

THE DIOCESE OF GRAND ISLAND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018

MARVIN E. JEWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Diocesan Finance Council of Administrative
Office of the Diocese of Grand Island

We have audited the accompanying financial statements of the Diocese of Grand Island (a Nebraska non-profit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Grand Island 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.

Marvin E. Jewell & Co., P.C.

Lincoln, Nebraska
March 13, 2020

THE DIOCESE OF GRAND ISLAND

Statements of Financial Position

June 30, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 768,621	1,143,674
Receivables, less allowance for doubtful accounts	572,947	590,051
Prepaid expenses	41,162	30,372
Unconditional promises to give	25,000	37,500
Notes receivable	1,230,325	638,842
Security deposit	1,250	-
Investments	22,615,166	22,711,946
Restricted investments	2,399,286	2,514,397
Long term unconditional promises to give	-	24,040
Property and equipment, net	<u>928,572</u>	<u>888,855</u>
Total assets	<u>\$ 28,582,329</u>	<u>28,579,677</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 38,792	20,207
Promises payable	15,000	-
Accrued interest payable	4,398	4,906
Custodial funds payable	31,815	43,403
Deposits payable	5,289,170	5,910,992
Deferred revenue	39,222	500
Lease payable	7,504	9,419
Promises payable, long term	<u>15,000</u>	<u>-</u>
Total liabilities	<u>5,440,901</u>	<u>5,989,427</u>
Net assets:		
Without donor restrictions		
Designated	20,331,134	19,221,713
Undesignated	<u>411,008</u>	<u>854,140</u>
Total net assets without donor restrictions	20,742,142	20,075,853
With donor restrictions	<u>2,399,286</u>	<u>2,514,397</u>
Total net assets	<u>23,141,428</u>	<u>22,590,250</u>
Total liabilities and net assets	<u>\$ 28,582,329</u>	<u>28,579,677</u>

See accompanying notes.

THE DIOCESE OF GRAND ISLAND

Statements of Activities

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions:		
Revenues, gains and other support:		
Contributions and bequests	\$ 652,667	807,746
Fees and assessments	2,176,684	2,152,963
Auxiliary income - WNR	91,976	90,429
Insurance rebates	23,642	21,586
Insurance proceeds	-	5,982
Income on investments and notes	1,403,959	1,152,415
Net unrealized and realized gains (losses) on long-term investments	161,232	133,906
Net assets released from restrictions - Restrictions satisfied by payment	<u>400,970</u>	<u>27,470</u>
Total revenues, gains and other support without donor restrictions	<u>4,911,130</u>	<u>4,392,497</u>
Expenses:		
Program services	2,580,189	2,043,018
Supporting services:		
Management and general	1,623,023	1,705,213
Fundraising	<u>41,629</u>	<u>15,934</u>
Total expenses	4,244,841	3,764,165
Debt forgiveness	<u>-</u>	<u>1,460,238</u>
Total expenses and debt forgiveness	<u>4,244,841</u>	<u>5,224,403</u>
Increase (decrease) in net assets without donor restrictions	<u>666,289</u>	<u>(831,906)</u>
Changes in net assets with donor restrictions:		
Contributions	305,308	91,660
Net unrealized gain (loss) on net assets with donor restrictions	(19,449)	12,406
Restrictions satisfied by payments	<u>(400,970)</u>	<u>(27,470)</u>
Increase (decrease) in net assets with donor restrictions	<u>(115,111)</u>	<u>76,596</u>
Increase (decrease) in net assets	551,178	(755,310)
Net assets at beginning of year	<u>22,590,250</u>	<u>23,345,560</u>
Net assets at end of year	<u>\$ 23,141,428</u>	<u>22,590,250</u>

See accompanying notes.

THE DIOCESE OF GRAND ISLAND

Statement of Functional Expenses

Year ended June 30, 2019 (with comparative totals for 2018)

