

**Corporation of the Catholic Bishop of
Yakima – Diocesan Administration**

Financial Statements and
Independent Auditors' Report

June 30, 2019 and 2018



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Finance Council
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) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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 Corporation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the financial statements, during the year ended June 30, 2019, the Corporation adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
September 13, 2019

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Statements of Financial Position
June 30, 2019 and 2018

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,324,509	\$ 929,285
Notes receivable, net of allowance	421,993	519,185
Pledges receivable, net of allowance	120,670	68,869
Prepaid expenses	3,517	4,693
Health plan claims receivable	-	68,187
Investments	3,037,570	2,253,535
Total current assets	4,908,259	3,843,754
<i>Noncurrent assets</i>		
Investments – charitable gift annuities	226,613	287,262
Property and equipment, net	1,428,783	1,568,578
Notes receivable	638,495	754,207
Pledges receivable	10,295	17,900
Total noncurrent assets	2,304,186	2,627,947
Total assets	\$ 7,212,445	\$ 6,471,701
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 70,797	\$ 123,448
Accrued liabilities	24,628	21,730
Health plan reserve	192,501	504,770
Annual Catholic Appeal rebates payable	238,111	291,233
Custodial liability	150,212	88,034
Deferred income	26,376	33,574
Total current liabilities	702,625	1,062,789
<i>Noncurrent liabilities</i>		
Reserve for annuity payments	184,805	218,063
Total noncurrent liabilities	184,805	218,063
Total liabilities	887,430	1,280,852
<i>Net assets</i>		
Without donor restrictions	4,083,987	3,247,627
With donor restrictions	2,241,028	1,943,222
Total net assets	6,325,015	5,190,849
Total liabilities and net assets	\$ 7,212,445	\$ 6,471,701

See accompanying notes to financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Statements of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Operating revenues</i>			
Contributions:			
Annual Catholic Appeal	\$ 1,511,711	\$ 104,821	\$ 1,616,532
Special funds	-	309,724	309,724
Seminarian education fund	-	734,269	734,269
Priest retirement fund	-	199,150	199,150
Donations and bequests	50,541	-	50,541
Health plan income	2,459,401	-	2,459,401
Long-term care & supplemental plan income	183,540	-	183,540
Diocesanum	586,202	-	586,202
Grants	11,565	-	11,565
Rental income	253,467	-	253,467
Interest income	27,644	-	27,644
Investment income	32,761	-	32,761
Management and investment fees	206,740	-	206,740
Other	147,635	-	147,635
Total operating revenues	5,471,207	1,347,964	6,819,171
<i>Net assets released from restrictions</i>	1,050,158	(1,050,158)	-
<i>Operating expenses</i>	5,732,128	-	5,732,128
<i>Operating income</i>	789,237	297,806	1,087,043
<i>Nonoperating income (expense)</i>			
Gain on disposal of assets	47,123	-	47,123
Changes in net assets	836,360	297,806	1,134,166
Net assets, beginning of year	3,247,627	1,943,222	5,190,849
Net assets, end of year	\$ 4,083,987	\$ 2,241,028	\$ 6,325,015

See accompanying notes to financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Statements of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Operating revenues</i>			
Contributions:			
Annual Catholic Appeal	\$ 1,490,558	\$ 52,695	\$ 1,543,253
Special funds	-	232,326	232,326
Seminarian education fund	-	740,924	740,924
Priest retirement fund	-	246,429	246,429
Donations and bequests	25,061	-	25,061
Health plan income	2,315,712	-	2,315,712
Long-term care & supplemental plan income	176,880	-	176,880
Diocesanum	547,741	-	547,741
Grants	10,157	-	10,157
Rental income	238,566	-	238,566
Interest income	24,628	-	24,628
Investment income	(1,512)	-	(1,512)
Management and investment fees	186,021	-	186,021
Other	108,306	-	108,306
Total operating revenues	5,122,118	1,272,374	6,394,492
<i>Net assets released from restrictions</i>	1,122,251	(1,122,251)	-
<i>Operating expenses</i>	6,552,974	-	6,552,974
<i>Operating income (loss)</i>	(308,605)	150,123	(158,482)
Changes in net assets	(308,605)	150,123	(158,482)
Net assets, beginning of year	3,556,232	1,793,099	5,349,331
Net assets, end of year	\$ 3,247,627	\$ 1,943,222	\$ 5,190,849

