

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION  
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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, 2014 and 2013, 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 of the Catholic Bishop of Yakima – Diocesan Administration as of June 30, 2014 and 2013, 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 of the Catholic Bishop of Yakima – Diocesan Administration as of June 30, 2014, 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 of the Catholic Bishop of Yakima – Diocesan Administration. The parent-only financial statements presented herein are not a valid substitute for the combined financial statements of the Corporation of the Catholic Bishop of Yakima – Diocesan Administration.

**Emphasis-of-Matter Regarding a Correction of an Error**

As discussed in Note 9 to the financial statements, custodial liabilities and accounts payable, related party were overstated and temporarily restricted net assets were understated for the year ended June 30, 2012. Accordingly, amounts reported have been restated in the 2013 financial statements now presented, and adjustments have been made to properly record temporarily restricted contributions, custodial liabilities and accounts payable, related party and temporarily restricted net assets as of July 1, 2012, to correct the error. Our opinion is not modified with respect to that matter.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2014 and 2013 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  
December 16, 2014

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>(As Restated)</u> <u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,241,058	\$ 1,029,173
Notes Receivable:		
Related Party, Net of Allowance for Doubtful		
Accounts of \$74,000 and \$93,000, Respectively	1,750,092	1,731,745
Other	4,549	4,434
Prepaid Expenses	104,647	-
Investments	425,923	487,786
Total Current Assets	<u>3,526,269</u>	<u>3,253,138</u>
<b>PROPERTY AND EQUIPMENT, Net</b>	1,706,805	1,710,985
<b>OTHER ASSETS</b>		
Notes Receivable, Other	<u>134,306</u>	<u>120,898</u>
Total Assets	<u><u>\$ 5,367,380</u></u>	<u><u>\$ 5,085,021</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable:		
Other	\$ 278,550	\$ 256,727
Current Maturities of Long-Term Debt	183,589	6,595
Accrued Liabilities	13,178	4,639
Reserve for Annuity Payments	278,620	291,371
Custodial Liability	125,354	43,610
Total Current Liabilities	<u>879,291</u>	<u>602,942</u>
<b>LONG-TERM DEBT</b>		
Note Payable, Related Party	<u>204,419</u>	<u>607,553</u>
Total Liabilities	1,083,710	1,210,495
<b>NET ASSETS</b>		
Unrestricted	2,802,524	2,590,314
Temporarily Restricted	<u>1,481,146</u>	<u>1,284,212</u>
Total Net Assets	<u>4,283,670</u>	<u>3,874,526</u>
Total Liabilities and Net Assets	<u><u>\$ 5,367,380</u></u>	<u><u>\$ 5,085,021</u></u>

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Annual Catholic Appeal	\$ -	\$ 1,927,023	\$ 1,927,023
Seminary	-	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	1,161,213	2,735,829	3,897,042
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	2,538,895	(2,538,895)	-
Total Revenues	3,700,108	196,934	3,897,042
<b>OPERATING EXPENSES</b>	3,565,574	-	3,565,574
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	134,534	196,934	331,468
<b>OTHER INCOME (EXPENSE)</b>			
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	77,676	-	77,676
<b>CHANGES IN NET ASSETS</b>	\$ 212,210	\$ 196,934	\$ 409,144

See accompanying Notes to Financial Statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013 (AS RESTATED)**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Annual Catholic Appeal	\$ -	\$ 1,477,291	\$ 1,477,291
Seminary	-	690,373	690,373
Special Funds	-	70,307	70,307
Grants	119,136	-	119,136
Property Income	230,612	-	230,612
Donations and Bequests	761,129	-	761,129
Diocesanum	510,114	-	510,114
Unrealized Loss on Investments	(20,866)	-	(20,866)
Realized Gain on Investments	46,061	-	46,061
Other Income	281,414	-	281,414
Total	1,927,600	2,237,971	4,165,571
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	2,090,622	(2,090,622)	-
Total Revenues	4,018,222	147,349	4,165,571
<b>OPERATING EXPENSES</b>	3,437,502	-	3,437,502
<b>INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	580,720	147,349	728,069
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	168,921	-	168,921
Interest Expense	(13,134)	-	(13,134)
Institution Subsidy	(49,992)	-	(49,992)
Disbursements to Other Catholic Organizations	(74,224)	-	(74,224)
Other	(34,823)	-	(34,823)
Total Other Expense	(3,252)	-	(3,252)
<b>CHANGES IN NET ASSETS</b>	\$ 577,468	\$ 147,349	\$ 724,817