	<u>Program Services</u>							<u>Supporting Services</u>			<u>Totals</u>	
	<u>Pastoral</u>	<u>Religious</u>			<u>West</u>	<u>National</u>		<u>Total</u>	<u>Manage-</u>	<u>Fund-</u>	<u>(Memorandum Only)</u>	
<u>Program</u>	<u>Development</u>	<u>Education</u>	<u>Social</u>	<u>Nebraska</u>	<u>and Local</u>	<u>Deposit</u>	<u>Program</u>	<u>ment</u>	<u>raising</u>	<u>2019</u>	<u>2018</u>	
			<u>Services</u>	<u>Register</u>	<u>Collections</u>	<u>and Loan</u>	<u>Services</u>	<u>& General</u>				
Salaries	\$ 108,570	35,496	195,785	203,509	117,019	-	-	660,379	371,250	-	1,031,629	893,001
Fringe benefits	30,441	13,422	90,408	115,247	51,800	-	-	301,318	325,629	-	626,947	562,610
Professional services	2,316	4,515	84,114	9,941	16,254	24,182	-	141,322	21,831	23,619	186,772	122,978
Travel	5,743	6,348	15,086	6,038	-	-	-	33,215	11,867	-	45,082	52,376
Postage	1,027	580	1,496	1,384	60,778	-	-	65,265	2,031	4,127	71,423	70,468
Printing and advertising	-	873	7,922	576	51,793	-	-	61,164	10,446	13,883	85,493	83,187
Insurance	879	-	6,646	2,469	823	-	-	10,817	14,752	-	25,569	24,159
Telephone	1,167	430	4,038	827	454	-	-	6,916	2,432	-	9,348	9,776
Utilities	-	-	28,177	-	26	-	-	28,203	-	-	28,203	25,300
Repairs and maintenance	274	-	21,930	1,014	1,760	-	-	24,978	9,108	-	34,086	37,477
Rent/lease/business expense	-	2,100	-	10,668	-	-	-	12,768	46,810	-	59,578	54,905
Seminarian expense	-	288,150	-	-	-	-	-	288,150	-	-	288,150	236,853
Media	-	1,105	22,052	3,129	-	-	-	26,286	-	-	26,286	43,850
Office supplies	4,551	610	4,619	3,770	400	-	-	13,950	11,852	-	25,802	28,447
Residence/Building supplies	-	-	5,753	-	-	-	-	5,753	-	-	5,753	6,347
Books, subscriptions and tuition	646	703	1,984	376	-	-	-	3,709	6,588	-	10,297	9,784
Dues and memberships	1,035	2,679	2,357	1,170	444	-	-	7,685	88,488	-	96,173	95,331
Conferences and workshops	10,345	52,006	17,311	21,118	-	-	-	100,780	14,622	-	115,402	105,623
Other program exp/scholarships	-	-	3,639	19,560	-	428,892	107,040	559,131	-	-	559,131	215,249
Camp expense/Adjunct staff	-	-	-	66,255	-	-	-	66,255	-	-	66,255	44,634
Building costs	4,705	-	6,468	10,781	3,527	-	-	25,481	17,642	-	43,123	34,168
Depreciation	1,912	-	3,039	805	1,313	-	-	7,069	41,146	-	48,215	40,038
Special Diocesan Programs	-	-	-	-	-	-	-	-	135,784	-	135,784	75,646
Capital Outlay	-	-	10,958	711	-	-	-	11,669	-	-	11,669	28,066
Contributions	-	-	1,773	-	-	-	-	1,773	96,848	-	98,621	60,842
Bad debt expense	-	-	-	-	-	-	-	-	393,897	-	393,897	684,117
Interest	-	-	-	-	-	-	116,153	116,153	-	-	116,153	118,933
Total expenses	\$ 173,611	409,017	535,555	479,348	306,391	453,074	223,193	2,580,189	1,623,023	41,629	4,244,841	3,764,165

See accompanying notes.

