Total Assets	 \$ 5,510,218	 \$ 5,367,380
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 32,990	\$ 278,550
Current Maturities of Long-Term Debt	7,324	183,589
Accrued Liabilities	201,800	13,178
Custodial Liability	129,323	125,354
Total Current Liabilities	371,437	600,671
LONG-TERM DEBT		
Reserve for Annuity Payments	253,269	278,620
Note Payable, Related Party	197,095	204,419
Total Long-Term Debt	450,364	483,039
 Total Liabilities	 821,801	 1,083,710
NET ASSETS		
Unrestricted	3,113,259	2,802,524
Temporarily Restricted	1,575,158	1,481,146
Total Net Assets	4,688,417	4,283,670
 Total Liabilities and Net Assets	 \$ 5,510,218	 \$ 5,367,380

See accompanying Notes to Financial Statements.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Annual Catholic Appeal	\$ 1,793,879	\$ 41,839	\$ 1,835,718
Seminarian Education Fund	562,889	-	562,889
Special Funds	-	274,387	274,387
Priest Retirement Fund	-	175,307	175,307
Grants	52,500	-	52,500
Property Income	213,418	-	213,418
Donations and Bequests	72,474	-	72,474
Diocesanum	550,788	-	550,788
Unrealized Loss on Investments	(2,352)	-	(2,352)
Realized Loss on Investments	(3,652)	-	(3,652)
Gain on CRP Savings	30,304	-	30,304
Other Income	325,441	-	325,441
Total	<u>3,595,689</u>	<u>491,533</u>	<u>4,087,222</u>
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	397,521	(397,521)	-
Total Revenues	<u>3,993,210</u>	<u>94,012</u>	<u>4,087,222</u>
OPERATING EXPENSES	<u>3,667,356</u>	<u>-</u>	<u>3,667,356</u>
INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	325,854	94,012	419,866
OTHER INCOME (EXPENSE)			
Interest Income	191,651	-	191,651
Interest Expense	(12,708)	-	(12,708)
Institution Subsidy	(49,992)	-	(49,992)
Disbursements to Other Catholic Organizations	(15,631)	-	(15,631)
Other	(128,439)	-	(128,439)
Total Other Income (Expense)	<u>(15,119)</u>	<u>-</u>	<u>(15,119)</u>
CHANGES IN NET ASSETS	<u>\$ 310,735</u>	<u>\$ 94,012</u>	<u>\$ 404,747</u>

See accompanying Notes to Financial Statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Annual Catholic Appeal	\$ 1,823,758	\$ 103,265	\$ 1,927,023
Seminarian Education Fund	-	754,453	754,453
Special Funds	54,353	-	54,353
Grants	112,740	-	112,740
Property Income	227,863	-	227,863
Donations and Bequests	16,009	-	16,009
Diocesanum	539,220	-	539,220
Unrealized Gain on Investments	15,762	-	15,762
Realized Gain on Investments	2,126	-	2,126
Other Income	247,493	-	247,493
Total	<u>3,039,324</u>	<u>857,718</u>	<u>3,897,042</u>
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	660,784	(660,784)	-
Total Revenues	<u>3,700,108</u>	<u>196,934</u>	<u>3,897,042</u>
OPERATING EXPENSES	<u>3,565,574</u>	<u>-</u>	<u>3,565,574</u>
INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	134,534	196,934	331,468
OTHER INCOME (EXPENSE)			
Interest Income	238,996	-	238,996
Interest Expense	(12,993)	-	(12,993)
Institution Subsidy	(50,542)	-	(50,542)
Disbursements to Other Catholic Organizations	(106,319)	-	(106,319)
Other	8,534	-	8,534
Total Other Income (Expense)	<u>77,676</u>	<u>-</u>	<u>77,676</u>
CHANGES IN NET ASSETS	<u>\$ 212,210</u>	<u>\$ 196,934</u>	<u>\$ 409,144</u>

