

DIOCESE OF DAVENPORT
FINANCIAL STATEMENTS
JUNE 30, 2018

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Independent Auditors' Report

To the Board of Directors
Diocese of Davenport
Davenport, Iowa

Report On The Financial Statements

We have audited the accompanying financial statements of the Diocese of Davenport, which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Diocese of Davenport 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.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Davenport, Iowa
November 2, 2018

DIOCESE OF DAVENPORT

STATEMENTS OF FINANCIAL POSITION

	June 30, 2018			June 30, 2017		
	Operating	Insurance Fund	Total	Operating	Insurance Fund	Total
Assets						
Cash And Cash Equivalents	\$ 618,766	\$ 466,527	\$ 1,085,293	\$ 760,079	\$ 203,278	\$ 963,357
Receivables						
Due from parishes – annual diocesan appeal	66,100	—	66,100	97,453	—	97,453
Due from the Catholic Foundation for the Diocese of Davenport	350,768	—	350,768	333,653	—	333,653
Priests and former seminarians	—	—	—	1,709	—	1,709
Due (to) from other fund	—	—	—	(12,730)	12,730	—
Total Receivables	416,868	—	416,868	420,085	12,730	432,815
Other Assets	87,579	144,999	232,578	119,421	266,867	386,288
Investments						
Christian Brothers	3,542,304	—	3,542,304	3,090,235	—	3,090,235
Vanguard	606,842	—	606,842	587,112	—	587,112
Total Investments	4,149,146	—	4,149,146	3,677,347	—	3,677,347
Property And Equipment	2,904,462	—	2,904,462	3,023,841	—	3,023,841
	\$ 8,176,821	\$ 611,526	\$ 8,788,347	\$ 8,000,773	\$ 482,875	\$ 8,483,648
Liabilities And Net Assets						
Liabilities						
Accounts payable	\$ 202,178	\$ —	\$ 202,178	\$ 187,074	\$ 2,762	\$ 189,836
Accounts payable – special collections	48,684	—	48,684	18,119	—	18,119
Accrued expenses	201,382	—	201,382	344,893	—	344,893
Total Liabilities	452,244	—	452,244	550,086	2,762	552,848
Net Assets						
Unrestricted						
Undesignated	6,698,229	611,526	7,309,755	6,469,218	480,113	6,949,331
Board designated	611,799	—	611,799	558,902	—	558,902
Total Unrestricted	7,310,028	611,526	7,921,554	7,028,120	480,113	7,508,233
Temporarily Restricted	141,174	—	141,174	149,192	—	149,192
Permanently Restricted	273,375	—	273,375	273,375	—	273,375
Total Net Assets	7,724,577	611,526	8,336,103	7,450,687	480,113	7,930,800
	\$ 8,176,821	\$ 611,526	\$ 8,788,347	\$ 8,000,773	\$ 482,875	\$ 8,483,648