THE DIOCESE OF GRAND ISLAND

Statement of Functional Expenses

Year ended June 30, 2018

	<u>Program Services</u>							<u>Supporting Services</u>			<u>Totals</u> <u>2018</u>
	<u>Pastoral</u> <u>Program</u>	<u>Religious</u> <u>Personnel</u> <u>Development</u>	<u>Education</u>	<u>Social</u> <u>Services</u>	<u>West</u> <u>Nebraska</u> <u>Register</u>	<u>National</u> <u>and Local</u> <u>Collections</u>	<u>Deposit</u> <u>and Loan</u>	<u>Total</u> <u>Program</u> <u>Services</u>	<u>Manage-</u> <u>ment</u> <u>& General</u>	<u>Fund-</u> <u>raising</u>	
Salaries	\$ 101,952	31,394	171,683	219,268	95,060	-	-	619,357	273,644	-	893,001
Fringe benefits	26,846	12,236	67,653	115,442	39,190	-	-	261,367	301,243	-	562,610
Professional services	310	7,250	61,280	2,421	19,004	-	-	90,265	32,713	-	122,978
Travel	3,615	6,510	17,011	10,157	-	-	-	37,293	15,083	-	52,376
Postage	1,562	638	2,152	1,049	59,103	-	-	64,504	3,780	2,184	70,468
Printing and advertising	1,175	-	9,201	407	46,476	-	-	57,259	12,178	13,750	83,187
Insurance	619	-	6,239	2,647	548	-	-	10,053	14,106	-	24,159
Telephone	1,827	742	3,043	1,039	1,020	-	-	7,671	2,105	-	9,776
Utilities	-	-	25,174	126	-	-	-	25,300	-	-	25,300
Repairs and maintenance	276	-	11,137	2,054	2,080	-	-	15,547	21,930	-	37,477
Rent/lease/business expense	-	2,160	-	14,134	-	-	-	16,294	38,611	-	54,905
Seminarian expense	-	236,853	-	-	-	-	-	236,853	-	-	236,853
Media	-	593	42,267	990	-	-	-	43,850	-	-	43,850
Office supplies	6,040	2,139	11,011	3,993	334	-	-	23,517	4,930	-	28,447
Residence/Building supplies	-	-	6,347	-	-	-	-	6,347	-	-	6,347
Books, subscriptions and tuition	401	584	1,592	558	-	-	-	3,135	6,649	-	9,784
Dues and memberships	3,554	1,645	550	785	444	-	-	6,978	88,353	-	95,331
Conferences and workshops	7,715	52,700	16,731	17,142	-	-	-	94,288	11,335	-	105,623
Other program exp/scholarships	-	-	-	65,798	-	149,451	-	215,249	-	-	215,249
Camp expense/Adjunct staff	-	-	-	44,634	-	-	-	44,634	-	-	44,634
Building costs	5,571	-	7,675	-	-	-	-	13,246	20,922	-	34,168
Depreciation	2,512	-	1,586	774	666	-	-	5,538	34,500	-	40,038
Special Diocesan Programs	-	-	-	-	-	-	-	-	75,646	-	75,646
Miscellaneous/Allocated	-	-	8,650	11,485	4,208	-	-	24,343	3,723	-	28,066
Contributions	-	-	1,197	-	-	-	-	1,197	59,645	-	60,842
Bad debt expense	-	-	-	-	-	-	-	-	684,117	-	684,117
Interest	-	-	-	-	-	-	118,933	118,933	-	-	118,933
Total expenses	\$ 163,975	355,444	472,179	514,903	268,133	149,451	118,933	2,043,018	1,705,213	15,934	3,764,165

See accompanying notes.

THE DIOCESE OF GRAND ISLAND

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 551,178	<u>(755,310)</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	48,215	40,038
Realized and unrealized (gains) losses on investments	(141,783)	(146,312)
Forgiveness of debt	-	1,460,238
(Increase) decrease in:		
Receivables	17,104	566,537
Prepaid expenses	(10,790)	28,896
Unconditional promise to give	36,540	(61,540)
Notes receivable	(591,483)	(11,029)
Security deposit	(1,250)	-
Increase (decrease) in:		
Interest and accounts payable	4,161	(98,331)
Promises payable	30,000	(20,000)
Deposits/custodial funds	(633,410)	(143,808)
Deferred revenue	38,722	(20,272)
Lease payable	(1,915)	6,704
Total adjustments	<u>(1,205,889)</u>	<u>1,601,121</u>
Net cash provided (used) by operating activities	<u>(654,711)</u>	<u>845,811</u>
Cash flows provided (used) by investing activities:		
Purchase of property and equipment	(74,016)	(57,908)
Purchase of investments	(1,142,196)	(1,116,961)
Disposition of investments	1,495,870	208,000
Net cash provided (used) by investing activities	<u>279,658</u>	<u>(966,869)</u>
Cash flows provided (used) by financing activities:		
Proceeds from contributions restricted for -		
Investment for long-term purposes	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(375,053)	(121,058)
Cash and cash equivalents at beginning of year	<u>1,143,674</u>	<u>1,264,732</u>
Cash and cash equivalents at end of year	<u>\$ 768,621</u>	<u>1,143,674</u>
Noncash Activities:		
Property and equipment included in accounts payable	<u>\$ 13,916</u>	<u>-</u>
Supplemental Disclosures:		
Interest paid	<u>\$ 116,661</u>	<u>119,024</u>
Income taxes paid	<u>\$ -</u>	<u>-</u>

See accompanying notes.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(1) Nature of activities and significant accounting policies:

Organization

The Diocese of Grand Island (Diocese) is a Nebraska nonprofit corporation located in Grand Island, Nebraska. The Diocese is responsible for carrying out the mission of the Church. The Administrative office and Diocesan programs are funded through parish assessments and earnings on investments. The Diocese is responsible for such matters as the spiritual needs of the people, parish planning, educational commitment and goals, health, social and welfare needs and priorities. The Diocese encompasses the various institutions and organizations which are fiscally responsible to the Bishop of Grand Island. These institutions and organizations include the Diocesan Administrative Office, Pastoral Programs, Religious Personnel Development, Education, Social Services, and the West Nebraska Register.

