



Financial Statements
June 30, 2019 and 2018

Archdiocese of Oklahoma City Pastoral Office Funds

Archdiocese of Oklahoma City Pastoral Office Funds

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June 30, 2019 and 2018

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Independent Auditor's Report

Most Reverend Paul S. Coakley
Archbishop of the Archdiocese of Oklahoma City

Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Oklahoma City Pastoral Office Funds (Pastoral Office), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended and statement of functional expenses for the year ended June 30, 2019, 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 Archdiocese of Oklahoma City Pastoral Office Funds 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Pastoral Office has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Tulsa, Oklahoma
January 15, 2020

Archdiocese of Oklahoma City Pastoral Office Funds
 Statements of Financial Position
 June 30, 2019 and 2018

	2019	2018 (Restated)
Assets		
Cash and cash equivalents	\$ 3,384,206	\$ 10,151,070
Investments, including investments held for others	135,891,078	116,386,951
Accounts receivable, net	1,580,401	2,241,376
Contributions receivable, net	36,118,915	24,753,889
Notes receivable, net	14,672,809	16,140,476
Prepaid expenses and other assets	129,098	96,589
Property and equipment, net	38,495,889	36,864,397
Beneficial interests in charitable trusts held by others	557,621	1,269,900
	\$ 230,830,017	\$ 207,904,648
Liabilities and Net Assets		
Accounts payable	\$ 1,177,281	\$ 1,564,143
Funds due to related parties	2,898,448	1,955,464
Contributions payable, net	907,200	562,365
Investments managed for related parties	52,143,854	56,222,984
Accrued insurance claims and settlements	1,337,030	1,389,509
Accrued pension benefit cost	13,432,876	11,917,183
	71,896,689	73,611,648
Net Assets		
Without donor restrictions		
Undesignated	36,907,202	34,443,353
Designated	21,857,583	22,341,944
Accumulated pension related changes other than net periodic pension benefit costs	(4,604,487)	(3,164,040)
Invested in property and equipment	38,495,889	36,864,397
	92,656,187	90,485,654
With donor restrictions		
Perpetual in nature	6,736,532	6,602,194
Purpose restrictions	58,982,988	35,935,252
Time-restricted for future periods	557,621	1,269,900
	66,277,141	43,807,346
	158,933,328	134,293,000
Total net assets	\$ 230,830,017	\$ 207,904,648
Total liabilities and net assets	\$ 230,830,017	\$ 207,904,648

Archdiocese of Oklahoma City Pastoral Office Funds

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions and collections			
Annual Catholic appeal	\$ 3,317,787	\$ -	\$ 3,317,787
Capital campaign	-	25,905,166	25,905,166
Archdiocesan assessments	2,025,603	-	2,025,603
Fees of budgeted departments and offices	1,888,233	92,573	1,980,806
Priest medical collections	-	46,481	46,481
Property additions of Bishop McGuinness			
Catholic High School	1,031,559	-	1,031,559
Bequests and other	914,555	-	914,555
Insurance premiums, net	9,403,562	-	9,403,562
Oil, gas, and royalty income	861,990	-	861,990
Interest and dividend income:			
PDLF investment pool	1,504,957	-	1,504,957
Investments	1,268,014	356,246	1,624,260
Notes receivable	427,423	-	427,423
Net gains on investments	3,896,997	415,356	4,312,353
Gain on sale of property and equipment	84,075	-	84,075
Gain on sale of St. Ann's Nursing Home	4,087,274	-	4,087,274
Other income	183,443	-	183,443
Change in value of beneficial interests in charitable trusts held by others	-	390,671	390,671
Net assets released from restriction	4,736,698	(4,736,698)	-
Total revenue, support, and gains	35,632,170	22,469,795	58,101,965
Expenses			
Budgeted departments and offices			
Pastoral Center	2,527,299	-	2,527,299
Administration	1,614,919	-	1,614,919
Capital campaign	2,408,126	-	2,408,126
Evangelization and Catechesis	215,287	-	215,287
Safe Environment	183,693	-	183,693
Archdiocesan Newspaper (Sooner Catholic)	586,046	-	586,046
Office of Christian Education	542,015	-	542,015
Youth Ministry	441,571	-	441,571
Office of Family Life	212,038	-	212,038
Hispanic Ministry	361,614	-	361,614
Our Lady Guadalupe	357,418	-	357,418
Office of Planning, Stewardship, and Development	1,122,896	-	1,122,896
Ministry to Priests, Permanent Deacons, and Clergy Education	336,700	-	336,700
Hospital Ministry	264,108	-	264,108
Tribunal	161,675	-	161,675
Office of Worship and Spiritual Life	226,956	-	226,956
United States Conference of Catholic Bishops	203,734	-	203,734
Archival	199,043	-	199,043
Priests' welfare, retirement, and disability	32,093	-	32,093
Property taxes and insurance	74,643	-	74,643
Total budgeted departments and offices	\$ 12,071,874	\$ -	\$ 12,071,874

See Notes to Financial Statements.