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, 2014 AND 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>NET ASSETS - JUNE 30, 2012</b> (As Previously Stated)	\$ 2,012,846	\$ 944,741	\$ 2,957,587
<b>RESTATEMENT</b>	-	192,122	192,122
<b>NET ASSETS - JUNE 30, 2012</b> (As Restated)	2,012,846	1,136,863	3,149,709
<b>CHANGES IN NET ASSETS</b> (As Restated)	<u>577,468</u>	<u>147,349</u>	<u>724,817</u>
<b>NET ASSETS - JUNE 30, 2013</b> (As Restated)	2,590,314	1,284,212	3,874,526
<b>CHANGES IN NET ASSETS</b>	<u>212,210</u>	<u>196,934</u>	<u>409,144</u>
<b>NET ASSETS - JUNE 30, 2014</b>	<u><u>\$ 2,802,524</u></u>	<u><u>\$ 1,481,146</u></u>	<u><u>\$ 4,283,670</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, 2014 AND 2013**

	2014	(As Restated) 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions and Services	\$ 3,894,916	\$ 4,119,510
Cash Paid to Suppliers and Employees	(3,597,264)	(3,443,470)
Investment/Interest Income Received	238,996	168,921
Interest Paid	(12,993)	(13,134)
Net Cash Provided by Operating Activities	523,655	831,827
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(59,642)	(408,160)
Proceeds from Sale of Investments	139,393	506,417
Change in Note Receivable	(31,870)	(145,096)
Purchase of Property and Equipment	(133,511)	(203,603)
Net Cash Used by Investing Activities	(85,630)	(250,442)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(226,140)	(167,123)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	211,885	414,262
Cash and Cash Equivalents - Beginning of Year	1,029,173	614,911
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,241,058	\$ 1,029,173
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 409,144	\$ 724,817
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	137,691	89,206
Unrealized (Gain) Loss on Investments	(15,762)	20,866
Realized Gain on Investments	(2,126)	(46,061)
Prepaid Expenses	(104,647)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	21,823	208,183
Accrued Liabilities	(4,212)	(55,490)
Custodial Liability	81,744	(109,694)
Total Adjustments	114,511	107,010
Net Cash Provided by Operating Activities	\$ 523,655	\$ 831,827

**NONCASH INVESTING AND FINANCING ACTIVITIES**

During the year ended June 30, 2013, the Organization purchased a building with debt financing in the amount of \$221,135.

See accompanying Notes to Financial Statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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 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, 2014 AND 2013**

**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, 2014 and 2013 were \$1,481,146 and \$1,284,212, 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, 2014 and 2013.

**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 and Corporation savings transferred to the CRP are a component of these receivables. Notes receivable – related party totaled \$1,750,092 and \$1,731,745 for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, the reimbursements from parishes were \$539,220 and \$510,114, respectively. These receivables are not subject to interest. Based upon management's evaluation of these receivables, an allowance of approximately \$74,000 and \$93,000, was deemed necessary for the years ended June 30, 2014 and 2013, 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, 2014 AND 2013**

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

**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 \$2,110,968 and \$2,439,427, net of reimbursement from the parishes, for the years ended June 30, 2014 and 2013, respectively. In addition, the Corporation incurred \$197,020 and \$189,580 of fundraising expenses to conduct the 2014 and 2013 ACA campaign, respectively. Therefore, program related expenses were \$1,257,586 and \$808,495 for the years ended June 30, 2014 and 2013, respectively.

**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, 2014 and 2013.

**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**  
**JUNE 30, 2014 AND 2013**

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

**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 December 16, 2014, 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, 2014 and 2013, charitable gift annuities of \$334,400 and \$364,334, respectively, are included in investments, and the liability for annuity payments to donors of \$278,620 and \$291,371, respectively, is included on the statements of financial position.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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

