

**Society of the Roman Catholic Church  
of the Diocese of Lafayette, Inc.**

Financial Report

For The Years Ended June 30, 2017 and 2016

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities:	
Year ended June 30, 2017	4
Year ended June 30, 2016	5
Statements of cash flows	6
Notes to financial statements	7 - 24
SUPPLEMENTARY INFORMATION	
Combining statement of financial position	26
Combining statement of activities	27
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Summary schedule of current and prior year audit findings and corrective action plan	31

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Penny Angelle Scruggins, CPA  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA  
Alan M. Taylor, CPA  
Albert R. Leger, CPA,PFS,CSA\*  
Marshall W. Guidry, CPA  
Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC®\*  
James R. Roy, CPA  
Robert J. Metz, CPA  
Kelly M. Doucet, CPA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Jane R. Hebert, CPA  
Deidre L. Stock, CPA  
Karen V. Fontenot, CPA  
Tabby A. LeMay, CPA  
Seth C. Norris, CPA  
Shayne M. Breau, CPA

\* A Professional Accounting Corporation

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

434 East Main Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

133 East Waddil St.  
Marksville LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

1428 Metro Drive  
Alexandria, LA 71301  
Phone (318) 442-4421  
Fax (318) 442-8333

WEB SITE  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

Retired:  
Conrad O. Chapman, CPA\* 2006

## INDEPENDENT AUDITORS' REPORT

To the Bishop and the  
Diocesan Finance Board  
Society of the Roman Catholic Church  
of the Diocese of Lafayette, Inc.  
Lafayette, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 error or fraud. 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 Society of the Roman Catholic Church of the Diocese of Lafayette, Inc. as of June 30, 2017 and 2016, 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.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position and combining statement of activities on pages 26-27 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017, on our consideration of the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc.'s internal control over financial reporting and compliance.

***KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 18, 2017

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Statements of Financial Position  
June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Cash	\$ 6,929,480	\$ 3,544,258
Investments	33,502,597	33,199,959
Accounts receivable, net	891,638	904,209
Pledges receivable, net	24,129,471	10,517,841
Other receivables	273	13,619
Prepaid expenses and other assets	1,120,823	1,089,224
Notes receivable	1,912,443	1,916,579
Property and equipment, net	6,976,914	7,241,126
Total assets	\$ 75,463,639	\$ 58,426,815
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Cash overdraft	\$ 331,950	\$ 774,811
Accounts payable	348,537	538,328
Accrued compensated absences payable	320,922	356,142
Deferred revenues	47,011	22,016
School state mandated services	846,172	1,272,197
Other liabilities	4,029,827	2,840,999
Other postretirement benefits payable - lay persons	2,994,532	2,876,681
Other postretirement benefits payable - priests	5,042,430	4,490,546
Unfunded pension liability - priests	3,178,336	4,613,583
Total liabilities	17,139,717	17,785,303
Net assets:		
Unrestricted-		
Designated for specific purposes	22,267,245	22,111,150
Undesignated	(4,951,360)	(2,477,980)
Total unrestricted net assets	17,315,885	19,633,170
Temporarily restricted	30,814,706	12,358,263
Permanently restricted	10,193,331	8,650,079
Total net assets	58,323,922	40,641,512
Total liabilities and net assets	\$ 75,463,639	\$ 58,426,815

