

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

Financial Statements and  
Independent Auditors' Report

June 30, 2020 and 2019



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

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
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## 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, 2020 and 2019, 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, 2020 and 2019, 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 discussed in Note 1 to the financial statements, during the year ended June 30, 2020, the Corporation adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2014-19, *Revenue from Contracts with Customers* (Topic 606) and Accounting Standards Update No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to this matter.

***Emphasis of Matter – COVID-19 Pandemic***

As discussed in Note 11 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the Corporation's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

***Dingus, Zarecor & Associates PLLC***

Spokane Valley, Washington  
September 10, 2020

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,286,132	\$ 1,324,509
Notes receivable, net of allowance	221,962	421,993
Pledges receivable, net of allowance	92,659	120,670
Prepaid expenses	39,820	3,517
Investments	3,671,771	3,037,570
Total current assets	5,312,344	4,908,259
<i>Noncurrent assets</i>		
Investments – charitable gift annuities	193,677	226,613
Property and equipment, net	2,282,025	1,428,783
Notes receivable	625,967	638,495
Pledges receivable	6,100	10,295
Total noncurrent assets	3,107,769	2,304,186
<b>Total assets</b>	<b>\$ 8,420,113</b>	<b>\$ 7,212,445</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 83,475	\$ 70,797
Accrued liabilities	37,177	24,628
Paycheck Protection Program loan payable, current	135,316	-
Health plan reserve	205,518	192,501
Annual Catholic Appeal rebates payable	252,230	238,111
Custodial liability	56,015	150,212
Deferred income	-	26,376
Total current liabilities	769,731	702,625
<i>Noncurrent liabilities</i>		
Paycheck Protection Program loan payable, long-term	172,034	-
Reserve for annuity payments	69,743	184,805
Total noncurrent liabilities	241,777	184,805
Total liabilities	1,011,508	887,430
<i>Net assets</i>		
Without donor restrictions	5,006,267	4,083,987
With donor restrictions	2,402,338	2,241,028
Total net assets	7,408,605	6,325,015
<b>Total liabilities and net assets</b>	<b>\$ 8,420,113</b>	<b>\$ 7,212,445</b>

See accompanying notes to financial statements.

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Statements of Activities**  
**Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Operating revenues</i>			
Contributions:			
Annual Catholic Appeal	\$ 1,575,223	\$ 81,015	\$ 1,656,238
Special funds	-	250,852	250,852
Seminarian education fund	-	721,561	721,561
Priest retirement fund	-	198,564	198,564
Donations and bequests	594,217	-	594,217
Health plan income	2,571,599	-	2,571,599
Long-term care & supplemental plan income	165,620	-	165,620
Diocesanum	592,582	-	592,582
Grants	16,268	-	16,268
Rental income	253,012	-	253,012
Interest income	19,568	-	19,568
Investment income	153,411	-	153,411
Management and investment fees	203,532	-	203,532
Other	78,310	-	78,310
<b>Total operating revenues</b>	<b>6,223,342</b>	<b>1,251,992</b>	<b>7,475,334</b>
<i>Net assets released from restrictions</i>	1,090,682	(1,090,682)	-
<i>Operating expenses</i>	6,391,421	-	6,391,421
<i>Operating income</i>	922,603	161,310	1,083,913
<i>Nonoperating income (expense)</i>			
Loss on disposal of assets	(323)	-	(323)
Changes in net assets	922,280	161,310	1,083,590
Net assets, beginning of year	4,083,987	2,241,028	6,325,015
<b>Net assets, end of year</b>	<b>\$ 5,006,267</b>	<b>\$ 2,402,338</b>	<b>\$ 7,408,605</b>

*See accompanying notes to financial statements.*

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<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
<b>Total operating revenues</b>	<b>5,471,207</b>	<b>1,347,964</b>	<b>6,819,171</b>
<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</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
<b>Net assets, end of year</b>	<b>\$ 4,083,987</b>	<b>\$ 2,241,028</b>	<b>\$ 6,325,015</b>

*See accompanying notes to financial statements.*

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Cash received from contributions and services	\$ 7,255,138	\$ 6,677,420
Cash paid to and on behalf of employees	(3,897,696)	(3,543,710)
Cash paid to suppliers and contractors	(2,324,185)	(2,298,021)
Investment income	37,656	(2,617)
Interest received	19,568	27,644
Interest paid	(613)	(613)
<b>Net cash provided by operating activities</b>	<b>1,089,868</b>	<b>860,103</b>
<i>Cash flows from investing activities</i>		
Purchase of investments	(794,199)	(1,146,030)
Proceeds from sale of investments	193,627	424,764
Principal payments received – notes receivable	193,238	347,971
New loans issued – notes receivable	(6,439)	(100,820)
Proceeds from disposal of property and equipment	-	62,368
Purchase of property and equipment	(1,021,822)	(53,132)
<b>Net cash used in investing activities</b>	<b>(1,435,595)</b>	<b>(464,879)</b>
<i>Cash flows from financing activities</i>		
Proceeds from Paycheck Protection Program loan	307,350	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(38,377)</b>	<b>395,224</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,324,509</b>	<b>929,285</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,286,132</b>	<b>\$ 1,324,509</b>