	2014			
	Cost	Unrealized Gain (Loss)	Unrealized Gain/Investment Income	Fair Market Value
Money Market Funds	\$ 65,386	\$ -	\$ -	\$ 65,386
Certificates of Deposit (Varying Maturities)	32,714	-	-	32,714
Fixed Income Securities	175,275	(6,440)	-	168,835
Equity Securities	65,649	15,172	-	80,821
Bond Funds	78,559	(392)	-	78,167
Total	\$ 417,583	\$ 8,340	\$ -	\$ 425,923
	2013			
	Cost	Unrealized Loss	Unrealized Gain/Investment Income	Fair Market Value
Money Market Funds	\$ 69,439	\$ -	\$ -	\$ 69,439
Certificates of Deposit (Varying Maturities)	65,735	-	-	65,735
Fixed Income Securities	175,275	(4,421)	-	170,854
Equity Securities	89,064	(349)	-	88,715
Bond Funds	95,695	(2,652)	-	93,043
Total	\$ 495,208	\$ (7,422)	\$ -	\$ 487,786

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:

*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. The Corporation has no Level 2 assets or liabilities.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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

*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:

	2014			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 80,821	\$ -	\$ -	\$ 80,821
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>\$ 425,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,923</u>

  

	2013			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 88,715	\$ -	\$ -	\$ 88,715
Certificates of Deposit (Varying Maturities)	65,735	-	-	65,735
Bond Funds	93,043	-	-	93,043
Fixed Income Securities	170,854	-	-	170,854
Money Market Funds	69,439	-	-	69,439
Total	<u>\$ 487,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,786</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 were as follows:

	2014	2013
Land	\$ 210,097	\$ 198,751
Buildings and Building Improvements	2,714,538	2,607,409
Equipment	762,326	747,290
Total	<u>3,686,961</u>	<u>3,553,450</u>
Less: Accumulated Depreciation	1,980,156	1,842,465
Total	<u>\$ 1,706,805</u>	<u>\$ 1,710,985</u>

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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:

	2014	2013
CRP, Related Party, CRP Investment Earnings Applied at 50% to Reduce Balance Annually	\$ 176,639	\$ 396,183
CRP, Related Party, Payable \$1,490 Monthly, Including 5.25% Interest, Due January 1, 2033	211,369	217,965
Subtotal	388,008	614,148
Less: Current Maturities	(183,589)	(6,595)
Total Long-Term Debt	\$ 204,419	\$ 607,553

Principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2015	\$ 183,589
2016	7,324
2017	7,718
2018	8,133
2019	8,570
Thereafter	172,674
Total	\$ 388,008

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 50 percent is applied as a reduction of the Corporation note payable. During June 30, 2014 and 2013, investment earnings applied to reduce the note payable of \$219,544 and \$163,953, respectively, were made, leaving a balance of \$176,639 and \$396,183 at June 30, 2014 and 2013, respectively. The note has a maturity date of June 30, 2015, with an option to extend the maturity date indefinitely. Principal and interest are paid monthly by the Corporation. As of June 30, 2014 and 2013, interest expense related to this note was approximately \$-0- and \$30,000, respectively.



**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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, 2014 and 2013; 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.

**NOTE 9 PRIOR-PERIOD ADJUSTMENT**

During the year ended June 30, 2014, management discovered certain accounts were erroneously classified as custodial liabilities in previous years and rather should have been presented as unrestricted and temporarily restricted revenues and expenses. The 2013 financial statements have been restated to reflect the adjustments.

The effects of the restatements to the June 30, 2013 financial statements are as follows:

	<u>As Restated</u>	<u>Adjustment</u>	<u>As Previously Stated</u>
Accounts Payable, Related Party	\$ -	\$ (12,058)	\$ 12,058
Custodial Liabilities	43,610	(137,689)	181,299
Total Liabilities	<u>\$ 43,610</u>	<u>\$ (149,747)</u>	<u>\$ 193,357</u>
Unrestricted	\$ 2,590,314	\$ 693	\$ 2,589,621
Temporarily Restricted	1,284,212	149,054	1,135,158
Total Net Assets	<u>\$ 3,874,526</u>	<u>\$ 149,747</u>	<u>\$ 3,724,779</u>
Unrestricted Revenue	\$ 1,927,600	\$ 693	\$ 1,926,907
Net Assets Released from Temporarily Restricted	2,090,622	125,116	1,965,506
Total Unrestricted Revenue	4,018,222	125,809	3,892,413
Temporarily Restricted Seminary Revenue	690,373	71,715	618,658
Temporarily Restricted Special Funds Revenue	70,307	10,332	59,975
Net Assets Released to Unrestricted	(2,090,622)	(125,116)	(1,965,506)
Total Temporarily Restricted Revenue	<u>(1,329,942)</u>	<u>(43,069)</u>	<u>(1,286,873)</u>
Total Revenue	<u>\$ 2,688,280</u>	<u>\$ 82,740</u>	<u>\$ 2,605,540</u>

The amounts as of July 1, 2012 were restated to increase temporarily restricted net assets by \$192,122, a decrease in custodial liabilities by \$180,064, and a decrease in accounts payable, related party by \$12,058.

