

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017



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

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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

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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detail statements of activities on pages 16-17 are presented for purposes of additional analysis and are not required parts 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
September 27, 2018

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND JUNE 30, 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 929,284	\$ 1,368,211
Notes Receivable:		
Related Party, Net of Allowance for Doubtful		
Accounts of \$239,359 and \$74,100, Respectively	176,985	206,205
Current Portion of Notes Receivable	342,200	54,201
ACA Pledges Receivable, Net of Allowance for Doubtful		
Accounts of \$4,813 and \$10,013, Respectively	52,695	109,618
Health Plan Claims Receivable	68,187	54,000
Bishop's Founder Circle Pledges Receivable - Current Portion	16,175	22,450
Prepaid Expenses	4,693	3,780
Investments	<u>2,253,535</u>	<u>2,673,637</u>
Total Current Assets	<u>3,843,754</u>	<u>4,492,102</u>
PROPERTY AND EQUIPMENT, Net	1,568,578	1,624,008
OTHER ASSETS		
Investments, Annuities	287,262	277,437
Bishop's Founder Circle Pledges Receivable - Long Term Portion	17,900	42,075
Notes Receivable, Other	<u>754,207</u>	<u>203,850</u>
Total Other Assets	1,059,369	523,362
 Total Assets	 <u><u>\$ 6,471,701</u></u>	 <u><u>\$ 6,639,472</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 123,450	\$ 103,142
Health Plan Incurred But Not Reported Reserve	504,770	367,316
Health Plan Claims Payable	-	68,355
Accrued Liabilities	312,963	298,202
Deferred Income - Copier Lease	13,574	-
Deferred Income - Grants	20,000	-
Custodial Liability	<u>88,032</u>	<u>223,418</u>
Total Current Liabilities	1,062,789	1,060,433
LONG-TERM DEBT		
Reserve for Annuity Payments	<u>218,063</u>	<u>229,708</u>
Total Long-Term Debt	218,063	229,708
 Total Liabilities	 1,280,852	 1,290,141
NET ASSETS		
Unrestricted	3,247,627	3,556,232
Temporarily Restricted	<u>1,943,222</u>	<u>1,793,099</u>
Total Net Assets	<u>5,190,849</u>	<u>5,349,331</u>
 Total Liabilities and Net Assets	 <u><u>\$ 6,471,701</u></u>	 <u><u>\$ 6,639,472</u></u>

See accompanying notes to financial statements.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions:			
Annual Catholic Appeal	\$ 1,490,558	\$ 52,695	\$ 1,543,253
Seminarian Education Fund	-	740,925	740,925
Special Funds	-	232,325	232,325
Priest Retirement Fund	-	246,429	246,429
Other Donations and Bequests	25,061	-	25,061
Health Plan	2,492,593	-	2,492,593
Diocesanum	547,741	-	547,741
Rental Income	238,565	-	238,565
Management and Investment Fees	186,021	-	186,021
Other Income	108,765	-	108,765
Grants	10,157	-	10,157
Total Revenues	5,099,461	1,272,374	6,371,835
Net Assets Released from Restrictions due to Lapse in Time Restrictions	109,618	(109,618)	-
Net Assets Released from Restrictions due to Satisfaction of Program Restrictions	1,012,633	(1,012,633)	-
Total Revenues	6,221,712	150,123	6,371,835
OPERATING EXPENSES	6,552,820	-	6,552,820
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	(331,108)	150,123	(180,985)
OTHER INCOME (EXPENSE)			
Interest Income	24,628	-	24,628
Interest Expense	(613)	-	(613)
Realized Gain (Loss) on Investments	24,337	-	24,337
Unrealized Gain (Loss) on Investments	(19,707)	-	(19,707)
Gain (Loss) on CRP Savings	39,454	-	39,454
Gain (Loss) on Gift Annuities	(45,596)	-	(45,596)
Total Other Income	22,503	-	22,503
CHANGES IN NET ASSETS	\$ (308,605)	\$ 150,123	\$ (158,482)