DIOCESE OF DAVENPORT

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	For The Year Ended June 30, 2018				For The Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenue								
Annual diocesan appeal	\$ 3,156,838	\$ —	\$ —	\$ 3,156,838	\$ 3,136,112	\$ —	\$ —	\$ 3,136,112
Support revenue for special collections	—	38,517	—	38,517	3,955	38,079	—	42,034
Contributions and bequests	577,577	800	—	578,377	449,109	5,190	—	454,299
Insurance revenue	131,413	—	—	131,413	50,087	—	—	50,087
Investment income	427,400	49,516	—	476,916	550,442	62,222	—	612,664
Other income – including primarily education receipts	810,120	—	—	810,120	394,642	—	—	394,642
Net assets released from restrictions	96,851	(96,851)	—	—	102,786	(102,786)	—	—
Total Support And Revenue	5,200,199	(8,018)	—	5,192,181	4,687,133	2,705	—	4,689,838
Expenses								
Chancery office	479,651	—	—	479,651	473,140	—	—	473,140
Marriage tribunal office	146,312	—	—	146,312	136,739	—	—	136,739
Pastoral services office	1,290,814	—	—	1,290,814	772,791	—	—	772,791
Vocations and clergy support	61,106	—	—	61,106	62,333	—	—	62,333
Support of special collections	35,928	—	—	35,928	33,265	—	—	33,265
Assistance of clergy (health benefits)	24,045	—	—	24,045	40,375	—	—	40,375
University hospital chaplains	120,251	—	—	120,251	109,836	—	—	109,836
National, regional, local councils and organizations	119,497	—	—	119,497	117,589	—	—	117,589
Deacon and seminarian education	679,563	—	—	679,563	694,228	—	—	694,228
Stewardship and development office	180,644	—	—	180,644	174,004	—	—	174,004
Communications office	232,185	—	—	232,185	245,750	—	—	245,750
School education	214,868	—	—	214,868	219,425	—	—	219,425
Administration and finance office	568,503	—	—	568,503	488,741	—	—	488,741
St. Vincent's Center	485,819	—	—	485,819	453,612	—	—	453,612
Depreciation	147,692	—	—	147,692	149,921	—	—	149,921
Total Expenses	4,786,878	—	—	4,786,878	4,171,749	—	—	4,171,749
Change In Net Assets	413,321	(8,018)	—	405,303	515,384	2,705	—	518,089
Net Assets – Beginning Of Year	7,508,233	149,192	273,375	7,930,800	6,992,849	146,487	273,375	7,412,711
Net Assets – End Of Year	\$ 7,921,554	\$ 141,174	\$ 273,375	\$ 8,336,103	\$ 7,508,233	\$ 149,192	\$ 273,375	\$ 7,930,800

DIOCESE OF DAVENPORT

STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 405,303	\$ 518,089
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	147,692	149,921
Gain on disposal of property and equipment	—	(453)
Net realized gain on sale of investments	—	(671,144)
Net unrealized (gain) loss on investments	(428,629)	96,953
Changes in assets and liabilities:		
Due from parishes – annual diocesan appeal	31,353	—
Due from the Catholic Foundation for the Diocese of Davenport	(17,115)	48,432
Priests and former seminarians	18,824	—
Other assets	153,710	(288,368)
Accounts payable	12,342	(136,486)
Accounts payable – special collections	30,565	(15,662)
Accrued expenses	(143,511)	255,604
Net Cash Provided By (Used In) Operating Activities	210,534	(43,114)
Cash Flows From Investing Activities		
Increase in due from Catholic Foundation for the Diocese of Davenport	(17,115)	(37,124)
Redemption of certificates of deposit	—	400,000
Purchase of investments	(43,170)	(1,951,379)
Proceeds from sale of investments	—	1,916,881
Purchase of property and equipment	(28,313)	(69,159)
Net Cash Provided By (Used In) Investing Activities	(88,598)	259,219
Change In Cash And Cash Equivalents	121,936	216,105
Cash And Cash Equivalents – Beginning Of Year	963,357	747,252
Cash And Cash Equivalents – End Of Year	\$ 1,085,293	\$ 963,357

DIOCESE OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

1. **Nature Of Organization And Summary Of Significant Accounting Policies**

The Diocese of Davenport (the "Diocese") is an Iowa nonprofit corporation. This financial report includes all known funds, and all known major assets and liabilities of the Diocese of Davenport.

The Diocese of Davenport is affiliated with numerous other Iowa nonprofit corporations because the Bishop of the Diocese of Davenport, as Ordinary of the Catholic Church activities in southeast Iowa, serves as president of this and the following affiliated organizations:

- Approximately 90 parish and school corporations
- The Catholic Messenger
- St. Ambrose University Board of Trustees
- St. Vincent's Home
- Newman Catholic Student Center of Iowa City, Iowa
- Catholic Foundation for the Diocese of Davenport

None of the assets or liabilities of these affiliated organizations, or any other related organizations, are included in this financial report.