**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
<b>REVENUES</b>			
Annual Catholic Appeal	\$ -	\$ 1,927,023	\$ 1,927,023
Seminary	-	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 Revenues	1,161,213	2,735,829	3,897,042
<b>EXPENSES</b>			
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
ACA Funds Not Specifically Allocated and Rebates	(1,419,000)	1,823,758	404,758
Seminary Expense	-	605,862	605,862
Special Funds Expense	-	109,275	109,275
Total Expenses	1,026,679	2,538,895	3,565,574
<b>INCREASE OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSE)</b>	134,534	196,934	331,468
<b>OTHER INCOME (EXPENSE)</b>			
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	77,676	-	77,676
<b>INCREASE OF REVENUES OVER EXPENSES</b>	\$ 212,210	\$ 196,934	\$ 409,144

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION**  
**STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION**  
**YEAR ENDED JUNE 30, 2013 (AS RESTATED)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Diocesan Administration Operations	Annual Catholic Appeal, Seminary, and Special Funds	Total
<b>REVENUES</b>			
Annual Catholic Appeal	\$ -	\$ 1,477,291	\$ 1,477,291
Seminary	-	690,373	690,373
Special Funds	-	70,307	70,307
Grants	119,136	-	119,136
Property Income	230,612	-	230,612
Donations and Bequests	761,129	-	761,129
Diocesanum	510,114	-	510,114
Unrealized Loss on Investments	(20,866)	-	(20,866)
Realized Gain on Investments	46,061	-	46,061
Other Income	281,414	-	281,414
Total Revenues	<u>1,927,600</u>	<u>2,237,971</u>	<u>4,165,571</u>
<b>EXPENSES</b>			
Office Salaries, Payroll Taxes, and Employee Insurance and Retirement	783,516	-	783,516
Clergy Salaries and Other	196,934	-	196,934
Clergy Other	137,274	-	137,274
Depreciation Expense	89,206	-	89,206
Property Insurance and Maintenance	332,332	-	332,332
Development Office Operations Expense	189,580	-	189,580
Bad Debt Expense	365,916	-	365,916
Office Supplies and Expense	52,907	-	52,907
Postage	14,136	-	14,136
Program Expense	47,230	-	47,230
Advertising	2,282	-	2,282
Printing and Publications	35,011	-	35,011
Books and Periodicals	5,422	-	5,422
Contractual Services	30,010	-	30,010
Continuing Education and Conferences	13,421	-	13,421
Rent	11,940	-	11,940
Dues and Subscriptions	51,314	-	51,314
Property Taxes	34,208	-	34,208
Legal and Accounting Fees	154,447	-	154,447
Utilities	70,651	-	70,651
Transportation and Automobile	61,453	-	61,453
Computer Expense	20,088	-	20,088
Telephone	18,935	-	18,935
ACA Funds Not Specifically Allocated and Rebates	(1,371,333)	1,405,119	33,786
Seminary Expense	-	519,305	519,305
Special Funds Expense	-	166,198	166,198
Total Expenses	<u>1,346,880</u>	<u>2,090,622</u>	<u>3,437,502</u>
<b>INCREASE OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSE)</b>	580,720	147,349	728,069
<b>OTHER INCOME (EXPENSE)</b>			
Interest Income	168,921	-	168,921
Interest Expense	(13,134)	-	(13,134)
Institution Subsidy	(49,992)	-	(49,992)
Disbursements to Other Catholic Organizations	(74,224)	-	(74,224)
Other	(34,823)	-	(34,823)
Total Other Income (Expense)	<u>(3,252)</u>	<u>-</u>	<u>(3,252)</u>
<b>INCREASE OF REVENUES OVER EXPENSES</b>	<u>\$ 577,468</u>	<u>\$ 147,349</u>	<u>\$ 724,817</u>