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS - JUNE 30, 2016	\$ 3,438,842	\$ 1,530,718	\$ 4,969,560
CHANGES IN NET ASSETS	<u>117,390</u>	<u>262,381</u>	<u>379,771</u>
NET ASSETS - JUNE 30, 2017	3,556,232	1,793,099	5,349,331
CHANGES IN NET ASSETS	<u>(308,605)</u>	<u>150,123</u>	<u>(158,482)</u>
NET ASSETS - JUNE 30, 2018	<u><u>\$ 3,247,627</u></u>	<u><u>\$ 1,943,222</u></u>	<u><u>\$ 5,190,849</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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Services	\$ 6,453,053	\$ 5,425,778
Cash Paid to Suppliers and Employees	(6,384,467)	(4,571,681)
Investment/Interest Income Received	24,628	18,293
Interest Paid	(613)	(859)
Net Cash Provided by Operating Activities	92,601	871,531
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(506,305)	(510,956)
Proceeds from Sale of Investments	929,225	399,496
Principal Payments Received - Notes Receivable - Other	296,860	52,734
New Loans Issued - Notes Receivable - Other	(1,135,216)	(7,196)
Proceeds from Disposal of Land, Buildings, and Equipment	-	2,060
Purchase of Property and Equipment	(116,092)	(121,411)
Net Cash Used by Investing Activities	(531,528)	(185,273)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(438,927)	686,258
Cash and Cash Equivalents - Beginning of Year	1,368,211	681,953
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 929,284	\$ 1,368,211
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (158,482)	\$ 379,771
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	171,522	162,324
Gain on Disposal of Land, Buildings, and Equipment	-	2,252
Bad Debt Allowance	(10,221)	(23,261)
Unrealized Loss (Gain) on Investments	19,707	(13,306)
Realized Loss (Gain) on Investments	(32,350)	(49,081)
(Increase) Decrease in Assets:		
Accounts Receivable from Related Parties	39,441	49,253
Annual Catholic Appeal Pledges Receivable, Net	56,923	(59,549)
Bishop's Founder Circle Pledges Receivable, Net	30,450	(35,275)
Health Plan Claims Receivable	(14,187)	(54,000)
Prepaid Expenses	(913)	(3,780)
Increase (Decrease) in Liabilities:		
Accounts Payable	20,308	72,911
Health Plan Incurred But Not Reported Reserve	137,454	367,316
Health Plan Claims Payable	(68,355)	68,355
Accrued Liabilities	14,761	37,403
Deferred Revenue	33,574	(113,075)
Custodial Liability	(135,386)	94,991
Reserve for Annuity Payments	(11,645)	(11,718)
Total Adjustments	251,083	491,760
Net Cash Provided by Operating Activities	\$ 92,601	\$ 871,531

See accompanying notes to financial statements.

Noncash Investing and Financing Activities

None

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 DESCRIPTION OF OPERATIONS

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net Assets

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

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

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

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Temporarily Restricted Net Assets (Continued) – Temporarily restricted net assets include the funding the Corporation receives from grant and other gift income to be used for purposes specified by the donor. Temporarily restricted net assets at June 30, 2018 and 2017, were \$1,943,222 and \$1,793,099, respectively.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

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

Accounts Receivable from Related Parties

Accounts receivable from related parties are receivables with amounts billed to the parishes and other Diocesan institutions for clergy long-term care and supplemental health and clergy retirement. In addition, the annual parish assessments are a component of these receivables. Accounts receivable from related parties totaled \$176,985 and \$206,205 for the years ended June 30, 2018 and 2017, respectively. These receivables are not subject to interest. Based upon management's evaluation of these receivables, an allowance for doubtful accounts of approximately \$239,359 and \$74,100 was deemed necessary for the years ended June 30, 2018 and 2017, respectively.

Investments

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

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

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

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

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, 2018 and 2017.

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 \$4,813 and \$10,013 as of June 30, 2018 and 2017, respectively.