These statements exclude the financial position and transactions of the parishes and missions, schools and cemeteries. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Administrative Offices and maintains separate accounts and carries on its own services and programs. In the event of the dissolution of one of these entities, the Administrative Offices may or may not be the beneficiary of remaining net assets at the discretion of the Bishop.

Basis of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Diocese has implemented ASU 2016-14 retrospectively to all periods presented, except for the presentation of the liquidity and availability disclosure, which is only presented for the current year, as permitted by the ASU.

A presentation of net assets as previously reported as of June 30, 2018, and as required under ASU 2016-14 is as follows:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets		
Operating	\$ 804,115	-
Designated	18,382,883	-
Fixed assets	888,855	-
Temporarily restricted net assets	638,018	-
Permanently restricted net assets	1,876,379	-
Net assets without donor restrictions		
Designated	-	19,221,713
Undesignated	-	854,140
Net assets with donor restrictions	-	2,514,397
	<u>\$ 22,590,250</u>	<u>22,590,250</u>

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(1) Nature of activities and significant accounting policies (continued):

Basis of Presentation

The Diocese is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. No amounts have been reflected in the financial statements for services since none met the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Diocese considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investments are held with Edward Jones Company. Unrealized gains and losses are included in the Statement of Activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or the purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted income and gains are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions."

Receivables

Accounts receivable represent amounts due mainly from related entities for assessments, premiums, and other activities. The receivables are stated at unpaid balances, with an allowance for doubtful accounts regarding the Annual Diocesan Appeal only. The allowance is based on the Diocese's prior experience of collections and expected actual write-offs. The Diocese reviews receivables at the end of the Appeal around September 30th and those deemed uncollectible are written off. Under Canon Law, the Diocese is required to collect all the Cathedraticum assessments so an allowance for doubtful accounts is not provided for this receivable. The Cathedraticum assessments are due on a quarterly basis. The Diocese also advances health insurance premiums on behalf of the parishes, billing them for six months at a time. No interest is charged on the past due receivables.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(1) Nature of activities and significant accounting policies (continued):

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Acquisitions of property and equipment in excess of \$1,500 are capitalized.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20-39 years
Building improvements	15 years
Furniture, equipment and vehicles	5-7 years

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions."

Deferred Revenue

Deferred revenue represents program revenues received in excess of related program expenses paid for programs that will end during the next fiscal year.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and supporting services benefited based on the amount of space utilized by the staff of the programs and supporting services.

Income Taxes

The Diocese is organized and operated exclusively for charitable purposes and has been classified as an organization other than a private foundation under Section 509(a)(2). The Diocese is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Diocese publishes the West Nebraska Register which is subject to tax on unrelated business income. At June 30, 2019 and 2018, the Diocese did not have a tax liability on this unrelated business activity.

The Diocese believes that its current tax positions have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. Examples of tax positions include the tax-exempt status of the Diocese and various positions related to the potential sources of unrelated business taxable income (UBIT). The Diocese files income tax returns in the U.S. federal jurisdiction. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of a resolution of any particular uncertain tax position, the Diocese believes that the absence of an accrual for income taxes reflects the most probable outcome. The fiscal years June 30, 2016 through June 30, 2019 remain open to U.S. federal income tax examinations by tax authorities.

The Diocese's policy is to classify interest expense and any penalties related to income tax uncertainties as a component of income tax expense. There was no interest expense, net of tax benefits, or penalty relating to tax uncertainties recognized or accrued for years ended June 30, 2019 and 2018.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(1) Nature of activities and significant accounting policies (continued):

Compensated Absences

Full-time employees earn vacation leave. It is contrary to the policy of the Diocese to allow pay in lieu of vacations. A vacation carry-over from one calendar year to the next is not permitted. Sick pay benefits may be accumulated by employees to a maximum of 60 working days. Unused or accrued medical days are not reimbursed with pay. In accordance with generally accepted accounting principles, no liability is recorded for non-vesting accumulating rights to receive vacation and sick pay benefits.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Risk Management

The Diocese is exposed to various risks of loss from torts; theft of; damage to; and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. In addition to the presentation changes for the adoption of ASU 2016-14, management determined that \$50,025 previously classified as designated net assets (unrestricted) should be recognized as undesignated net assets (without donor restrictions). The presentation of net assets as previously reported as of June 30, 2018 and as required under ASU 2016-14 in Note 1 includes this reclassification. Total assets, liabilities, and net assets are unchanged due to the reclassification.