A summary of the Diocese's significant accounting policies follows:

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 disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of reporting cash flows, the Diocese considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statements of financial position. The Diocese places its cash with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

DIOCESE OF DAVENPORT

Notes To Financial Statements *(Continued)*

Receivables

Receivables are carried at the original amount invoiced for services provided by the Diocese. Management believes accounts receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized gain and loss on investments, interest and dividends) is included in the change in net assets.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation. Major expenditures for improvements and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation is removed from the accounts and resulting gains or losses are included in the change in net assets.

Property and equipment are depreciated using the straight-line method over the assets' estimated useful lives.

Net Assets

The Diocese's resources are classified into three separate classes of net assets as follows:

Unrestricted Net Assets

Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. Restrictions that are met in the same reporting period are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by actions of the Board, and accordingly includes board designated net assets.

Temporarily Restricted Net Assets

Net assets whose use by the Diocese is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be removed by the fulfillment of a stipulated purpose.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Revenue Recognition

Revenue from services is recognized in the period the services are performed.

The Diocese derives a substantial portion of its support and revenue from the Annual Diocesan Appeal which is an annual parish-level diocesan fund drive. Amounts due from parishes pursuant to this annual drive are recognized as support and revenue when the parishes are assessed.

The Diocese reports contributions and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Education receipts are recognized as revenue when the services are provided.

Income Taxes

The Diocese is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable state law, which provide tax exemption for entities organized and operated exclusively for religious, charitable or educational purposes.

Pending Accounting Pronouncements

In August 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*. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Some of the key elements of the ASU are as follows. Under the new guidance the Diocese would present net assets under two classifications, net assets with donor restrictions and net assets without donor restrictions. Expanded disclosures on any board designations of net assets without donor restrictions will also be required. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the statement of financial position date. The components of net investment expense no longer will be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information. In addition, some new reporting requirements related to expenses are included, as follows: disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return), disclosure of expenses netted with investment return and enhanced disclosures regarding cost allocations. This standard will be effective for the fiscal year ending June 30, 2019. The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised 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. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements, where appropriate, to conform to the 2018 presentation used.

Subsequent Events

Management has evaluated subsequent events through November 2, 2018, the date which the financial statements were available to be issued.

2. Fair Value Measurements And Investments

The investments of the Diocese are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such a change could materially affect the amounts reported in the statement of financial position.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

If quoted market prices are not available, then fair values are estimated by the Diocese's investment manager using pricing models, quoted prices of securities with similar characteristics, audited financial statements of the funds, or discounted cash flow. The Diocese's securities are funds where the value is based on net asset value provided by the investment manager.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

The following table sets forth additional disclosure of the Diocese's investments whose fair value is estimated using Net Asset Value ("NAV") per share (or its equivalent):

	June 30, 2018			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT Value Equity Fund (1)	\$ 2,290,573	\$ —	Daily	Trade date minus 1 day
CUIT Small Capitalization Equity Index Fund (1)	1,251,731	—	Daily	Trade date minus 1 day
Short-term Investment Growth Admiral (2)	457,674	—	Daily	None
500 Index Fund Admiral (3)	149,168	—	Daily	None
	<u>\$ 4,149,146</u>	<u>\$ —</u>		

	June 30, 2017			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT Value Equity Fund (1)	\$ 2,044,381	\$ —	Daily	Trade date minus 1 day
CUIT Small Capitalization Equity Index Fund (1)	1,045,854	—	Daily	Trade date minus 1 day
Short-term Investment Growth Admiral (2)	456,650	—	Daily	None
500 Index Fund Admiral (3)	130,462	—	Daily	None
	<u>\$ 3,677,347</u>	<u>\$ —</u>		

These funds invest in marketable equity securities that are all exchange traded in the United States of America ("USA") and that are categorized as the title of each respective fund suggests (value and small cap). These funds can be redeemed at net asset value per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the New York Stock Exchange ("NYSE") is open. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.