See accompanying Notes to Financial Statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS - JUNE 30, 2013 (As Restated)	\$ 2,590,314	\$ 1,284,212	\$ 3,874,526
CHANGES IN NET ASSETS	<u>212,210</u>	<u>196,934</u>	<u>409,144</u>
NET ASSETS - JUNE 30, 2014	2,802,524	1,481,146	4,283,670
CHANGES IN NET ASSETS	<u>310,735</u>	<u>94,012</u>	<u>404,747</u>
NET ASSETS - JUNE 30, 2015	<u><u>\$ 3,113,259</u></u>	<u><u>\$ 1,575,158</u></u>	<u><u>\$ 4,688,417</u></u>

See accompanying Notes to Financial Statements.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Services	\$ 3,653,402	\$ 3,894,916
Cash Paid to Suppliers and Employees	(3,531,196)	(3,597,264)
Investment/Interest Income Received	191,651	238,996
Interest Paid	(12,708)	(12,993)
Net Cash Provided by Operating Activities	301,149	523,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(166,256)	(59,642)
Proceeds from Sale of Investments	188,016	139,393
Change in Note Receivable	140,724	(31,870)
Purchase of Property and Equipment	(128,182)	(133,511)
Net Cash Provided (Used) by Investing Activities	34,302	(85,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(183,589)	(226,140)
NET INCREASE IN CASH AND CASH EQUIVALENTS	151,862	211,885
Cash and Cash Equivalents - Beginning of Year	1,241,058	1,029,173
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,392,920	\$ 1,241,058
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 404,747	\$ 409,144
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	139,576	137,691
Bad Debt Expense	167,300	-
Unrealized Loss (Gain) on Investments	2,352	(15,762)
Realized Loss (Gain) on Investments	3,652	(2,126)
Prepaid Expenses	99,314	(104,647)
(Increase) Decrease in Assets:		
ACA Pledges Receivable, Net	(437,472)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(245,560)	21,823
Accrued Liabilities	163,271	(4,212)
Custodial Liability	3,969	81,744
Total Adjustments	(103,598)	114,511
Net Cash Provided by Operating Activities	\$ 301,149	\$ 523,655

See accompanying Notes to Financial Statements.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 DESCRIPTION OF OPERATIONS

The Corporation of the Catholic Bishop of Yakima – Diocesan Administration (Corporation), a nonprofit organization, was created June 23, 1951, in Yakima, Washington, and serves 41 parishes and four missions in seven counties. The Corporation has control and ownership of the Diocesan Administration, the parishes, and the institutions. The parishes consist of churches while the institutions consist primarily of schools and cemeteries. These financial statements include only the accounts of the Diocesan Administration. The accounts of the various parish churches and institutions are not included in these financial statements.

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 statements of activities and changes in net assets as net assets released from restrictions.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 parishioners through an Annual Catholic Appeal (ACA). These amounts represent temporarily restricted gifts for the purposes designated by the appeal. In addition, the Corporation receives grant and other gift income to be used for purposes specified by the donor. Temporarily restricted net assets at June 30, 2015 and 2014 were \$1,575,158 and \$1,481,146, 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 assets at June 30, 2015 and 2014.

Cash and Cash Equivalents

For purposes of the statements of cash flows, 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.

Notes Receivable – Related Party

Notes receivable – related party are receivables with amounts billed to the parishes and other Diocesan institutions for health, general liability, and workers' compensation insurance. In addition, the annual parish assessments are a component of these receivables. Notes receivable – related party totaled \$725,640 and \$876,812 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the reimbursements from parishes were \$550,788 and \$539,220, respectively. These receivables are not subject to interest. Based upon management's evaluation of these receivables, an allowance of approximately \$80,000 and \$74,000, was deemed necessary for the years ended June 30, 2015 and 2014, respectively.

Investments

The Corporation is required to report investments with readily determinable fair values at fair value, with gains and losses included in the statements of activities and 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, given the level of risk associated with the investment, that changes in the near term could materially affect the Corporation's account balances and the amounts reported in the financial statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015 and 2014.