*See accompanying notes to financial statements.*

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b><i>Reconciliation of Change in Net Assets to Net Cash</i></b>		
<b><i>Provided by Operating Activities</i></b>		
Change in net assets	\$ 1,083,590	\$ 1,134,166
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	168,257	177,682
Loss on investments	(693)	(2,120)
Gain (loss) on sale of asset	323	(47,123)
Bad debt allowance	(1,271)	4,761
(Increase) decrease in assets:		
Notes receivable, net of allowance	27,031	(39,008)
Pledges receivable, net of allowance	32,206	(44,196)
Prepaid expenses	(36,303)	1,176
Health plan claims receivable	-	68,187
Increase (decrease) in liabilities		
Accounts payable	12,678	(52,651)
Accrued liabilities	12,549	2,898
Health plan reserve	13,017	(312,269)
ACA rebates payable	14,119	(53,122)
Custodial liability	(94,197)	62,178
Deferred revenue	(26,376)	(7,198)
Reserve for annuity payments	(115,062)	(33,258)
<b>Net cash provided by operating activities</b>	<b>\$ 1,089,868</b>	<b>\$ 860,103</b>

*See accompanying notes to financial statements.*

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements**  
**Years Ended June 30, 2020 and 2019**

**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, 6 schools, and 4 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 \$239,000 and \$237,000 was deemed necessary for the years ended June 30, 2020 and 2019, respectively.

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**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, 2020 and 2019.

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 \$6,304 and \$9,575 as of June 30, 2020 and 2019, 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. 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, 2020 and 2019, 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.

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**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 10, 2020, 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. 2014-19, *Revenue from Contracts with Customers* (Topic 606). 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 requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract.

The FASB also issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU provides guidance on determining whether a transaction is a contribution or exchange transaction and for distinguishing between conditional and unconditional contributions.

The ASUs have been retrospectively applied to prior periods presented as if they had always been used. No changes were necessary for prior periods presented.

*Upcoming accounting standard pronouncements* – 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 statement 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, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the financial statements as a result of the leases for rented office space being reported as liabilities on the statement of financial position. The effect of applying the new lease guidance on the financial statements will be to increase long-term assets and to increase short-term and long-term lease liabilities. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**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:

	2020	2019
Cash and cash equivalents	\$ 1,286,132	\$ 1,324,509
Notes receivable	221,962	421,993
Pledges receivable	92,659	120,670
Investments	3,671,771	3,037,570
Financial assets available within one year	5,272,524	4,904,742
Less financial assets with donor restrictions	(2,402,338)	(2,241,028)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,870,186</b>	<b>\$ 2,663,714</b>

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, 2020 and 2019, charitable gift annuities of \$193,677 and \$226,613, respectively, are included in investments, and the liability for annuity payments to donors of \$69,743 and \$184,805, 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, 2020 and 2019**

**4. Investments:**

Investments consisted of the following:

	<b>2020</b>	<b>2019</b>
Money market funds	\$ 78,401	\$ 77,725
Equity securities	-	1,952
Bond funds	120,546	145,523
Fixed income securities	54,540	61,075
Certificates of deposit	23,030	22,757
Investments in CRP	3,588,931	2,955,151
	<b>\$ 3,865,448</b>	<b>\$ 3,264,183</b>

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

	<b>2020</b>	<b>2019</b>
Investments	\$ 3,671,771	\$ 3,037,570
Investments – charitable gift annuities	193,677	226,613
	<b>\$ 3,865,448</b>	<b>\$ 3,264,183</b>

**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.

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**5. Fair Value Measurements (continued):**

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.

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:

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 78,401	\$ -	\$ -	\$ 78,401
Bond funds	120,546	-	-	120,546
Fixed income securities	54,540	-	-	54,540
Certificates of deposit	-	23,030	-	23,030
Investments in CRP	-	3,588,931	-	3,588,931
Total	\$ 253,487	\$ 3,611,961	\$ -	\$ 3,865,448

	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**6. Property and Equipment:**

Property and equipment as of June 30 were as follows:

	2020	2019
Buildings and improvements	\$ 4,483,775	\$ 3,699,671
Equipment	231,164	169,683
	<b>4,714,939</b>	<b>3,869,354</b>
Less accumulated depreciation	<b>(2,900,634)</b>	<b>(2,736,822)</b>
	<b>1,814,305</b>	<b>1,132,532</b>
Land	467,720	296,251
<b>Property and equipment, net</b>	<b>\$ 2,282,025</b>	<b>\$ 1,428,783</b>