See accompanying notes to financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from contributions and services	\$ 6,682,181	\$ 6,416,201
Cash paid to and on behalf of employees	(3,570,597)	(4,074,909)
Cash paid to suppliers and contractors	(2,275,895)	(2,227,200)
Investment income	(2,617)	(13,157)
Interest received	27,644	24,628
Interest paid	(613)	(613)
Net cash provided by operating activities	860,103	124,950
<i>Cash flows from investing activities</i>		
Purchase of investments	(1,146,030)	(532,254)
Proceeds from sale of investments	424,764	922,825
Principal payments received – notes receivable	347,971	296,861
New loans issued – notes receivable	(100,820)	(1,135,216)
Proceeds from disposal of property and equipment	62,368	-
Purchase of property and equipment	(53,132)	(116,092)
Net cash used in investing activities	(464,879)	(563,876)
Net increase (decrease) in cash and cash equivalents	395,224	(438,926)
Cash and cash equivalents, beginning of year	929,285	1,368,211
Cash and cash equivalents, end of year	\$ 1,324,509	\$ 929,285

See accompanying notes to financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
<i>Reconciliation of Change in Net Assets to Net Cash</i>		
<i>Provided by Operating Activities</i>		
Change in net assets	\$ 1,134,166	\$ (158,482)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	177,682	171,522
Gain (loss) on investments	(2,120)	19,707
Gain on sale of asset	(47,123)	-
Bad debt allowance	4,761	(10,221)
Decrease (increase) in assets:		
Notes receivable, net of allowance	(39,008)	39,441
Pledges receivable, net of allowance	(44,196)	87,373
Prepaid expenses	1,176	(913)
Health plan claims receivable	68,187	(14,187)
Increase (decrease) in liabilities		
Accounts payable	(52,651)	16,460
Accrued liabilities	2,898	(11,436)
Health plan reserve	(312,269)	69,099
ACA rebates payable	(53,122)	30,042
Custodial liability	62,178	(135,384)
Deferred revenue	(7,198)	33,574
Reserve for annuity payments	(33,258)	(11,645)
Net cash provided by operating activities	\$ 860,103	\$ 124,950

See accompanying notes to financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies:

a. Organization

The Corporation of the Catholic Bishop of Yakima – Diocesan Administration (the Corporation) (a nonprofit organization) was created June 23, 1951, and serves 40 parishes, six schools, and four missions in seven counties in the state of Washington. 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.

Historically, the Corporation 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 Corporation 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. These financial statements include only the accounts of the Diocesan Administration.

b. 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.

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.

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.

Notes receivable – Notes receivable are related party transactions which include the following:

- Loans and lines of credit to parishes, priests and other Diocesan institutions
- Amounts billed to the parishes and other Diocesan institutions for clergy long-term care and supplemental health and clergy retirement
- Annual parish assessments

Based upon management's evaluation of these receivables, an allowance for doubtful accounts of approximately \$237,000 and \$239,000 was deemed necessary for the years ended June 30, 2019 and 2018, respectively.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies (continued):

b. 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, 2019 and 2018.

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 \$9,575 and \$4,813 as of June 30, 2019 and 2018, 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. 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.

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 to 40 years
Equipment	5 to 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.

Income taxes – The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income, if any, from activities unrelated to the Corporation’s exempt purpose. The Corporation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2019 and 2018, the Corporation had no uncertain tax positions requiring accrual.

Net assets with donor restrictions – Net assets with donor restrictions are those whose use by the Diocese has been limited by donors to a specific time period or purpose.

Reclassifications – Certain reclassifications have been made to the 2018 financial statements to conform to the classifications used in the 2019 financial statements, with no effect on previously reported change in net assets.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events have been evaluated through September 13, 2019, the date the financial statements were available to be issued.

Change in accounting principle – The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU requires changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The Corporation adopted ASU No. 2016-14 in 2019.

Upcoming accounting standard pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation has not yet determined which application method it will use. The Corporation does not expect that this standard will have a significant impact on the Corporation's main revenue stream; however, management is still assessing the actual impact.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which will supersede the current lease requirements in Accounting Standards Codification 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statements of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending June 30, 2021, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the financial statements.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

2. Liquidity and Availability of Financial Assets:

The Corporation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	\$ 1,324,509	\$ 929,285
Notes receivable	421,993	519,185
Pledges receivable	120,670	68,869
Health plan claims receivable	-	68,187
Investments	<u>3,037,570</u>	<u>2,253,535</u>
Financial assets available within one year	4,904,742	3,839,061
Less financial assets with donor restrictions	<u>(2,241,028)</u>	<u>(1,943,222)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,663,714	\$ 1,895,839

The Corporation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Corporation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

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 net assets without donor restrictions of \$500,000. Net assets without donor restrictions are the excess of total assets over total liabilities that are not restricted by donor-imposed stipulations.