Property and Equipment

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

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

Custodial Liability

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

Federal Income Tax Status

The Corporation has been recognized as tax-exempt by the Internal Revenue Service (IRS) under Section 501(c)(3). The Corporation is exempt from filing tax returns under the Catholic Directory exemption. Income from certain activities not directly related to the Corporation's tax-exempt purpose would be subject to taxation as unrelated business income. In accordance with requirements related to accounting for uncertainties in income taxes, the Corporation has determined they have no uncertain tax positions at June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Corporation has evaluated subsequent events through September 27, 2018, 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, 2018 and 2017, charitable gift annuities of \$287,262 and \$277,437, respectively, are included in investments, and the liability for annuity payments to donors of \$218,063 and \$229,708, 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, 2018 AND 2017**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	<u>2018</u>	<u>2017</u>
Investments in CRP	\$ 2,171,562	\$ 2,592,106
Money Market Funds	59,659	189,716
Certificates of Deposit (Varying Maturities)	22,487	22,221
Fixed Income Securities	88,711	-
Equity Securities	2,185	77,073
Bond Funds	196,193	69,958
Total	<u>\$ 2,540,797</u>	<u>\$ 2,951,074</u>

Reconciliation to the Statements of Net Position

Investments	2,253,535	2,673,637
Investments, Charitable Gift Annuities	<u>287,262</u>	<u>277,437</u>
	<u>2,540,797</u>	<u>2,951,074</u>

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

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

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

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

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2018			
	Level 1	Level 2	Level 3	Total
Investments in CRP	\$ -	\$ 2,171,562	\$ -	\$ 2,171,562
Money Market Funds	59,659	-	-	59,659
Certificates of Deposit (Varying Maturities)	-	22,487	-	22,487
Fixed Income Securities	-	88,711	-	88,711
Equity Securities	2,185	-	-	2,185
Bond Funds	196,193	-	-	196,193
Total	<u>\$ 258,037</u>	<u>\$ 2,282,760</u>	<u>\$ -</u>	<u>\$ 2,540,797</u>

	2017			
	Level 1	Level 2	Level 3	Total
Investments in CRP	\$ -	\$ 2,592,106	\$ -	\$ 2,592,106
Money Market Funds	189,716	-	-	189,716
Certificates of Deposit (Varying Maturities)	-	22,221	-	22,221
Corporate Bonds	-	-	-	-
Equity Securities	77,073	-	-	77,073
Bond Funds	69,958	-	-	69,958
Total	<u>\$ 336,747</u>	<u>\$ 2,614,327</u>	<u>\$ -</u>	<u>\$ 2,951,074</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and Equipment as of June 30 were as follows:

	2018	2017
Land	\$ 257,733	\$ 257,733
Buildings and Building Improvements	3,698,366	3,597,564
Equipment	182,630	170,623
Total	<u>4,138,729</u>	<u>4,025,920</u>
Less: Accumulated Depreciation	2,570,151	2,401,912
Total	<u>\$ 1,568,578</u>	<u>\$ 1,624,008</u>

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Annual Catholic Appeal	\$ 52,695	\$ 109,618
Priest Retirement Fund	391,065	230,642
Seminarian Education Fund	829,415	726,888
Special Funds	670,047	725,951
	<u>\$1,943,222</u>	<u>\$1,793,099</u>

On June 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by the lapsing of time restrictions in the amounts of \$1,122,251 and \$930,746, respectively. These amounts are included in net assets released from restrictions in the accompanying financial statements.

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

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

**CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 8 CONTINGENCIES

Occasionally, in the normal course of business, there are various claims, lawsuits, and pending actions involving the Corporation. When such matters arise, the Corporation intends to defend its position vigorously. The Diocese carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the three preceding years. The liability, if any, associated with these matters is not determinable at June 30, 2018 and 2017; however, the results of these matters could have a material effect on the Corporation’s financial position, changes in net assets, or cash flows. No amounts have been recorded in the financial statements related to these risks.

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

Employee medical claims are paid by the Diocese through a third-party plan administrator. Employees file their claims with the administrator. The administrator pays the claims out and is then reimbursed by the Diocese. Expenses for self-insured healthcare benefits coverage totaled \$2,684,167 and \$1,702,549 for the years ended June 30, 2018 and 2017, respectively. The Diocese accrued a liability of approximately \$504,770 and \$367,316 at June 30, 2018 and 2017, respectively, for estimated claims incurred but not reported. The Diocese has also accrued a receivable of approximately \$68,187 and \$54,000 for the years ended June 30, 2018 and 2017, respectively, for subrogated health claims. The plan includes \$135,000 of stop-loss insurance coverage per individual per year.