Archdiocese of Oklahoma City Pastoral Office Funds

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Sponsored programs and other subsidies:			
Insurance claims and settlements	\$ 8,859,935	\$ -	\$ 8,859,935
Administrative self-insurance costs	1,376,841	-	1,376,841
Pilgrimage	3,300	-	3,300
Campus ministry	114,500	-	114,500
Ecumenical and interreligious	4,000	-	4,000
Contributions made to others	2,128,501	-	2,128,501
Seminarian programs	1,098,869	-	1,098,869
Net periodic pension benefit cost	947,682	-	947,682
PDLF investment pool interest expense	1,395,148	-	1,395,148
Depreciation	1,389,750	-	1,389,750
Provision for uncollectable contributions	1,913,673	-	1,913,673
Other	717,117	-	717,117
Total sponsored programs and other subsidies	19,949,316	-	19,949,316
Change in Net Assets from Operations	3,610,980	22,469,795	26,080,775
Loss associated with pension benefits that are not recognized immediately as a component of net periodic benefit cost	(1,440,447)	-	(1,440,447)
Change in Net Assets	2,170,533	22,469,795	24,640,328
Net Assets, Beginning of Year (As Restated)	90,485,654	43,807,346	134,293,000
Net Assets, End of Year	\$ 92,656,187	\$ 66,277,141	\$ 158,933,328

Archdiocese of Oklahoma City Pastoral Office Funds

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
	(As Restated)	(As Restated)	
Revenue, Support, and Gains			
Contributions and collections			
Annual Catholic appeal	\$ 3,290,614	\$ -	\$ 3,290,614
Capital campaign	-	38,079,606	38,079,606
Archdiocesan assessments	1,915,832	-	1,915,832
Fees of budgeted departments and offices	2,266,491	-	2,266,491
Priest medical collections	-	99,662	99,662
Property additions of Bishop McGuinness			
Catholic High School	24,016	-	24,016
Bequests and other	430,508	-	430,508
Insurance premiums, net	9,704,594	-	9,704,594
Oil, gas, and royalty income	841,222	-	841,222
Interest and dividend income:			
PDLF investment pool	1,055,376	-	1,055,376
Investments	1,278,813	8,112	1,286,925
Notes receivable	389,621	-	389,621
Net gains on investments	3,749,756	386,455	4,136,211
Gain on sale of property and equipment	1,600,955	-	1,600,955
Other income	146,872	-	146,872
Change in value of beneficial interests in charitable trusts held by others	-	169,977	169,977
Net assets released from restriction	3,388,644	(3,388,644)	-
Total revenue, support, and gains	30,083,314	35,355,168	65,438,482
Expenses			
Budgeted departments and offices			
Pastoral Center	1,769,266	-	1,769,266
Administration	1,806,695	-	1,806,695
Capital campaign	2,039,790	-	2,039,790
Evangelization and Catechesis	163,883	-	163,883
Safe Environment	164,560	-	164,560
Archdiocesan Newspaper (Sooner Catholic)	543,132	-	543,132
Office of Christian Education	599,188	-	599,188
Youth Ministry	463,214	-	463,214
Office of Family Life	158,986	-	158,986
Hispanic Ministry	361,613	-	361,613
Our Lady Guadalupe	376,023	-	376,023
Office of Planning, Stewardship, and Development	765,886	-	765,886
Ministry to Priests, Permanent Deacons, and Clergy Education	391,008	-	391,008
Hospital Ministry	264,527	-	264,527
Tribunal	153,752	-	153,752
Office of Worship and Spiritual Life	194,129	-	194,129
United States Conference of Catholic Bishops	162,801	-	162,801
Archival	124,106	-	124,106
Priests' welfare, retirement, and disability	58,338	-	58,338
Property taxes and insurance	101,419	-	101,419
Total budgeted departments and offices	\$ 10,662,316	\$ -	\$ 10,662,316

See Notes to Financial Statements.

Archdiocese of Oklahoma City Pastoral Office Funds

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
	(As Restated)	(As Restated)	
Expenses			
Sponsored programs and other subsidies:			
Insurance claims and settlements	\$ 8,009,421	\$ -	\$ 8,009,421
Administrative self-insurance costs	1,505,181	-	1,505,181
Pilgrimage	32,003	-	32,003
Campus ministry	114,793	-	114,793
Ecumenical and interreligious	16,033	-	16,033
Contributions made to others	480,181	-	480,181
Seminarian programs	959,366	-	959,366
Net periodic pension benefit cost	1,011,074	-	1,011,074
PDLF investment pool interest expense	922,450	-	922,450
Depreciation	1,313,708	-	1,313,708
Provision for uncollectable contributions	2,099,276	-	2,099,276
Other	563,486	-	563,486
Total sponsored programs and other subsidies	17,026,972	-	17,026,972
Change in Net Assets from Operations	2,394,026	35,355,168	37,749,194
Gain associated with pension benefits that are not recognized immediately as a component of net periodic benefit cost	1,001,470	-	1,001,470
Change in Net Assets	3,395,496	35,355,168	38,750,664
Net Assets, Beginning of Year	87,090,158	8,452,178	95,542,336
Net Assets, End of Year	\$ 90,485,654	\$ 43,807,346	\$ 134,293,000