As of June 30, 2019 and 2018, charitable gift annuities of \$226,613 and \$287,262, respectively, are included in investments, and the liability for annuity payments to donors of \$184,805 and \$218,063, 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, 2019 and 2018

4. Investments:

Investments consisted of the following:

	2019	2018
<i>Money market funds</i>	\$ 77,725	\$ 59,659
<i>Equity securities</i>	1,952	2,185
<i>Bond funds</i>	145,523	196,193
<i>Fixed income securities</i>	61,075	88,711
<i>Certificates of deposit</i>	22,757	22,487
<i>Investments in CRP</i>	2,955,151	2,171,562
	\$ 3,264,183	\$ 2,540,797

Investments are reported in the statements of financial position as follows:

	2019	2018
Investments	\$ 3,037,570	\$ 2,253,535
Investments – charitable gift annuities	226,613	287,262
	\$ 3,264,183	\$ 2,540,797

5. Fair Value Measurements:

The three levels of the fair value hierarchy are defined as follows:

- **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.

Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Corporation’s assessment of the significance of a particular input to fair value measurement requires judgment, and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

Money market funds, equity securities, bond funds, certificates of deposit, and fixed income securities are stated at fair value, which is determined by using market quotations and other information available at the valuation date.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

5. Fair Value Measurements (continued):

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.

The following tables disclose, by level within the fair value hierarchy, the Corporation’s assets measured and reported on the statements of financial position, at fair value on a recurring basis:

	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 77,725	\$ -	\$ -	\$ 77,725
Equity securities	1,952	-	-	1,952
Bond funds	145,523	-	-	145,523
Fixed income securities	61,075	-	-	61,075
Certificates of deposit	-	22,757	-	22,757
Investments in CRP	-	2,955,151	-	2,955,151
Total	\$ 286,275	\$ 2,977,908	\$ -	\$ 3,264,183

	2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 59,659	\$ -	\$ -	\$ 59,659
Equity securities	2,185	-	-	2,185
Bond funds	196,193	-	-	196,193
Fixed income securities	88,711	-	-	88,711
Certificates of deposit	-	22,487	-	22,487
Investments in CRP	-	2,171,562	-	2,171,562
Total	\$ 346,748	\$ 2,194,049	\$ -	\$ 2,540,797

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

6. Property and Equipment:

Property and equipment as of June 30 were as follows:

	2019	2018
Buildings and improvements	\$ 3,699,671	\$ 3,698,367
Equipment	169,683	182,630
	3,869,354	3,880,997
Less accumulated depreciation	(2,736,822)	(2,570,152)
	1,132,532	1,310,845
Land	296,251	257,733
Property and equipment, net	\$ 1,428,783	\$ 1,568,578

7. Net Assets with Donor Restrictions:

Net assets with donor restrictions were available for the following purposes:

	2019	2018
Annual Catholic Appeal	\$ 104,821	\$ 52,695
Priest retirement fund	563,858	391,065
Seminarian education fund	892,971	829,415
Special funds	679,378	670,047
Total net assets with donor restrictions	\$ 2,241,028	\$ 1,943,222

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

8. Risk Management and Contingencies:

Litigation – 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 Corporation 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, 2019 and 2018; 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 Corporation began self-insuring for its healthcare benefits provided to its employees and the employees of the parishes and institutions of the Corporation during the year ended June 30, 2017. Employee medical claims are paid by the Corporation 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 Corporation. Expenses for self-insured healthcare benefits coverage totaled \$1,729,647 and \$2,684,167 for the years ended June 30, 2019 and 2018, respectively. The Corporation accrued a liability of approximately \$192,501 and \$504,770 at June 30, 2019 and 2018, respectively, for estimated claims incurred but not reported. The Corporation has also accrued a receivable of approximately \$0 and \$68,187 at June 30, 2019 and 2018, respectively, for subrogated health claims. The plan includes \$135,000 of stop-loss insurance coverage per individual per year.