Pledges receivable are reflected on the statements of net assets available for benefits at the full value of the contribution. Management improved its process for determining and estimating pledges receivable, and as a result pledges receivable increased. Management determined an allowance of \$167,300 and \$-0- as of June 30, 2015 and 2014, respectively.

Property and Equipment

Land is recorded at cost or fair market value at the date of gift. Buildings and equipment are recorded at cost, fair market value at the date of gift, or approximate replacement cost as determined by an insurance appraisal as of May 15, 1961. 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.

Functional Allocation of 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. Management and general expenses totaled \$2,036,285 and \$2,110,968, net of reimbursement from the parishes, for the years ended June 30, 2015 and 2014, respectively. In addition, the Corporation incurred \$198,065 and \$197,020 of fundraising expenses to conduct the 2015 and 2014 ACA campaign, respectively. Therefore, program related expenses were \$1,433,006 and \$1,257,586 for the years ended June 30, 2015 and 2014, respectively.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014.

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.

Subsequent Events

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's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statements of financial position date and before financial statements are available to be issued.

The Corporation has evaluated subsequent events through September 11, 2015, 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.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 CHARITABLE GIFT ANNUITIES AND DEFERRED LIABILITIES (CONTINUED)

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, 2015 and 2014, charitable gift annuities of \$279,435 and \$334,400, respectively, are included in investments, and the liability for annuity payments to donors of \$253,269 and \$278,620, respectively, is included on the statements of financial position.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	2015		
	Cost	Investment Income (Loss)	Fair Market Value
Money Market Funds	\$ 117,865	\$ -	\$ 117,865
Investments in CRP	899,939	-	899,939
Certificates of Deposit (Varying Maturities)	33,106	-	33,106
Fixed Income Securities	89,959	(5,478)	84,481
Equity Securities	53,093	13,239	66,332
Bond Funds	69,947	(231)	69,716
Total	<u>\$ 1,263,909</u>	<u>\$ 7,530</u>	<u>\$ 1,271,439</u>
	2014		
	Cost	Investment Income (Loss)	Fair Market Value
Money Market Funds	\$ 65,386	\$ -	\$ 65,386
Investments in CRP	873,280	-	873,280
Certificates of Deposit (Varying Maturities)	32,714	-	32,714
Fixed Income Securities	173,936	(5,101)	168,835
Equity Securities	65,649	15,172	80,821
Bond Funds	78,559	(392)	78,167
Total	<u>\$ 1,289,524</u>	<u>\$ 9,679</u>	<u>\$ 1,299,203</u>

As defined in Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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:

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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 that are 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.

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:

	2015			Total
	Level 1	Level 2	Level 3	
Equity Securities	\$ 66,332	\$ -	\$ -	\$ 66,332
Investments in CRP	899,939	-	-	899,939
Certificates of Deposit (Varying Maturities)	33,106	-	-	33,106
Bond Funds	-	69,716	-	69,716
Fixed Income Securities	84,481	-	-	84,481
Money Market Funds	117,865	-	-	117,865
Total	<u>\$ 1,201,723</u>	<u>\$ 69,716</u>	<u>\$ -</u>	<u>\$ 1,271,439</u>

	2014			Total
	Level 1	Level 2	Level 3	
Equity Securities	\$ 80,821	\$ -	\$ -	\$ 80,821
Investments in CRP	873,280	-	-	873,280
Certificates of Deposit (Varying Maturities)	32,714	-	-	32,714
Bond Funds	-	78,167	-	78,167
Fixed Income Securities	168,835	-	-	168,835
Money Market Funds	65,386	-	-	65,386
Total	<u>\$ 1,221,036</u>	<u>\$ 78,167</u>	<u>\$ -</u>	<u>\$ 1,299,203</u>

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 280,693	\$ 210,097
Buildings and Building Improvements	2,712,915	2,714,538
Equipment	803,483	762,326
Total	<u>3,797,091</u>	<u>3,686,961</u>
Less: Accumulated Depreciation	<u>2,101,680</u>	<u>1,980,156</u>
Total	<u>\$ 1,695,411</u>	<u>\$ 1,706,805</u>

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions for use as specified by ACA campaign donors and other donors.