(2) Cash:

Carrying value of cash and investments consist of the following at June 30:

	<u>2019</u>	<u>Maturities in Years</u>		<u>2018</u>	<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1-5</u>		
Demand deposits	\$ 191,844	191,844	-	491,751	N/A
Money market accounts - Edward Jones	576,777	576,777	-	651,923	N/A
Certificates of deposit	284,969	118,010	166,959	280,986	N/A
Mutual funds	<u>24,729,483</u>	<u>24,729,483</u>	-	<u>24,945,357</u>	Unrated
Total deposits and investments	<u>\$ 25,783,073</u>	<u>25,616,114</u>	<u>166,959</u>	<u>26,370,017</u>	

Reconciliation to Statement of Financial Position

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalent	\$ 768,621	1,143,674
Investments	22,615,166	22,711,946
Restricted Investments	<u>2,399,286</u>	<u>2,514,397</u>
	<u>\$ 25,783,073</u>	<u>26,370,017</u>

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(2) Cash (continued):

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The deposits in the financial institutions at times exceed the insured amount provided by the U.S. Federal Deposit Insurance Corporation. At June 30, 2019 the Diocese's demand deposits exceeded federally insured limits. The Securities Investor Protection Corporation provided protection of \$500,000 towards the money market accounts, certificates of deposits, and mutual funds accounts that had a fair market value of \$25,591,229 at June 30, 2019. These investments include the investments held for the endowment gifts. The Diocese's funds were invested in demand checking accounts, money market accounts, certificates of deposit and mutual funds.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Diocese has no investment policy that limits investments based on maturity including the investments held for the endowment gifts. The Diocese discloses its exposure to interest risk by disclosing the maturity dates of its various investments, where applicable.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Diocese has no policy requiring securities be rated at certain rates or higher without having collateral pledged to the Diocese including those investments held for the endowment gifts. At June 30, 2019 the Diocese is invested in money market accounts that operate as government money market funds, required to invest at least 99.5% of its total assets in cash, government securities, repurchase agreements that are collateralized by cash or government securities, and /or shares of other government money market funds.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Diocese (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. At June 30, 2019, the Diocese had no concentration of credit risk as defined above.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(3) Liquidity

The following reflects the Diocese's financial assets as of June 30, 2019, reduced by amounts not available for general use because of board designations or donor-imposed restrictions within one year of the statement of financial position date.

Financial Assets:

Cash & cash equivalents	\$	768,621
Receivables		572,947
Promises to give		25,000
Notes receivable		1,230,325
Investments		<u>25,014,452</u>
Total Financial Assets		<u>27,611,345</u>

Financial Assets Not Available in One Year:

Designated for deposit and loan fund		
Receivables (see note 4 - interest)	(5,169)	
Notes receivable (see note 6)	(1,230,325)	
Investments	<u>(6,876,141)</u>	(8,111,635)
Designated for programs (see note 13)		(16,317,192)
Designated for special projects (see note 13)		(267,303)
Investments restricted by donor (see note 12)		<u>(2,399,286)</u>
Total Financial Assets Not Available in One Year		<u>(27,095,416)</u>

Financial Assets Available to Meet Cash Needs for

General Expenditures Within One Year	\$	<u>515,929</u>
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As part of its liquidity management, the Diocese has no formal liquidity policy, but maintains enough investments designated for various programs from which transfers could be made to the operating account to cover any expenses due as approved by the Bishop. The fair market value of these investments at June 30, 2019 is over \$14,800,000. This represents approximately four years of total operating expenses.

(4) Receivables:

Receivables consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Accounts Receivable		
Cathedraticum	\$ 281,460	249,684
Health Insurance due from parishes	220,150	221,407
Accounts receivable, operating	9,018	15,802
Annual Diocesan Appeal	<u>457,292</u>	<u>456,375</u>
	967,920	943,268
Allowance for doubtful accounts (Annual Diocesan Appeal)	<u>(400,142)</u>	<u>(353,958)</u>
Net accounts receivable	567,778	589,310
Interest receivable	<u>5,169</u>	<u>741</u>
Net receivables	<u>\$ 572,947</u>	<u>590,051</u>

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(4) Receivables (continued):

The aging of the Cathedraticum receivables at June 30, 2019 are as follows:

	Total Receivable	Less than 1 Year	1-5 Years	6-10 Years
Cathedraticum	281,460	252,117	19,840	9,503

Receivable write-offs were \$393,897 (2019) and \$684,117 (2018).