- (1) These funds invest in marketable equity securities that are all exchange traded in the United States of America ("USA") and that are categorized as the title of each respective fund suggests (value and small cap). These funds can be redeemed at net asset value per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the New York Stock Exchange ("NYSE") is open. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.
- (2) This fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short and intermediate-term investment-grade securities. This fund can be redeemed at NAV per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the NYSE is open. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

- (3) This fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index. This fund can be redeemed at NAV per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the NYSE is open. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager.

The following summarizes investment income:

	For The Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 48,287	\$ —	\$ —	\$ 48,287
Unrealized gains	379,113	49,516	—	428,629
	\$ 427,400	\$ 49,516	\$ —	\$ 476,916

	For The Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 38,473	\$ —	\$ —	\$ 38,473
Realized gains	671,144	—	—	671,144
Unrealized gains	(159,175)	62,222	—	(96,953)
	\$ 550,442	\$ 62,222	\$ —	\$ 612,664

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

3. Endowment Fund And Net Asset Classifications

The Diocese's endowment funds consist of various donor restricted endowment funds. 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 Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently or temporarily restricted net assets (a) the original value of gifts donated to the permanent or temporary endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the temporary donor-restricted endowment fund is also classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds; (2) the purposes of the Diocese and the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Diocese; and (7) the investment policies of the Diocese.

The Diocese has adopted investment and spending policies for its endowment funds. The objective of these policies is to provide the Diocese with a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. The Diocese, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 5 percent; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the Diocese currently invests in publicly traded mutual funds and money market funds. The purpose is to moderate the overall investment risk of the endowment funds.

All of the income of the permanently restricted endowment investments may be appropriated for expenditure on an annual basis. The income on the permanently restricted endowment investments can be used on an annual basis to support primarily clergy education. The Diocese spent all of the income of approximately \$50,000 and \$62,000 of the permanently restricted investments for the years ended June 30, 2018 and 2017, respectively.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

The changes in endowment net assets were as follows:

	For The Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375
Investment return				
Interest and dividends	—	—	—	—
Net appreciation (realized and unrealized)	—	49,516	—	49,516
Total investment return	—	49,516	—	49,516
Appropriation of endowment funds for expenditure	—	(49,516)	—	(49,516)
Endowment Net Assets – End Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375

	For The Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375
Investment return				
Interest and dividends	—	—	—	—
Net appreciation (realized and unrealized)	—	62,222	—	62,222
Total investment return	—	62,222	—	62,222
Appropriation of endowment funds for expenditure	—	(62,222)	—	(62,222)
Endowment Net Assets – End Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375

From time to time, the fair value of endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual or temporary duration, also known as underwater endowments. There were no underwater endowment funds as of June 30, 2018 and 2017.

4. Property And Equipment

Property and equipment consists of:

	2018	2017
Land	\$ 275,000	\$ 275,000
Land improvements	382,899	365,935
Automobiles	137,691	137,691
Buildings and improvements	2,973,158	2,961,811
Equipment and furniture	434,012	434,012
	4,202,760	4,174,449
Less: Accumulated depreciation	1,298,298	1,150,608
	\$ 2,904,462	\$ 3,023,841

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

5. Unrestricted – Board Designated Net Assets

The board designated unrestricted net assets at June 30, 2018 and 2017, of \$597,422 and \$538,786, respectively, from which an annual withdrawal can be made of up to \$50,000 to be spent on priest sabbaticals, education of priests and deacons, seminarian education, pastoral care of students at St. Ambrose University, vocations or respect for human life. Another \$14,377 and \$20,116, respectively, was designated at June 30, 2018 and 2017 to be used for installation or ordination of a new bishop.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of:

	<u>2018</u>	<u>2017</u>
College scholarships	\$ 44,839	\$ 55,839
Special collections – campaign for human development	11,764	9,353
Special collections – volunteer program	47,028	47,788
Special collections – works of charity	32,001	31,022
Prison ministry	294	294
Deacon ordination	4,250	4,250
Project Rachel	998	646
	<u>\$ 141,174</u>	<u>\$ 149,192</u>