NOTE 9 FUNCTIONAL EXPENSES

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

	2018	2017
Program	\$ 4,521,167	\$ 3,232,031
Management & General	1,774,656	1,719,645
Fundraising	256,997	217,471
Total Functional Expenses	\$ 6,552,820	\$ 5,169,147

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions:			
Annual Catholic Appeal	\$ 1,490,558	\$ 52,695	\$ 1,543,253
Seminar Education Fund	-	740,925	740,925
Special Funds	-	232,325	232,325
Priest Retirement Fund	-	246,429	246,429
Other Donations and Bequests	25,061	-	25,061
Health Plan	2,492,593	-	2,492,593
Diocesanum	547,741	-	547,741
Property Income	238,565	-	238,565
Management and Investment Fees	186,021	-	186,021
Other Income	108,765	-	108,765
Grants	10,157	-	10,157
Total Revenues	5,099,461	1,272,374	6,371,835
EXPENSES			
Operating Expenses Funded From Unrestricted Net Assets			
Employee Salaries and Benefits	1,027,460	-	1,027,460
Clergy Salaries and Benefits	342,431	-	342,431
Property Insurance	178,181	-	178,181
Bad Debt Expense (Recovery)	(10,221)	-	(10,221)
Depreciation Expense	171,522	-	171,522
Legal and Professional Fees	82,292	-	82,292
Repairs and Maintenance	153,973	-	153,973
Continuing Education and Conferences	36,490	-	36,490
Office supplies and Expense	99,126	-	99,126
Printing and Publications	86,708	-	86,708
Utilities	63,091	-	63,091
Clergy Continuing Education and Retreats	70,196	-	70,196
Dues and Memberships	60,699	-	60,699
Program Expense	106,779	-	106,779
Contractual Services	93,734	-	93,734
Disbursements to Other Catholic Organizations	25,400	-	25,400
Institution Subsidy	-	-	-
Property Taxes	29,193	-	29,193
Travel - Mileage	45,173	-	45,173
Postage	23,370	-	23,370
Finance Charges and Bank Fees	23,711	-	23,711
Lease Expense	12,901	-	12,901
Telephone and Communications	13,956	-	13,956
Safe Environment Expense	46,518	-	46,518
Books and Periodicals	7,152	-	7,152
Advertising	1,401	-	1,401
Other Expense (Income)	-	-	-
Health Plan Expenses	2,748,951	-	2,748,951
Total Operating Expenses Funded From Unrestricted Net Assets	5,540,187	-	5,540,187
Operating Expenses Funded from Temporarily Restricted Net Assets			
Seminar Education Fund Expense	638,397	-	638,397
Special Funds (includes Faith Formation)	288,231	-	288,231
Priest Retirement Fund Expense	86,005	-	86,005
Total Operating Expenses Funded From Temporarily Restricted Net Assets	1,012,633	-	1,012,633
TOTAL OPERATING EXPENSES	6,552,820	-	6,552,820
NET ASSETS RELEASED FROM RESTRICTIONS DUE TO LAPSE IN TIME RESTRICTIONS			
	109,618	(109,618)	-
NET ASSETS RELEASED FROM RESTRICTIONS DUE TO SATISFACTION OF PROGRAM RESTRICTIONS			
	1,012,633	(1,012,633)	-
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	(331,108)	150,123	(180,985)
OTHER INCOME (EXPENSE)			
Interest Income	24,628	-	24,628
Interest Expense	(613)	-	(613)
Realized Gain (Loss) on Investments	24,337	-	24,337
Unrealized Gain (Loss) on Investments	(19,707)	-	(19,707)
Gain (Loss) on CRP Savings	39,454	-	39,454
Gain (Loss) on Gift Annuities	(45,596)	-	(45,596)
Total Other Income	22,503	-	22,503
CHANGES IN NET ASSETS	\$ (308,605)	\$ 150,123	\$ (158,482)

See accompanying independent auditors' report.