Archdiocese of Oklahoma City Pastoral Office Funds
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					Management and General	Self Insurance for Archdiocese of Oklahoma City	Fundraising and Development	Total
	Evangelization and Catechesis	Clergy, Consecrated Life and Vocations	Catholic Pastoral Center	Other	Total				
Grants and other assistance	\$ 2,608	\$ 12,000	\$ -	\$ 1,000	\$ 15,608	\$ 1,321,412	\$ -	\$ 778	\$ 1,337,798
Salaries and wages	1,227,713	271,809	449,392	402,085	2,350,999	1,269,804	-	526,817	4,147,620
Employee benefits	46,010	1,468,281	77,641	18,793	1,610,725	85,962	-	17,373	1,714,060
Payroll taxes	76,163	9,734	33,591	26,070	145,558	87,004	-	35,616	268,178
Professional services	-	-	-	78,403	78,403	571,585	18,182	-	668,170
Contract services	107,805	-	-	36,249	144,054	182,921	-	2,275,048	2,602,023
Advertising	11	895	-	385	1,291	2,558	-	10,174	14,023
Office expenses	59,645	22,254	18,355	461,362	561,616	180,946	-	151,782	894,344
Utilities	62,374	18,869	227,864	1,189	310,296	57,712	-	4,539	372,547
Repairs and maintenance	59,413	68	379,193	-	438,674	7,344	-	2,041	448,059
Information technology	-	-	-	-	-	298,935	-	-	298,935
Travel	147,250	67,470	1,206	24,611	240,537	81,393	-	38,107	360,037
Conferences, conventions and meetings	291,043	143,646	-	145,470	580,159	42,047	-	78,676	700,882
Fees due and other association costs	18,941	36,775	23	11,317	67,056	2,372,997	20,484	95,533	2,556,070
Insurance	1,875	-	-	-	1,875	-	1,397,772	4,625	1,404,272
Training and development	-	16,361	-	-	16,361	60	-	-	16,421
Depreciation and amortization	139,453	-	269,348	873,286	1,282,087	87,512	-	20,151	1,389,750
Insurance claims payments	-	-	-	-	-	-	8,406,494	-	8,406,494
Provision for doubtful accounts	-	-	-	-	-	-	419,985	1,913,673	2,333,658
Pension costs	-	947,682	-	-	947,682	-	-	-	947,682
Other	256,922	125,003	177,495	91,518	650,938	480,467	8,691	71	1,140,167
Total expenses included in the expense section on the statement of activities	<u>\$ 2,497,226</u>	<u>\$ 3,140,847</u>	<u>\$ 1,634,108</u>	<u>\$ 2,171,738</u>	<u>\$ 9,443,919</u>	<u>\$ 7,130,659</u>	<u>\$ 10,271,608</u>	<u>\$ 5,175,004</u>	<u>\$ 32,021,190</u>

See Notes to Financial Statements.

Archdiocese of Oklahoma City Pastoral Office Funds

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 24,640,328	\$ 38,750,664
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for doubtful accounts	419,985	2,609
Provision for uncollectable capital campaign contributions	1,913,673	2,099,276
Depreciation	1,389,750	1,313,708
Realized and unrealized gains on investments	(4,312,353)	(4,136,211)
Gain on sale of property and equipment	(84,075)	(1,600,955)
Contributions of property from Bishop McGuinness High School	(1,031,559)	(24,016)
Change in beneficial interests in trusts held by others	712,279	330,023
Net periodic pension cost	947,682	1,011,074
Pension related changes other than net periodic pension benefit cost	1,440,447	(1,001,470)
Changes in operating assets and liabilities		
Accounts receivable	240,990	(900,852)
Contributions receivable	(13,278,699)	(26,002,355)
Prepaid expenses and other assets	(32,509)	111,788
Accounts payable	(386,862)	817,554
Funds due to related parties	942,984	1,955,464
Contributions payable	344,835	(383,090)
Accrued insurance claims	(52,479)	(1,017,917)
Accrued pension benefit cost	(872,436)	(203,326)
Net Cash from Operating Activities	12,941,981	11,121,968
Investing Activities		
Advances on notes receivable	(2,021,914)	(3,792,500)
Collections on notes receivables	3,489,581	1,295,489
Purchases of investments	(22,370,710)	(542,339)
Proceeds from sale of investments	3,099,806	932,892
Purchases property and equipment	(2,125,874)	(2,849,634)
Proceeds from sale of equipment	220,266	1,636,605
Net Cash used for Investing Activities	(19,708,845)	(3,319,487)
Net Change in Cash and Cash Equivalents	(6,766,864)	7,802,481
Cash and Cash Equivalents, Beginning of Year	10,151,070	2,348,589
Cash and Cash Equivalents, End of Year	\$ 3,384,206	\$ 10,151,070
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	\$ 1,395,148	\$ 1,022,500

See Notes to Financial Statements.

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Archdiocese of Oklahoma City (the Archdiocese) is a nonprofit organization that serves the parishes and parishioners of the Roman Catholic Archdiocese of Oklahoma City. The Pastoral Office has the accounting and reporting responsibilities of certain budgeted departments and offices of the Archdiocese. The Archdiocese includes 46 counties and over 100 parishes and missions located throughout central and western Oklahoma. The Archdiocese charges each parish an annual assessment and conducts annual development fund drives through the parishes in order to fund operations. Services provided by the Archdiocese include various social services, Catholic communications, priests' support, and information about the Catholic faith.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and include the accounts and funds of the Pastoral Office of the Archdiocese and certain budgeted department and offices over which the Pastoral Office has accounting and reporting responsibility (collectively, the Pastoral Office). The Archdiocese has certain other Archdiocesan agencies, parishes, and organizations which operate within the Archdiocese; however, these organizations do not operate within the Pastoral Office. Accordingly, the accounts of these other agencies, parishes, and organizations have not been included with the Pastoral Office. As a result, the accompanying financial statements are not intended to present the financial position and changes in net assets of the Archdiocese as a whole.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to projects, endowment, or other long-term purposes are excluded from this definition.

Receivables

Accounts receivable consist primarily of Diocesan assessment due from various Catholic organizations and insurance premiums receivable. Notes receivable consist primarily of notes due from member parishes in connection with the PDLF program discussed in Note 13. Notes receivable are carried at unpaid principal balances, less an allowance for losses.

Management's periodic evaluation of the adequacy of the allowances for uncollectible accounts and notes receivable are based on historical loss experience, a review of subsequent collections, specific impaired notes, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is based on the contractual terms of the note. Notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Receivables are written off when deemed uncollectible.

Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. Notes are placed on nonaccrual when management believes, after considering economic conditions and collection efforts, that the notes are impaired or collection of interest is doubtful. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Contributions Receivable

Unconditional contributions receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectible contributions receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. The gross costs of the Pastoral Center and Bishop McGuinness Catholic High School reflect replacement values as determined as of December 31, 1967, plus the historical cost of additions to the buildings subsequent to 1967.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Beneficial Interests in Charitable Trusts Held by Others

The Pastoral Office has been named as an irrevocable beneficiary of multiple charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Pastoral Office has neither possession nor control over the assets of the trusts. When the notice of a beneficial interest is received, a contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Self-Insurance Plan

The Pastoral Office has a self-insured plan to serve the property and casualty and health and accident insurance needs of the Archdiocese and its parishes and organizations. Premiums received by the Pastoral Office from the insured organizations are recognized evenly over the contract period and are shown net of premiums paid to third parties for reinsurance coverage. Unearned insurance premiums representing the portion of the premiums applicable to the unexpired period of the contract are included with liabilities in the accompanying statements of financial position. A plan administrator has been retained to oversee the administration of the plan based upon guidelines established by the Pastoral Office.

Contributions Payable

Contributions payable consist of unconditional promises to give to recipients. Amounts expected to be paid within one year are recorded at net realizable value. Unconditional promises to give to be paid over more than one year are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. In subsequent years, amortization of the discount is included in contribution expenses in the statements of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Certain net assets have been internally designated, from net assets without donor restrictions, for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, certain income earned that has not yet been appropriated for expenditure by the Finance Council, or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Pastoral Office reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restrictions are released with a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional contribution receivable, or notification of a beneficial interest is received. Conditional contributions are not recognized until the conditions on which they depend have been substantially met. Assessment and fee income is recognized ratably over the period for which the related assessments and fees relate, which generally corresponds with the Pastoral Office's fiscal year. Insurance premiums received from the insured parishes and organizations are recognized evenly over the contract period and shown net of premiums paid to third parties for reinsurance coverage.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, and utilities, which are allocated on the basis of estimates of time and effort.

The following schedule presents expenses by function as of June 30, 2018:

Program	\$ 8,587,444
Management and general	4,761,451
Self insurance for Archdiocese of Oklahoma City	9,435,441
Fundraising and development	<u>4,904,952</u>
Total functionalized expenses	<u><u>\$ 27,689,288</u></u>

Income Taxes

The Archdiocese is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Archdiocese is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Furthermore, Congress has imposed special limitations on how and when the IRS may conduct civil tax inquiries and examinations of religious entities. The IRS may only initiate a tax inquiry if the Director of Exempt Organizations Examinations reasonably believes based on written statements of the facts and circumstances that the Organization may not qualify for the exemption or may not be paying tax on unrelated business income or other taxable activity.

The Archdiocese believes that it has not engaged in activities that are not related to the purposes for which the Archdiocese was created, and as such, does not have any uncertain tax positions that are material to the financial statements. The Archdiocese would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Archdiocese to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposits with financial institutions believed by the Pastoral Office to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts and contributions receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Finance Council. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Archdiocese and the Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Pastoral Office.

Change in Accounting Principle

As of July 1, 2018, the Pastoral Office adopted the provisions of Accounting Standards Board (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Pastoral Office's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Pastoral Office's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Pastoral Office's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment return on the statements of activities net of external and direct internal investment expenses.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Pastoral Office has elected not to present comparative information for these amendments.

The Pastoral Office has adopted this standard as management believes the standard improves the usefulness and understandability of the Pastoral Office's financial reporting.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The classifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through January 15, 2020, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,384,206
Accounts receivable	1,580,401
Investments	135,891,078
Contributions receivable	36,118,915
Notes receivable	14,672,809
	<hr/>
	191,647,409
Less endowment investments	(15,066,545)
Less investments held for others	(52,143,854)
Less long term contributions receivables	(28,895,132)
Less long term notes receivable	(12,540,481)
	<hr/>
Total financial assets to meet cash needs for general expenditures within one year	<u><u>\$ 83,001,397</u></u>

Endowment funds consist of donor-restricted endowments and funds designated by the Archbishop as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

An internally-designated endowment of \$6,948,866 are set aside for specific purposes as described in Note 8. Although the Pastoral Office does not intend to spend from these internally-designated net assets, these amounts could be made available if necessary.

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Generally, quoted market prices are available for cash equivalents, common and preferred stocks, and open-end mutual funds with readily determinable fair values based on daily redemption values, and as such are classified as Level 1 in the fair value hierarchy. The Pastoral Office also invests in corporate bonds and notes, government debt and mortgage backed securities, and certificates of deposit traded in the financial markets; these are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified as Level 2. The fair values of beneficial interests in charitable trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The Pastoral Office uses (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain private equity funds, pooled investment funds, funds of funds, and limited partnerships which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The fair value of the liability for funds held for parishes and other Catholic organizations is derived in the same manner as investments. The related investments managed for these entities are comprised of Level 1 and Level 2 investments. As these funds effectively represent pooled investments with no withdrawal restrictions, they are classified as Level 2 within the fair value hierarchy.

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2019:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Assets				
Investments				
Money market funds	\$ 3,427,137	\$ 3,427,137	\$ -	\$ -
Corporate bonds and notes	25,088,266	-	25,088,266	-
Certificates of deposit	17,633,717	-	17,633,717	-
Government debt securities	25,776,385	-	25,776,385	-
Equity securities	39,361,880	39,361,880	-	-
Beneficial interests in charitable trusts held by others	557,621	-	-	557,621
Total assets	<u>\$ 111,845,006</u>	<u>\$ 42,789,017</u>	<u>\$ 68,498,368</u>	<u>\$ 557,621</u>
Liabilities				
Investments managed for related parties	\$ 52,143,854	\$ -	\$ 52,143,854	\$ -

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2018:

	Fair Value Measurements Using			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Investments				
Money market funds	\$ 3,813,482	\$ 3,813,482	\$ -	\$ -
Corporate bonds and notes	24,245,460	-	24,245,460	-
Certificates of deposit	4,977,629	-	4,977,629	-
Government debt securities	22,349,017	-	22,349,017	-
Equity securities	37,106,019	37,106,019	-	-
Beneficial interests in charitable trusts held by others	1,269,900	-	-	1,269,900
Total assets	\$ 93,761,507	\$ 40,919,501	\$ 51,572,106	\$ 1,269,900
Liabilities				
Investments managed for related parties	\$ 56,222,984	\$ -	\$ 56,222,984	\$ -

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	Beneficial Interests in Charitable Trusts Held by Others
<u>Year ended June 30, 2019</u>	
Balance at June 30, 2018	\$ 1,269,900
Contributions	318,750
Net realized and unrealized gain	71,921
Distributions	(1,102,950)
Balance at June 30, 2019	<u>\$ 557,621</u>
<u>Year ended June 30, 2018</u>	
Balance at June 30, 2017	\$ 1,599,923
Net realized and unrealized gain	169,977
Distributions	(500,000)
Balance at June 30, 2018	<u>\$ 1,269,900</u>

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2019 and 2018:

June 30, 2019	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds (A)	\$ 13,131,120	\$ -	Daily	None
Catholic Values index fund (B)	11,472,573	-	Daily	None
	<u>\$ 24,603,693</u>	<u>\$ -</u>		
<u>June 30, 2018</u>				
Pooled investment funds (A)	\$ 13,112,518	\$ -	Daily	None
Catholic Values index fund (B)	10,782,826	-	Daily	None
	<u>\$ 23,895,344</u>	<u>\$ -</u>		

- (A) Pooled investment funds represent the Pastoral Office's proportionate share of an investment pool which is the custodial responsibility of The Catholic Foundation of Oklahoma, Inc. (the Foundation). Pooled investment funds are held and managed by a trust company affiliated with a major regional bank that has investment authority over the investment transactions subject to investment policies that are established and periodically updated by the Board of Directors of the Foundation. Pooled investment funds are generally comprised of money funds, government debt securities, certificates of deposits, and equity securities.
- (B) This fund's objective is to provide a similar price and yield performance, before expenses, of large cap equities. The Fund refrains from owning securities of firms whose products or services are inconsistent with the philosophy of the Catholic Church through the investment guidelines published by the U.S. Conference of Catholic Bishops.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Note 4 - Contributions and Accounts Receivable

Contributions and accounts receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Annual contributions receivable, net of allowance of \$55,708 and \$57,420 at June 30, 2019 and 2018, respectively	\$ 835,071	\$ 853,533
Capital campaign contributions receivable, net of allowance of \$3,316,340 and present value discount of \$2,058,462 at June 30, 2019, and allowance of \$2,073,608 and present value discount of \$3,053,708 at June 30, 2018, respectively	35,283,844	23,900,356
Diocesan assessments receivable and other amounts due from Catholic organizations, net of allowance of \$4,865,665 and \$5,211,669 at June 30, 2019 and 2018, respectively	764,634	575,912
Insurance premiums receivable, net of allowance of \$100,000 and \$250,000 at June 30, 2019 and 2018, respectively	815,767	1,665,464
	\$ 37,699,316	\$ 26,995,265

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Note 5 - Notes Receivable

Notes receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Notes receivable from member parishes, noninterest-bearing, with maturities in installments through July 2020	\$ 149,300	\$ 176,500
Notes receivable from member parishes related to the capital campaign, noninterest-bearing, maturing at various dates through 2023	3,327,200	3,444,000
Notes receivable from member parishes related to borrowings from PDLF, at variable interest rates adjusted monthly based on average rate of two-year U.S. Treasury notes plus 1.25% (3.56% and 3.65% at June 30, 2019 and 2018, respectively), maturing at various dates through 2036	11,246,309	12,569,976
	14,722,809	16,190,476
Less allowance for credit losses	(50,000)	(50,000)
	\$ 14,672,809	\$ 16,140,476

A note receivable of \$6,215,170 and \$6,288,485 was past due at June 30, 2019 and 2018, respectively, and individually evaluated for impairment. The remaining \$8,507,639 and \$9,901,991 in note receivables at June 30, 2019 and 2018, respectively, were collectively evaluated for impairment.

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Land and improvements	\$ 13,266,489	\$ 12,871,692
Buildings and improvements	45,413,844	44,060,728
Equipment	592,832	544,781
Vehicles	345,579	362,938
Furniture and fixtures	796,423	676,273
Computers	190,125	168,635
Construction in progress	1,540,970	477,269
	62,146,262	59,162,316
Less accumulated depreciation and amortization	(23,650,373)	(22,297,919)
	\$ 38,495,889	\$ 36,864,397

Note 7 - Line of Credit and Letters of Credit

The Pastoral Office has a revolving line of credit with a bank that provides for borrowings of up to \$2,350,000 through April 10, 2020. Borrowings on the line bear interest at the 6-Month London Interbank Offered Rate for deposits in US Dollars as published by the Intercontinental Exchange Benchmark Administration plus 1.35 percent. The Pastoral Office is required to make monthly payments of accrued interest with all outstanding borrowings due April 10, 2020. The line of credit agreement contains several financial covenants which require, among other things, maintenance of \$20 million of unrestricted and unencumbered liquid net assets, maintenance of \$30 million of unrestricted net assets, and limitation to \$50 million of aggregate funded and contingent debt. There were no outstanding borrowings on the line of credit at June 30, 2019 and 2018.

The Pastoral Office has a \$525,000 irrevocable letter of credit with a bank for the benefit of Oklahoma's Workers' Compensation Court in relation to the self-insurance plan described in Note 1. The letter of credit provides borrowings through July 30, 2020, and automatically renews each year unless otherwise terminated.