(5) Unconditional promises to give:

The Diocese received a grant restricted for Stewardship and Development. The promise is expected to be collectible. Unconditional promises to give as of June 30 are as follows:

	2019	2018
Receivable in less than one year	\$ 25,000	37,500
Receivable in less than two years	-	25,000
Total unconditional promises to give	25,000	62,500
Less discounts to net present value	-	(960)
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	<u>\$ 25,000</u>	<u>61,540</u>

The discount rate used on the long-term promises to give was 4%.

(6) Notes receivable:

The Diocese loans money to parishes in need. The unsecured notes are demand notes with a current interest rate of 3%. The balance due on the notes was \$1,230,325 and \$638,842 at June 30, 2019 and 2018, respectively. Interest income of \$21,478 and \$30,647 was recognized in 2019 and 2018, respectively.

On October 4, 2017, the Diocese forgave a \$1,457,930 parish note, along with \$2,308 of interest.

(7) Property and equipment:

	Cost	Accumulated Depreciation	Book Value	
			2019	2018
Land	\$ 197,511	-	197,511	197,511
Buildings and improvements	1,181,524	516,062	665,462	638,693
Furniture and equipment	376,268	331,382	44,886	26,020
Vehicle	29,590	8,877	20,713	26,631
Total	<u>\$ 1,784,893</u>	<u>856,321</u>	<u>928,572</u>	<u>888,855</u>

Depreciation expense was \$48,215 (2019) and \$40,038 (2018).

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(8) Investments:

The Diocese measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Diocese uses various methods including market, income and cost approaches. Based on these approaches, the Diocese often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Diocese 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 - Quoted prices in active 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 inputs - Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs - Unobservable inputs for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The recognition of transfers between levels of fair value hierarchy is deemed to have occurred at the end of the respective reporting period. For the years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets has been consistent.

The following table presents the Diocese's cost, fair value and fair value hierarchy of the investments measured at fair value on a recurring basis as of June 30, 2019 and 2018.

	June 30, 2019			June 30, 2018		
	Total Cost	Estimated Fair Value (Level 1)	Unrealized Appreciation (Depreciation)	Total Cost	Estimated Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Certificate of deposit	\$ 285,055	284,969	(86)	\$ 284,055	280,986	(3,069)
Mutual funds	<u>20,110,642</u>	<u>24,729,483</u>	<u>4,618,841</u>	<u>20,280,617</u>	<u>24,945,357</u>	<u>4,664,740</u>
	<u>\$ 20,395,697</u>	<u>25,014,452</u>	<u>4,618,755</u>	<u>\$ 20,564,672</u>	<u>25,226,343</u>	<u>4,661,671</u>

The Diocese has no Level 2 or Level 3 inputs at June 30, 2019 or June 30, 2018.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(8) Investments (continued):

Management evaluates securities for other than temporary impairments at least annually, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Diocese to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Investment return is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest, dividend and capital gain distributions	\$ 1,382,481	1,121,768
Net realized gains (losses)	184,699	21,588
Net unrealized gains (losses)	<u>(42,916)</u>	<u>124,724</u>
Total investment return	<u>\$ 1,524,264</u>	<u>1,268,080</u>

(9) Promises payable:

Unconditional promises payable at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Payable in less than one year	\$ 15,000	-
Payable in one to five years	<u>15,000</u>	<u>-</u>
Total promises payable	<u>\$ 30,000</u>	<u>-</u>

10) Custodial funds:

The custodial funds are amounts from special collection projects that have been received by the Diocese but have not yet been disbursed or transmitted.