7. Net Assets Released From Restrictions

Net assets released from restrictions consist of:

	<u>2018</u>	<u>2017</u>
College scholarships	\$ 11,000	\$ 12,000
Special collections – campaign for human development	5,000	751
Special collections – volunteer program	900	7,408
Special collections – works of charity	29,987	20,405
Seminary education	49,516	62,222
Project Rachel	448	—
	<u>\$ 96,851</u>	<u>\$ 102,786</u>

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

8. Retirement Plan

The Diocese has adopted a Church retirement plan which covers substantially all of its employees. The Diocese will match 100% of the employee's contributions up to 2% of the employee compensation. The Diocese also has the option to make discretionary contributions to the plan. The Diocese's matching and discretionary contributions were approximately \$114,000 and \$106,000 for the years ended June 30, 2018 and 2017, respectively.

9. Related-Party Transactions

The Diocese has a receivable from the Catholic Foundation for the Diocese of Davenport of \$350,768 and \$333,653 as of June 30, 2018 and 2017, respectively. The Diocese recorded contributions from the Foundation totaling \$350,768 and \$333,653 for the years ended June 30, 2018 and 2017, respectively.

The Diocese has an agreement with the Catholic Foundation for the Diocese of Davenport to provide the services of the Finance Department including the processing of pledges, pledge payments, pledge reminders, preparing financial reports for board meetings and assistance with the financial audit. The Foundation pays the Diocese once a year for the percentage of the time the Finance employees spend on the Foundation work valued at salary plus estimated benefits. The revenue recorded by the Diocese for the years ended June 30, 2018 and 2017 was \$52,564 and \$57,728, respectively.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

10. Insurance Funds

The Diocese established an insurance fund to provide uniform property and casualty, worker's compensation and blanket liability coverage under one comprehensive plan for all parishes and affiliates of the Diocese of Davenport. The fund collects fees from subscribers and remits premiums to the insurance carriers during the policy year. The various insurance policies have deductibles ranging from none to \$25,000. Any potential deductibles incurred are the responsibility of the Diocese and would be paid from accumulated cash.

The Diocese also established a medical insurance fund to provide medical and dental insurance for parishes and affiliates of the Diocese of Davenport. The Diocese is fully insured for medical and is self-insured for dental insurance and the fund collected fees from subscribers and remitted premiums to the insurance carrier during the policy year.

Activity in these funds consists of:

	For The Year Ended June 30, 2018		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,155,866	\$ 917,967	\$ 2,073,833
Premiums paid	(1,013,486)	(889,085)	(1,902,571)
Recoveries	274,759	(73)	274,686
Claims expense	(294,811)	(19,724)	(314,535)
	\$ 122,328	\$ 9,085	\$ 131,413

	For The Year Ended June 30, 2017		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,154,984	\$ 818,263	\$ 1,973,247
Premiums paid	(1,082,118)	(774,101)	(1,856,219)
Recoveries	157,530	—	157,530
Claims expense	(203,197)	(21,274)	(224,471)
	\$ 27,199	\$ 22,888	\$ 50,087

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

11. Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis. Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of time and expense estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Diocese. Fundraising expenses include those expenses that are directly identifiable to the solicitation of the Annual Diocesan Appeal and contributions.

Expenses of the Diocese related to those program services consist of:

	2018	2017
Serving others (1)	\$ 1,694,918	\$ 1,630,021
Teaching and training (2)	1,472,045	1,381,902
Celebrating and sharing (3)	767,037	350,384
	3,934,000	3,362,307
Management and general expenses	702,429	663,917
Fundraising expenses	150,449	145,525
	\$ 4,786,878	\$ 4,171,749

- (1) Assisting others in living and sharing the gospel message through social action and caring for those in need.
- (2) Teaching the faith of the Catholic Church and training priests, deacons and lay ministers to serve the Diocese.
- (3) Building community through shared worship by communicating the mission of the Diocese.