Note 8 - Endowments

The Pastoral Office's endowments consist of various donor-restricted funds which are managed and controlled by the Pastoral Office and were established for various donor-restricted purposes as shown in Note 9. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Archbishop.

The Pastoral Office of the Archdiocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Pastoral Office retains in perpetuity (a) the original value of initial and subsequent gift amounts (including contributions receivable net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Designated endowment funds	\$ 6,948,866	\$ -	\$ 6,948,866
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	6,801,420	6,801,420
Accumulated investment gains	1,155,427	160,832	1,316,259
	\$ 8,104,293	\$ 6,962,252	\$ 15,066,545

As of June 30, 2018, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Designated endowment funds	\$ 7,069,490	\$ -	\$ 7,069,490
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	6,668,434	6,668,434
Accumulated investment gains	1,155,427	-	1,155,427
	\$ 8,224,917	\$ 6,668,434	\$ 14,893,351

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Pastoral Office has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments at June 30, 2019 and 2018.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. Endowment assets include those assets of donor-restricted funds that the Pastoral Office must hold in perpetuity. Under this policy, as approved by the governing body, the endowment assets are invested with the combined objectives of growth and current income.

The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. Certain endowments have donor stipulations requiring a portion of the funds to be reinvested into the fund.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

To satisfy its long-term rate-of-return objectives, the investment portfolio is structured on a total return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Pastoral Office targets a diversified asset allocation via investments managed by professional investment managers who have discretionary investment authority over investment transactions subject to investment policies which are established and periodically updated by the Pastoral Office.

The Pastoral Office has a policy of appropriating for distribution each year amounts up to, but not to exceed, actual investment performance for that year. Distributions subsequent to appropriation occasionally exceed current year investment performance, as appropriated funds may not be spent until the following fiscal year. Since the Pastoral Office limits the appropriations to actual investment performance, it feels that this policy protects the purchasing power of the endowment as outlined by donor specifications.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,224,917	\$ 6,668,434	\$ 14,893,351
Investment return, net	420,771	299,333	720,104
Appropriation of endowment assets pursuant to spending-rate policy	-	(5,515)	(5,515)
Other changes			
Distribution from designated endowment pursuant to distribution policy	(541,395)	-	(541,395)
Endowment net assets, end of year	\$ 8,104,293	\$ 6,962,252	\$ 15,066,545

Changes in Endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,678,706	\$ 6,524,232	\$ 14,202,938
Investment return, net	948,839	288,013	1,236,852
Appropriation of endowment assets pursuant to spending-rate policy	143,811	(143,811)	-
Other changes			
Distribution from designated endowment pursuant to distribution policy	(546,439)	-	(546,439)
Endowment net assets, end of year	\$ 8,224,917	\$ 6,668,434	\$ 14,893,351

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Note 9 - Net Assets with Donor Restrictions

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

	2019	2018
Subject to Expenditure for Specified Purpose		
Bombing tuition	\$ 115,268	\$ 126,579
Pilgrimage	-	11,163
Salatka & Zagar	-	5,623
Donald Mileur	187,040	182,116
Capital campaign	58,454,960	35,543,531
	58,757,268	35,869,012
Subject to the Passage of Time		
Beneficial interests in charitable trusts held by others	557,621	1,269,900
	557,621	1,269,900
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Pastoral Ministry	64,888	66,240
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	160,832	-
	225,720	66,240
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Seminary Burses Fund	782,841	782,841
Joseph Danne Fund	4,007,023	3,874,875
Pastoral ministry	160,701	158,511
Maloney Trust	1,785,967	1,785,967
	6,736,532	6,602,194
Total endowments	6,962,252	6,668,434
	\$ 66,277,141	\$ 43,807,346

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Priest medical	\$ 46,481	\$ 99,662
Bombing tuition	18,460	17,798
Pastoral ministry	7,037	717
Pilgrimage	99,813	80,164
Donal Mileur	1,636	1,000
Salatka & Zagar	5,622	5,400
Other	-	4,018
Capital campaign	3,454,699	2,536,074
Distributions (proceeds are not restricted by donors)		
Beneficial interests in charitable trusts held by others	1,102,950	500,000
	4,736,698	3,244,833
Restricted-purpose spending-rate appropriations	\$ -	\$ 143,811
	\$ 4,736,698	\$ 3,388,644

Note 10 - Designated Net Assets

Designated net assets represent funds set aside for specific purposes. Designated net assets are not subject to donor-imposed restrictions. As June 30, 2019 and 2018, designated net assets consisted of the following:

	2019	2018
Seminary Burses Fund	\$ 6,948,866	\$ 7,069,490
Pastoral Center	2,206,046	2,157,043
Archbishop's Residence	587,924	1,170,585
Mt. St. Mary High School	2,875,092	2,813,119
Catholic School Support	3,747,160	3,785,654
Crested Butte	46,565	45,339
St. Joesph's Orphanage	1,020,395	993,530
Priest Retirement	3,397,422	3,306,139
Youth Camp	1,028,113	1,001,045
	\$ 21,857,583	\$ 22,341,944

Note 11 - Donated Professional Services and Materials

During the years ended June 30, 2019 and 2018, Bishop McGuinness Catholic High School donated real property consisting of building renovations and a sports complex, which are used by the school. These items were capitalized in the amounts of \$1,031,559 and \$24,016 during the years ended June 30, 2019 and 2018, respectively.

Note 12 - Employee Benefits

Defined Benefit Plan

The Pastoral Office has an unfunded noncontributory defined benefit pension plan that covers all incardinated priests (the Pension Plan). The priests are eligible to receive pension benefits upon reaching their normal retirement age of 75; however, early or late retirement may be granted by the Archbishop in specific instances (average retirement age is 70). The pension benefits include (1) retired priests receive the same salary as active priests, adjusted every June for inflation; (2) \$1,000 per year for personal expenses; (3) monthly rent subsidies of \$500; and (4) nursing home care provided at no cost; however, monthly pension payments are reduced to \$100.