NOTE 7 NOTE PAYABLE – RELATED PARTY

Long-term debt consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
CRP, Related Party, CRP Investment Earnings Applied at 50% to Reduce Balance Annually	\$ -	\$ 176,639
CRP, Related Party, Payable \$1,490 Monthly, Including 5.25% Interest, Due January 1, 2033	<u>204,419</u>	<u>211,369</u>
Subtotal	204,419	388,008
Less: Current Maturities	<u>(7,324)</u>	<u>(183,589)</u>
Total Long-Term Debt	<u>\$ 197,095</u>	<u>\$ 204,419</u>

Principal maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 7,324
2016	7,718
2017	8,133
2018	8,570
2019	9,031
Thereafter	<u>163,643</u>
Total	<u>\$ 204,419</u>

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 NOTE PAYABLE – RELATED PARTY (CONTINUED)

Included in the debt described and amortized above, a note payable of \$1,159,225 was entered into during 2011 as part of the transfer of assets and liabilities to the CRP in 2010. Earnings on investments (interest and dividends) held by the CRP are shared between the Corporation and other depositors until the note payable to the CRP from the Corporation is paid off. Fifty percent of earnings are allocated to depositors and classified as interest expense by the CRP; the remaining fifty percent is applied as a reduction of the Corporation note payable. During June 30, 2015 and 2014, investment earnings applied to reduce the note payable of \$176,639 and \$219,544, respectively, were made, leaving a balance of \$-0- and \$176,639 at June 30, 2015 and 2014, respectively. The note matured and was fully repaid on December 31, 2014.

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 liability, if any, associated with these matters is not determinable at June 30, 2015 and 2014; however, the results of these matters could have a material effect on the Corporation's financial position, changes in net assets, or cash flows.

The Corporation is currently named in several lawsuits. The Corporation is insured up to set policy limits. Management and legal counsel are unable to determine the likelihood of an unfavorable outcome or the cost of an unfavorable outcome. As a result, no amounts have been recorded in the financial statements in event an unfavorable outcome were to occur.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION
YEAR ENDED JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	Diocesan Administration Operations	Annual Catholic Appeal, Seminary, and Special Funds	Total
REVENUES			
Annual Catholic Appeal	\$ 1,793,879	\$ 41,839	\$ 1,835,718
Seminarian Education Fund	562,889	-	562,889
Special Funds	-	274,387	274,387
Priest Retirement Fund	-	175,307	175,307
Grants	52,500	-	52,500
Property Income	213,418	-	213,418
Donations and Bequests	72,474	-	72,474
Diocesanum	550,788	-	550,788
Unrealized Loss on Investments	(2,352)	-	(2,352)
Realized Loss on Investments	(3,652)	-	(3,652)
Gain on CRP Savings	30,304	-	30,304
Other Income	325,441	-	325,441
Total Revenues	3,595,689	491,533	4,087,222
EXPENSES			
Office Salaries, Payroll Taxes, and Employee Insurance and Retirement	783,525	-	783,525
Clergy Salaries and Other	153,709	-	153,709
Clergy Other	151,559	-	151,559
Depreciation Expense	139,576	-	139,576
Property Insurance and Maintenance	285,598	-	285,598
Development Office Operations Expense	198,065	-	198,065
Office Supplies and Expense	67,199	-	67,199
Postage	17,081	-	17,081
Retreats	3,715	-	3,715
Program Expense	28,836	-	28,836
Advertising	6,567	-	6,567
Printing and Publications	33,337	-	33,337
Books and Periodicals	4,316	-	4,316
Contractual Services	29,224	-	29,224
Continuing Education and Conferences	89,814	-	89,814
Rent	-	-	-
Dues and Subscriptions	51,027	-	51,027
Property Taxes	35,395	-	35,395
Legal and Accounting Fees	147,579	-	147,579
Utilities	70,416	-	70,416
Transportation and Automobile	37,882	-	37,882
Computer Expense	23,905	-	23,905
Telephone	15,601	-	15,601
Rebates	333,020	-	333,020
Seminarian Education Fund Expense	562,889	23,727	586,616
Special Funds Expense	-	269,495	269,495
Priest Retirement Fund Expense	-	104,299	104,299
Total Expenses	3,269,835	397,521	3,667,356
INCREASE OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSE)	325,854	94,012	419,866
OTHER INCOME (EXPENSE)			
Interest Income	191,651	-	191,651
Interest Expense	(12,708)	-	(12,708)
Institution Subsidy	(49,992)	-	(49,992)
Disbursements to Other Catholic Organizations	(15,631)	-	(15,631)
Other	(128,439)	-	(128,439)
Total Other Income (Expense)	(15,119)	-	(15,119)
INCREASE OF REVENUES OVER EXPENSES	\$ 310,735	\$ 94,012	\$ 404,747