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

9. Expenses by Function and Natural Classification:

The Corporation provides various programs to the individual parishes, schools, and missions under its management. Expenses related to providing these services by functional classification for the years ended June 30, 2019 and 2018, are as follows:

	2019			
	Program Activities	Supporting Activities		Total Expenses
	Program Support	Management and General	Fundraising	
Seminarian education fund expense	\$ 670,715	\$ -	\$ -	\$ 670,715
Special funds (includes faith formation)	300,387	-	-	300,387
Priest retirement fund expense	26,361	-	-	26,361
Annual Catholic Appeal - Restricted	52,695	-	-	52,695
Health plan expense	1,729,647	-	-	1,729,647
Long-term care and supplemental plan expenses	171,244	-	-	171,244
Employee salaries and benefits	354,558	598,090	174,336	1,126,984
Clergy salaries and benefits	121,205	180,333	-	301,538
Property insurance	4,710	174,140	-	178,850
Bad debt allowance	-	-	4,761	4,761
Depreciation expense	-	177,682	-	177,682
Legal and professional fees	2,414	84,251	-	86,665
Repairs and maintenance	19,401	114,715	-	134,116
Continuing education and conferences	14,083	13,212	6,501	33,796
Office supplies and expense	6,727	78,192	3,605	88,524
Printing and publications	35,032	3,783	39,206	78,021
Utilities	8,724	50,194	-	58,918
Clergy continuing education and retreats	45,351	31,049	-	76,400
Dues and memberships	3,114	66,095	485	69,694
Program expense	60,891	1,401	16,710	79,002
Contractual services	57,674	228	18,225	76,127
Disbursements to other Catholic organizations	-	39,750	-	39,750
Institution subsidy	-	31,000	-	31,000
Property taxes	5,587	15,836	-	21,423
Travel - mileage	37,005	9,492	2,883	49,380
Postage	686	6,642	13,505	20,833
Finance charges and bank fees	-	7,875	14,438	22,313
Lease expense	5,291	8,053	-	13,344
Telephone and communications	2,554	8,718	-	11,272
Safe environment expense	-	35,626	-	35,626
Books and periodicals	595	4,524	-	5,119
Advertising	-	690	-	690
Brokerage fees	11,333	-	-	11,333
Interest expense	613	-	-	613
ACA funds transferred to restricted	(52,695)	-	-	(52,695)
Total expenses	\$ 3,695,902	1,741,571	\$ 294,655	\$ 5,732,128

Corporation of the Catholic Bishop of Yakima – Diocesan Administration
Notes to Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

9. Expenses by Function and Natural Classification (continued):

	2018			
	Program Activities	Supporting Activities		Total Expenses
	Program Support	Management and General	Fundraising	
Seminarian education fund expense	\$ 638,399	\$ -	\$ -	\$ 638,399
Special funds (includes faith formation)	288,230	(3)	-	288,227
Priest retirement fund expense	86,006	-	-	86,006
Annual Catholic Appeal - Restricted	109,618	-	-	109,618
Health plan expense	2,684,167	-	-	2,684,167
Long-term care and supplemental plan expenses	64,784	-	-	64,784
Employee salaries and benefits	269,550	618,576	135,275	1,023,401
Clergy salaries and benefits	152,616	193,417	-	346,033
Property insurance	4,867	173,314	-	178,181
Bad debt allowance	-	(5,023)	(5,198)	(10,221)
Depreciation expense	-	171,522	-	171,522
Legal and professional fees	-	82,292	-	82,292
Repairs and maintenance	20,419	133,555	-	153,974
Continuing education and conferences	14,445	17,839	4,356	36,640
Office supplies and expense	6,560	90,479	2,083	99,122
Printing and publications	35,772	5,201	45,734	86,707
Utilities	7,586	55,505	-	63,091
Clergy continuing education and retreats	41,913	28,132	-	70,045
Dues and memberships	2,252	56,603	1,844	60,699
Program expense	80,196	110	26,473	106,779
Contractual services	80,892	-	12,842	93,734
Disbursements to other Catholic organizations	-	25,400	-	25,400
Property taxes	11,129	18,065	-	29,194
Travel - mileage	23,633	19,473	2,069	45,175
Postage	566	6,787	16,016	23,369
Finance charges and bank fees	-	8,209	15,503	23,712
Lease expense	4,715	8,186	-	12,901
Telephone and communications	2,078	11,879	-	13,957
Safe environment expense	-	46,518	-	46,518
Books and periodicals	1,007	6,145	-	7,152
Advertising	-	1,401	-	1,401
Interest expense	613	-	-	613
ACA funds transferred to restricted	(109,618)	-	-	(109,618)
Total expenses	\$ 4,522,395	\$ 1,773,582	\$ 256,997	\$ 6,552,974

Functional expense allocation – The Corporation directly assigns all expense accounts to the functional expense categories based on the type and purpose of each account.