The Pension Plan is currently funded by assessments to parishes, monthly contributions from the Pastoral Office, and receipts of discretionary contributions from parishioners. The Pastoral Office uses a June 30 measurement date for the Pension Plan.

The changes in the pension benefit obligations for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Benefit obligations, beginning of year	\$ 15,336,192	\$ 15,731,783
Service cost	476,731	539,207
Interest cost	606,954	572,823
Actuarial (gain) loss	1,533,419	(869,157)
Benefit payments	(796,725)	(638,464)
Benefit obligations, end of year	\$ 17,156,571	\$ 15,336,192

The changes in fair value of the pension plan's assets for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Fair value of plan assets, beginning of year	\$ 3,419,009	\$ 3,620,878
Actual return on plan assets	228,975	233,269
Benefit payments	(796,725)	(638,464)
Employer contribution	872,436	203,326
Fair value of plan assets, end of year	\$ 3,723,695	\$ 3,419,009

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

The funded status of the pension plan at June 30, 2019 and 2018, are as follows:

	2019	2018
Unfunded	\$ (13,432,876)	\$ (11,917,183)

The net amount recognized in the statements of financial position at June 30, 2019 and 2018, consist of:

	2019	2018
Accrued pension benefit cost	\$ (13,432,876)	\$ (11,917,183)
Accumulated pension related changes other than net periodic pension benefit costs	4,604,487	3,164,040
Net amount recognized	\$ (8,828,389)	\$ (8,753,143)

In addition to the pension plan's assets segregated in a trust for the benefit of future payments under the pension plan, the Pastoral Office has internally designated \$3,397,422 and \$3,306,139 as of June 30, 2019 and 2018, respectively, of its net assets without donor restrictions for funding of the pension plan's obligations.

Components of net periodic benefit cost and other amounts recognized in accumulated pension related changes for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Net periodic benefit cost		
Service cost	\$ 476,731	\$ 539,207
Interest cost	606,954	572,823
Expected return on plan assets	(227,961)	(242,691)
Amortization	91,958	141,735
Net periodic benefit cost	947,682	1,011,074
Other changes in plan assets and benefit obligations recognized in accumulated pension related changes		
Current year actuarial loss (gain)	1,440,447	(1,001,470)
Total recognized in net periodic benefit cost and accumulated pension related changes	\$ 2,388,129	\$ 9,604

The estimated net loss and prior service cost that will be amortized from accumulated pension related changes into net periodic pension benefit cost in fiscal year 2020 will be \$145,680.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2019 and 2018

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2019 and 2018:

	2019	2018
Discount rate	3.40%	4.07%
Rate of compensation increase	3.00%	3.00%

The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2019 and 2018:

	2019	2018
Discount rate	4.07%	3.74%
Rate of compensation increase	3.00%	3.00%
Expected long-term rate of return on plan assets	7.00%	7.00%

The Pastoral Office's expected long-term return on plan assets assumption was derived from an analysis conducted by the Pastoral Office's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset mix. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2019 and 2018:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2019				
Cash and cash equivalents	\$ 191,664	\$ 191,664	\$ -	\$ -
Equity securities	2,227,544	2,227,544	-	-
Fixed income funds	1,304,487	1,304,487	-	-
Total assets at fair value	\$ 3,723,695	\$ 3,723,695	\$ -	\$ -
June 30, 2018				
Cash and cash equivalents	\$ 85,426	\$ 85,426	\$ -	\$ -
Equity securities	1,937,956	1,937,956	-	-
Fixed income funds	1,395,627	1,395,627	-	-
Total assets at fair value	\$ 3,419,009	\$ 3,419,009	\$ -	\$ -

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 3.

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In setting investment policies and strategies, the ability of the selected investment mix to fund the pension plan liabilities effectively, meet the long-term asset return target of 7 percent, and align the selected mix with the risk tolerance of the plan’s fiduciaries was taken into account. The strategic mix has reduced exposure to an equity market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The Pastoral Office expects to contribute approximately \$510,000 to the defined benefit pension plan in fiscal year 2020.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the fiscal years indicated:

2020	\$	823,001
2021		773,082
2022		758,162
2023		709,956
2024		663,104
2025-2029		3,301,884

Defined Contribution Plan

The Pastoral Office also sponsors a 403(b) Church Retirement Plan (the 403(b) Plan). The 403(b) Plan covers substantially all Archdiocesan or affiliated Catholic organizations’ lay employees. Each affiliated Catholic organization contributes a discretionary amount (3 percent of the participant’s salary for fiscal years 2019 and 2018). In addition, organizations match the first 4 percent of employee contributions at 50 percent such amount. New participants become vested in six years (20 percent per year after the second year of service). Expenses for the Pastoral Office’s portion of the 403(b) plan were not significant for the years ended June 30, 2019 and 2018.

Note 13 - Related Party Transactions

Investments include investments managed for related parties. The Pastoral Office, in a fiduciary capacity, manages the following investments for parties associated with the Archdiocese as of June 30, 2019 and 2018:

	2019	2018
Archdiocesan Parish Deposit and Loan Fund (PDLF)	\$ 38,142,183	\$ 42,715,593
Catholic Charities	1,891,463	1,760,518
Resurrection Memorial Cemetery, Inc.	9,589,518	8,925,637
St. Ann's Home, Inc.	-	602,369
Bishop McGuinness High School	2,520,690	2,218,867
	\$ 52,143,854	\$ 56,222,984

PDLF is an investment pool of funds deposited by parishes and other members of the Archdiocese. PDLF was established to provide financing to defined members of the Archdiocese and is administered by the Pastoral Office and a third-party administrator. Funds deposited to the PDLF earn interest at a rate based on the monthly average rate of two-year U.S. Treasury Notes plus 0.25 percent, and loans from PDLF bear interest at a floating rate adjusted monthly based on the average rate of two-year U.S. Treasury Notes plus 1.25 percent. The policy of PDLF is to limit outstanding loans to 75 percent of the total PDLF assets with the remaining assets being invested in cash or equity/fixed income securities.