CORPORATION OF THE CATHOLIC BISHOP OF YAKIMA – DIOCESAN ADMINISTRATION
STATEMENT OF ACTIVITIES FOR DIOCESAN ADMINISTRATION
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions:			
Annual Catholic Appeal	\$ 1,495,662	\$ 109,618	\$ 1,605,280
Seminarian Education Fund	-	631,821	631,821
Special Funds	-	256,990	256,990
Priest Retirement Fund	-	194,698	194,698
Other Donations and Bequests	93,382	-	93,382
Health Plan	1,623,292	-	1,623,292
Diocesanum	556,962	-	556,962
Property Income	232,334	-	232,334
Management and Investment Fees	184,888	-	184,888
Other Income	88,770	-	88,770
Grants	48,454	-	48,454
Total Revenues	<u>4,323,744</u>	<u>1,193,127</u>	<u>5,516,871</u>
EXPENSES			
Operating Expenses Funded From Unrestricted Net Assets			
Employee Salaries and Benefits	878,209	-	878,209
Clergy Salaries and Benefits	245,372	-	245,372
Property Insurance	168,090	-	168,090
Bad Debt Expense	(23,261)	-	(23,261)
Depreciation Expense	162,324	-	162,324
Legal and Professional Fees	91,971	-	91,971
Repairs and Maintenance	135,187	-	135,187
Continuing Education and Conferences	43,857	-	43,857
Office supplies and Expense	93,457	-	93,457
Printing and Publications	84,739	-	84,739
Utilities	59,702	-	59,702
Clergy Continuing Education and Retreats	77,669	-	77,669
Dues and Memberships	54,598	-	54,598
Program Expense	41,059	-	41,059
Contractual Services	90,349	-	90,349
Disbursements to Other Catholic Organizations	50,750	-	50,750
Institution Subsidy	37,992	-	37,992
Property Taxes	35,465	-	35,465
Travel - Mileage	37,788	-	37,788
Postage	26,012	-	26,012
Finance Charges and Bank Fees	21,731	-	21,731
Lease Expense	12,895	-	12,895
Telephone and Communications	12,907	-	12,907
Safe Environment Expense	30,183	-	30,183
Books and Periodicals	5,583	-	5,583
Advertising	9,026	-	9,026
Other Expense (Income)	(6)	-	(6)
Health Plan Expenses	1,804,822	-	1,804,822
Total Operating Expenses Funded From Unrestricted Net Assets	<u>4,288,470</u>	<u>-</u>	<u>4,288,470</u>
Operating Expenses Funded from Temporarily Restricted Net Assets			
Seminarian Education Fund Expense	520,464	-	520,464
Special Funds (includes Faith Formation)	268,472	-	268,472
Priest Retirement Fund Expense	91,741	-	91,741
Total Operating Expenses Funded From Temporarily Restricted Net Assets	<u>880,677</u>	<u>-</u>	<u>880,677</u>
TOTAL OPERATING EXPENSES	<u>5,169,147</u>	<u>-</u>	<u>5,169,147</u>
NET ASSETS RELEASED FROM RESTRICTIONS DUE TO LAPSE IN TIME RESTRICTIONS			
	50,069	(50,069)	-
NET ASSETS RELEASED FROM RESTRICTIONS DUE TO SATISFACTION OF PROGRAM RESTRICTIONS			
	880,677	(880,677)	-
INCREASE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	85,343	262,381	347,724
OTHER INCOME (EXPENSE)			
Interest Income	18,293	-	18,293
Interest Expense	(859)	-	(859)
Realized Gain (Loss) on Investments	(9,356)	-	(9,356)
Unrealized Gain on Investments	13,306	-	13,306
Gain (Loss) on CRP Savings	56,185	-	56,185
Gain (Loss) on Gift Annuities	(45,522)	-	(45,522)
Total Other Income	<u>32,047</u>	<u>-</u>	<u>32,047</u>
CHANGES IN NET ASSETS	<u>\$ 117,390</u>	<u>\$ 262,381</u>	<u>\$ 379,771</u>

See accompanying independent auditors' report.