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION
YEAR ENDED JUNE 30, 2014
(SEE INDEPENDENT AUDITORS' REPORT)

	Diocesan Administration Operations	Annual Catholic Appeal, Seminary, and Special Funds	Total
REVENUES			
Annual Catholic Appeal	\$ 1,823,758	\$ 103,265	\$ 1,927,023
Seminarian Education Fund	-	754,453	754,453
Special Funds	54,353	-	54,353
Grants	112,740	-	112,740
Property Income	227,863	-	227,863
Donations and Bequests	16,009	-	16,009
Diocesanum	539,220	-	539,220
Unrealized Loss on Investments	15,762	-	15,762
Realized Gain on Investments	2,126	-	2,126
Other Income	247,493	-	247,493
Total Revenues	3,039,324	857,718	3,897,042
EXPENSES			
Office Salaries, Payroll Taxes, and Employee Insurance and Retirement	736,171	-	736,171
Clergy Salaries and Other	187,232	-	187,232
Clergy Other	135,553	-	135,553
Depreciation Expense	137,691	-	137,691
Property Insurance and Maintenance	319,876	-	319,876
Development Office Operations Expense	197,020	-	197,020
Office Supplies and Expense	66,281	-	66,281
Postage	15,060	-	15,060
Retreats	1,080	-	1,080
Program Expense	66,693	-	66,693
Advertising	4,721	-	4,721
Printing and Publications	35,709	-	35,709
Books and Periodicals	4,681	-	4,681
Contractual Services	57,328	-	57,328
Continuing Education and Conferences	20,533	-	20,533
Rent	11,940	-	11,940
Dues and Subscriptions	50,008	-	50,008
Property Taxes	33,930	-	33,930
Legal and Accounting Fees	204,733	-	204,733
Utilities	71,103	-	71,103
Transportation and Automobile	53,002	-	53,002
Computer Expense	20,208	-	20,208
Telephone	15,126	-	15,126
Rebates	404,758	-	404,758
Seminarian Education Fund Expense	-	605,862	605,862
Special Funds Expense	54,353	54,922	109,275
Total Expenses	2,904,790	660,784	3,565,574
INCREASE OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSE)	134,534	196,934	331,468
OTHER INCOME (EXPENSE)			
Interest Income	238,996	-	238,996
Interest Expense	(12,993)	-	(12,993)
Institution Subsidy	(50,542)	-	(50,542)
Disbursements to Other Catholic Organizations	(106,319)	-	(106,319)
Other	8,534	-	8,534
Total Other Income (Expense)	77,676	-	77,676
INCREASE OF REVENUES OVER EXPENSES	\$ 212,210	\$ 196,934	\$ 409,144