**7. Net Assets with Donor Restrictions:**

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

	2020	2019
Annual Catholic Appeal	\$ 81,015	\$ 104,821
Priest retirement fund	634,428	563,858
Seminarian education fund	1,025,228	892,971
Special funds	661,667	679,378
<b>Total net assets with donor restrictions</b>	<b>\$ 2,402,338</b>	<b>\$ 2,241,028</b>

**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, 2020 and 2019; 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 \$2,336,403 and \$1,729,647 for the years ended June 30, 2020 and 2019, respectively. The Corporation accrued a liability of approximately \$205,518 and \$192,501 at June 30, 2020 and 2019, respectively, for estimated claims incurred but not reported. 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, 2020 and 2019**

**9. Paycheck Protection Program Loan Payable:**

The Paycheck Protection Program loan payable is the following:

	<b>2020</b>
Promissory note payable to Bank of America, payments of \$17,282 due monthly beginning in September 2022, including interest at 1% through May 2022	\$ 307,350
Total	<b>307,350</b>
Less current maturities	<b>(135,316)</b>
	<b>\$ 172,034</b>

Future maturities of the loan payable are as follows:

<b>Years Ending June 30,</b>	<b>Amount</b>
2021	\$ 135,316
2022	172,034
	<b>\$ 307,350</b>

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**10. 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, 2020 and 2019, are as follows:

	2020			
	Program Activities	Supporting Activities		Total Expenses
	Program Support	Management and General	Fundraising	
Seminarian education fund expense	\$ 589,312	\$ -	\$ -	\$ 589,312
Special funds (includes faith formation)	268,551	-	-	268,551
Priest retirement fund expense	127,995	-	-	127,995
Annual Catholic Appeal - Restricted	104,820	-	-	104,820
Health plan expense	2,336,403	-	-	2,336,403
Long-term care and supplemental plan expenses	65,231	11,225	-	76,456
Employee salaries and benefits	504,775	570,721	175,089	1,250,585
Clergy salaries and benefits	116,512	143,306	-	259,818
Property insurance	5,018	194,169	-	199,187
Bad debt allowance	-	2,000	(3,271)	(1,271)
Depreciation expense	-	168,257	-	168,257
Legal and professional fees	18,100	97,810	-	115,910
Repairs and maintenance	26,480	146,940	-	173,420
Continuing education and conferences	14,428	15,173	3,643	33,244
Office supplies and expense	6,307	91,180	1,738	99,225
Printing and publications	25,833	1,434	38,772	66,039
Utilities	17,250	43,464	-	60,714
Clergy continuing education and retreats	17,527	25,510	-	43,037
Dues and memberships	1,700	83,714	90	85,504
Program expense	32,840	189	28,701	61,730
Contractual services	55,881	3,000	13,147	72,028
Disbursements to other Catholic organizations	-	54,480	-	54,480
Institution subsidy	-	47,400	-	47,400
Property taxes	11,538	20,679	-	32,217
Travel - mileage	21,991	8,920	4,352	35,263
Postage	600	7,939	14,141	22,680
Finance charges and bank fees	-	9,209	15,856	25,065
Lease expense	4,525	8,109	-	12,634
Telephone and communications	2,379	8,119	-	10,498
Safe environment expense	-	43,962	-	43,962
Books and periodicals	2,935	7,270	25	10,230
Advertising	-	5,616	-	5,616
Brokerage fees	4,619	-	-	4,619
Interest expense	613	-	-	613
ACA funds transferred to restricted	(104,820)	-	-	(104,820)
<b>Total expenses</b>	<b>\$ 4,279,343</b>	<b>\$ 1,819,795</b>	<b>\$ 292,283</b>	<b>\$ 6,391,421</b>

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**10. Expenses by Function and Natural Classification (continued):**

	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	26,358	-	-	26,358
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	153,446	-	274,651
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	1,924	84,741	-	86,665
Repairs and maintenance	19,401	141,602	-	161,003
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	689	6,642	13,505	20,836
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)
<b>Total expenses</b>	<b>\$ 3,695,412</b>	<b>\$ 1,742,061</b>	<b>\$ 294,655</b>	<b>\$ 5,732,128</b>

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

**Corporation of the Catholic Bishop of Yakima – Diocesan Administration**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**11. COVID-19 Pandemic:**

The COVID-19 pandemic has created economic uncertainties which may negatively impact the Corporation's financial position. Beginning in March 2020, the Corporation began experiencing significant declines in revenues due to the state of Washington temporarily suspending all public and private gatherings.

In April 2020, the Corporation also entered into a loan for \$307,350 as part of the Small Business Administration Paycheck Protection Program, a part of the federal government's response to the pandemic. The loan bears interest at 1 percent and matures in April 2022. The loan has the potential to be forgiven in full or in part based on certain payroll and other costs incurred in the eight-week period following the date of first disbursement of the loan funds.

As of June 30, 2020, the Corporation had unrestricted reserves representing 164 days of operating expenses.