	<u>2019</u>	<u>2018</u>
Receipts	\$ 394,690	466,014
Disbursements	<u>(406,278)</u>	<u>(500,091)</u>
	(11,588)	(34,077)
Custodian funds payable at beginning of year	<u>43,403</u>	<u>77,480</u>
Custodian funds payable at end of year	<u>\$ 31,815</u>	<u>43,403</u>

(11) Deposits payable:

This account consists of amounts deposited with the Diocese as interest bearing deposits. The deposits are then available to be loaned to other parishes subject to interest. The Diocese pays interest every 6 months and the parishes earned 2% interest on their deposits during the year.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(12) Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Kearney Newman capital projects	\$ 778	778
Catholic elementary and secondary schools	27,546	30,010
Schools or construction of churches	4	47,033
Stewardship and development position	25,000	61,540
Social services	-	<u>9,629</u>
	53,328	148,990
Endowment funds (see note 14)	<u>2,345,958</u>	<u>2,365,407</u>
	<u>\$ 2,399,286</u>	<u>2,514,397</u>

(13) Designated net assets without donor restrictions:

Funds whose use is limited to purposes specified by Diocese management are included in designated net assets without donor restrictions, and are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Bishop's special charities, Campaign for Human Development, local communications, mass stipends	\$ 267,303	147,219
Deposits for parish loans	1,898,691	1,633,168
Appreciation of deposit and loan investments	919,376	998,127
Net investment in plant	928,572	888,855
Investments (FMV) to fund future programs	<u>16,317,192</u>	<u>15,554,344</u>
	<u>\$ 20,331,134</u>	<u>19,221,713</u>

(14) Donor-designated endowments:

The Diocese's donor-restricted endowment consists of three funds for the various purposes listed below. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Diocese has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations of income to the endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, endowment net assets with donor restrictions represent the original corpus of gifts given to the Diocese for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(14) Donor-designated endowments (continued):

Net appreciation earned on the corpus of endowment net assets with donor restrictions is spendable, and accordingly, the Diocese classifies the appreciation as net assets with donor restriction, pending appropriation for expenditure by the Bishop.

The following tables summarize the Diocese's total return on endowment investments and the changes in endowment net assets for the years ended June 30, 2019 and 2018.

	2019		
	With Donor Restrictions		
	Accumulated Gains	Original Gifts	Total
Endowment net assets, beginning of year	\$ 489,028	1,876,379	2,365,407
Dividends and interest allocated to endowment investments	56,291	-	56,291
Contributions	-	-	-
Net unrealized (depreciation) allocated to endowment investments	(19,449)	-	(19,449)
Amounts appropriated for expenditure	(56,291)	-	(56,291)
Balance at June 30, 2019	\$ 469,579	1,876,379	2,345,958
Lindeken Estate - Seminary education for the priesthood			\$ 656,943
Chabel Estate - Priesthood education			24,262
Cope Estate - Seminarian and religious retirement contributions			1,664,753
			\$2,345,958

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(14) Donor-designated endowments (continued):

	2018		
	With Donor Restrictions		
	Accumulated Gains	Original Gifts	Total
Endowment net assets, beginning of year	\$ 476,622	1,876,379	2,353,001
Dividends and interest allocated to endowment investments	56,291	-	56,291
Contributions	-	-	-
Net unrealized appreciation allocated to endowment investments	12,406	-	12,406
Amounts appropriated for expenditure	<u>(56,291)</u>	<u>-</u>	<u>(56,291)</u>
Balance at June 30, 2018	<u>\$ 489,028</u>	<u>1,876,379</u>	<u>2,365,407</u>
Lindeken Estate - Seminary education for the priesthood			\$ 663,031
Chabel Estate - Priesthood education			25,088
Cope Estate - Seminarian and religious retirement contributions			<u>1,677,288</u>
			<u>\$2,365,407</u>

(15) Retirement and Post-Retirement Benefits:

Pension Plan – Priests:

The Diocese contributes to a noncontributory defined benefit plan and welfare plan administered by the Grand Island Diocesan Priests' Pension and Welfare Board, Inc which is a multiple employer plan. The plan covers priests who are ordained for or incardinated into the Diocese of Grand Island and retire from active service with the Diocese of Grand Island in good canonical standing. In accordance with the Plan of the Priests' Pension and Welfare Fund of the Diocese of Grand Island, the Diocese does not in any way guarantee any assets held by the Plan nor the payment under the Plan to any person. Contributions to the Plan are based on an amount determined by the Administrator's Board on a per participant base. Each parish is assessed this amount for each priest in its parish. The Diocese contributions were \$7,040 (2019) and \$7,150 (2018). Funded status information is not yet available as of June 30, 2019 or June 30, 2018, however, at June 30, 2015 the plan was funded over 100%. The Diocese contributions were 7.8% and 6.6% of the total plan contributions in 2019 and 2018, respectively. The plan does not require approval of the Internal Revenue Service as it is a church plan.