Deposits to PDLF are guaranteed by the Pastoral Office. As of June 30, 2019, PDLF has assets of \$46,682,672, consisting of funds deposited by the Pastoral Office and other members of the Archdiocese, and had loans outstanding to members of the Archdiocese of \$11,246,309. As of June 30, 2018, PDLF had assets of \$51,763,000 and had loans outstanding to members of the Archdiocese of \$12,569,976.

During the year ended June 30, 2018, the Pastoral Office began soliciting funds related to the One Church, Many Disciples capital campaign. Member parishes are participating in the campaign and the Pastoral Office is the administrator. The Pastoral Office distributes a portion of the funds collected to each member parish in accordance with the campaign policy. As of June 30, 2019 and 2018, the amount of funds due to related parties is \$2,898,448 and \$1,955,464, respectively.

The Catholic Foundation of Oklahoma, Inc. (Foundation) conducts business from offices located inside the Pastoral Office building, and reimburses the Pastoral Office for salaries, payroll taxes, retirement and other benefits, insurance, rent, and telephone expenses. The totals received from the Foundation for the years ended June 30, 2019 and 2018, were \$179,221 and \$184,602, respectively. Accounts receivable at June 30, 2019 and 2018 included \$6,776 and \$43,616, respectively, due from the Foundation. The Foundation holds and manages certain investments of the Pastoral Office, which amounted to \$13,131,120 and \$13,112,518 at June 30, 2019 and 2018, respectively. Fund management fees paid to the Foundation for the years ended June 30, 2019 and 2018, were \$18,319 and \$39,961, respectively.

Note 14 - Commitments and Contingencies

Guarantees

The Pastoral Office is contingently liable as guarantor for certain automobile loans for its priests which total approximately \$77,000 at June 30, 2019. In the event the debtor fails to make the required principal and interest payments on the bank debt, the Pastoral Office would be required to make such payments. All priest car loans are paying as agreed and the Pastoral Office believes it is unlikely they will be required to make payments.

St. Ann Retirement Center, Inc. had obligations as of June 30, 2019 and 2018, related to 2011 Revenue Bonds (Bonds). In connection with the Bonds, the Pastoral Office has entered into a guaranty agreement that will remain in effect through the maturity and settlement of the Bonds. The Bonds bear interest at an annual fixed rate of 4.06 percent and require monthly principal and interest payments through December 1, 2027. Remaining payments total approximately \$7,347,138 as of June 30, 2019. The bonds are current as of June 30, 2019 and 2018, and the Pastoral Office does not believe it will have any obligation related to these bonds.

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Contributions Payable

The Pastoral Office has made unconditional promises to give to certain organizations. Contributions to be paid in more than one year are discounted, generally using rates ranging from 1 to 3%. The following is a summary of contributions payable at June 30, 2019:

To be paid within 1 year	\$ 841,110
To be paid within 2 years	<u>70,667</u>
	911,777
Less discount	<u>(4,577)</u>
	<u>\$ 907,200</u>

The following is a summary of contributions payable at June 30, 2018:

To be paid within 1 year	\$ 466,666
To be paid within 2 years	<u>166,667</u>
	633,333
Less discount	<u>(70,968)</u>
	<u>\$ 562,365</u>

Litigation

The Pastoral Office is subject to various claims and legal proceedings covering certain matters that arise in the course of its activities. Based upon available information and advice from the Pastoral Office's legal counsel, management believes that any liability that may ultimately arise from these matters will not have a material adverse effect on the financial condition or results of activities of the Pastoral Office.

Note 15 - Restatement Resulting from Change in Accounting Policy

As disclosed in Note 1, the Pastoral Office adopted the provisions of ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities, as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Pastoral Office's June 30, 2018 net assets.

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The effect on the Pastoral Office's statement of financial position as of June 30, 2018, is as follows:

	As Previously Reported	Adjustment	As Restated
Unrestricted			
Designated and operating	\$ 56,785,297	\$ (56,785,297)	\$ -
Temporarily restricted	37,205,152	(37,205,152)	-
Permanently restricted	6,602,194	(6,602,194)	-
Net assets without donor restrictions			
Undesignated	-	34,443,353	34,443,353
Designated	-	22,341,944	22,341,944
Net assets with donor restrictions			
Perpetual in nature	-	6,602,194	6,602,194
Purpose restrictions	-	35,935,252	35,935,252
Time-restricted for future periods	-	1,269,900	1,269,900

The effect on the Pastoral Office's statement of activities as of June 30, 2018, is as follows:

	As Previously Reported	Adjustment	As Restated
Net Assets, Beginning of Year			
Unrestricted	\$ 87,090,158	\$ (87,090,158)	\$ -
Temporarily restricted	1,997,935	(1,997,935)	-
Permanently restricted	6,454,243	(6,454,243)	-
Net assets without donor restrictions	-	87,090,158	87,090,158
Net assets with donor restrictions	-	8,452,178	8,452,178
Net Assets, End of Year			
Unrestricted	\$ 90,485,654	\$ (90,485,654)	\$ -
Temporarily restricted	37,205,152	(37,205,152)	-
Permanently restricted	6,602,194	(6,602,194)	-
Net assets without donor restrictions	-	90,485,654	-
Net assets with donor restrictions	-	43,807,346	-