Pension Plan – Employees:

All full-time, non-priest employees are enrolled in a multiple employer plan, the Diocese Tax Shelter Annuity Plan as allowed under Section 403(b) of the Internal Revenue code. The plan is contributory for employees. The Diocese matches employee's contributions up to 2%, and contributes an additional 4% employer contribution for qualifying employees. The total employer contributions for the years ended June 30, 2019 and 2018 were \$31,819 and \$26,652 respectively. The plan is administered by Mutual of America Life Insurance Company.

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(15) Retirement and Post-Retirement Benefits (continued):

Post-Retirement – Priests:

The Diocese provides Medicare carve out coverage for substantially all retired Diocesan clergy through Christian Brothers Services. Costs incurred by the Diocese for post-retirement benefits for the years ended June 30, 2019 and 2018 were \$192,822 and \$199,767 respectively.

(16) Participation in Catholic Dioceses Insurance Pool:

The Diocese is a member of and participates in a captive mutual insurance company, Catholic Mutual Group, with certain other Roman Catholic diocese and archdioceses. Catholic Mutual Group primarily provides general and auto liability coverage to its members. Members have made an initial investment in and pay premiums to Catholic Mutual Group. Catholic Mutual Group pays a rebate based on prior year's premiums as a return of investment. These rebates are recorded as revenue in the current year. The rebates received for the years ended June 30, 2019 and 2018 were \$23,642 and \$21,586, respectively.

The Diocese is a trustor of and participates in an employee group health insurance plan through Blue Cross and Blue Shield, and Christian Brothers Health Plan. These plans provide group health insurance to full-time qualifying employees.

(17) Commitments and contingencies:

Capital Leases

The Diocese entered into a capital lease agreement for a copier in January of 2018, with a cost of \$10,127. Amortization of the copier is included with depreciation expense.

The following is a schedule by years of future minimum payments required under the lease:

	<u>Equipment</u>
2020	\$ 1,916
2021	1,916
2022	1,916
2023	1,755
2024	<u>-</u>
Totals	<u>\$ 7,503</u>

Operating Leases

The Diocese leases an office building in North Platte. A five-year lease expired December 31, 2010, and a ten-year extension option was signed. A base rent of \$4,830 per month, January 1, 2011 through December 31, 2020, with a 2% increase each year is in effect. Upon relocating offices to Grand Island, the Diocese began subleasing the space in July of 2017 receiving monthly rent of \$2,500 with a current agreement through December 2020.

A new one-year lease for office space in Grand Island began November 2018 for \$1,250 per month. In October 2019, an option was elected to extend the lease for an additional four years through October 2023.

Building lease costs in 2019 and 2018 were \$84,723 and \$65,929, respectively, before the sublease income of \$30,000 (2019) and \$28,750 (2018).

THE DIOCESE OF GRAND ISLAND

Notes to Financial Statements

Years ended June 30, 2019 and 2018

(17) Commitments and contingencies (continued):

The Diocese renegotiated two leases (the postage meter and the folder insert) on April 19, 2016 into one and received updated equipment in the exchange. The total monthly payment remained the same at \$305. The lease is for 63 months through June 2021. Lease payments of \$3,660 (2019) and \$3,660 (2018) were made.

As of June 30, 2019, the future minimum lease payments under the non-cancelable operating leases with remaining terms in excess of one year are:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2020	83,593	3,660	87,253
2021	49,636	3,660	53,296
2022	15,000	-	15,000
2023	15,000	-	15,000
2024	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Totals	<u>\$ 168,229</u>	<u>7,320</u>	<u>175,549</u>

The total lease expense for all operating leases was \$88,383 (2019) and \$82,149 (2018), before the sublease income of \$30,000 (2019) and 28,750 (2018).

Guarantees

The Diocese guaranteed a bank loan on behalf of Prince of Peace Catholic Church in Kearney in May of 2014, for the original amount of \$2,443,756. The loan was paid off as of June 30, 2019.

In April of 2015, the Diocese became guarantor on a construction line of credit obtained by St. James Church of Kearney, and the permanent financing loan that followed. In August of 2016, the line of credit was rolled into the permanent financing loan with a balance of \$1,636,100. The amount outstanding at June 30, 2019 is \$421,191 due July 2021.

All entities are current with debt payments. There is no recorded liability for potential losses under this guarantee.

(18) Significant concentrations of credit risk:

The Diocese has concentrated its credit risk for cash and investments by maintaining deposits in banks located in the same geographic region.

Credit risk for receivables is concentrated as well because substantially all the balances are receivables from parishes located within the same geographic region.

(19) Subsequent events:

Subsequent events were evaluated through March 13, 2020, which is the date the financial statements were available to be issued.