See notes to financial statements.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Statement of Activities  
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Parish assessments	\$ 5,828,905	\$ -	\$ -	\$ 5,828,905
Bishop's Services Appeal	1,891,233	-	-	1,891,233
Capital Campaign	-	24,013,273	1,399,676	25,412,949
Property insurance premiums	4,823,291	-	-	4,823,291
Health insurance premiums	15,848,848	-	-	15,848,848
Investment income	1,361,681	422,996	-	1,784,677
Grant revenue	-	788,263	-	788,263
Donations and contributions	68,844	899,676	143,576	1,112,096
Other revenues	1,815,746	-	-	1,815,746
Total revenues prior to release from restrictions	31,638,548	26,124,208	1,543,252	59,306,008
Net assets released from restrictions	7,682,573	(7,682,573)	-	-
Total revenues	<u>39,321,121</u>	<u>18,441,635</u>	<u>1,543,252</u>	<u>59,306,008</u>
<b>Expenses and losses:</b>				
<b>Program services-</b>				
Seminarian expense	1,614,407	-	-	1,614,407
Religious personnel	1,323,635	-	-	1,323,635
Retired priests	(689,129)	-	-	(689,129)
Lay development and evangelization	1,642,959	-	-	1,642,959
Catholic education	744,314	-	-	744,314
Social services	1,737,316	-	-	1,737,316
Healthcare	16,331,966	-	-	16,331,966
Property liability insurance	4,987,891	-	-	4,987,891
Total program services	<u>27,693,359</u>	<u>-</u>	<u>-</u>	<u>27,693,359</u>
<b>Support services-</b>				
<b>Management and general:</b>				
Management and finance	907,874	-	-	907,874
Administrative	3,910,617	-	-	3,910,617
Diocesan assessments and contributions	218,431	-	-	218,431
Depreciation	571,095	-	-	571,095
<b>Fundraising:</b>				
Stewardship and development	260,108	-	-	260,108
Capital Campaign	8,076,922	-	-	8,076,922
Total support services	<u>13,945,047</u>	<u>-</u>	<u>-</u>	<u>13,945,047</u>
Total expenses	<u>41,638,406</u>	<u>-</u>	<u>-</u>	<u>41,638,406</u>
<b>Other expense:</b>				
Net realized and unrealized loss	-	14,808	-	14,808
Change in net assets	(2,317,285)	18,456,443	1,543,252	17,682,410
Net assets, beginning of year	19,633,170	12,358,263	8,650,079	40,641,512
Net assets, end of year	<u>\$17,315,885</u>	<u>\$30,814,706</u>	<u>\$10,193,331</u>	<u>\$58,323,922</u>

See notes to financial statements.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Statement of Activities  
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Parish assessments	\$ 7,181,505	\$ -	\$ -	\$ 7,181,505
Bishop's Services Appeal	2,220,314	-	-	2,220,314
Capital Campaign	-	15,661,673	1,020,366	16,682,039
Property insurance premiums	4,782,840	-	-	4,782,840
Health insurance premiums	15,351,568	-	-	15,351,568
Investment income	1,356,506	377,341	-	1,733,847
Grant revenue	-	1,081,008	-	1,081,008
Donations and contributions	1,930,650	17,847	87,895	2,036,392
Other revenues	1,948,553	-	-	1,948,553
Total revenues prior to release from restrictions	34,771,936	17,137,869	1,108,261	53,018,066
Net assets released from restrictions	5,243,359	(5,243,359)	-	-
Total revenues	40,015,295	11,894,510	1,108,261	53,018,066
<b>Expenses and losses:</b>				
Program services-				
Seminarian expense	1,736,808	-	-	1,736,808
Religious personnel	1,183,577	-	-	1,183,577
Retired priests	5,563,267	-	-	5,563,267
Lay development and evangelization	1,631,482	-	-	1,631,482
Catholic education	1,086,715	-	-	1,086,715
Social services	1,851,176	-	-	1,851,176
Healthcare	14,360,110	-	-	14,360,110
Property liability insurance	4,565,417	-	-	4,565,417
Total program services	31,978,552	-	-	31,978,552
Support services-				
Management and general:				
Management and finance	875,454	-	-	875,454
Administrative	3,345,064	-	-	3,345,064
Diocesan assessments and contributions	214,487	-	-	214,487
Depreciation	556,979	-	-	556,979
Fundraising:				
Stewardship and development	278,155	-	-	278,155
Capital Campaign	5,091,452	-	-	5,091,452
Total support services	10,361,591	-	-	10,361,591
Total expenses	42,340,143	-	-	42,340,143
<b>Other expense:</b>				
Net realized and unrealized loss	-	(8,009)	-	(8,009)
Change in net assets	(2,324,848)	11,886,501	1,108,261	10,669,914
Net assets, beginning of year	21,958,018	471,762	7,541,818	29,971,598
Net assets, end of year	<u>\$ 19,633,170</u>	<u>\$ 12,358,263</u>	<u>\$ 8,650,079</u>	<u>\$ 40,641,512</u>

See notes to financial statements.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 17,682,410	\$10,669,914
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	571,095	556,979
Bad debt expense	3,824,578	2,943,115
(Increase) decrease in accounts receivable	12,571	(369,272)
Increase in pledges receivable	(17,436,208)	(13,456,024)
Decrease in other receivables	13,346	65,529
(Increase) decrease in prepaid expenses and other assets	(31,599)	191,701
Increase (decrease) in cash overdraft	(442,861)	768,507
Increase (decrease) in accounts payable	(189,791)	459,607
Increase (decrease) in deferred revenue	24,995	(318,216)
Decrease in school state mandated services	(426,025)	(140,932)
Increase in other liabilities	1,153,608	712,111
Increase in other postretirement benefits payable	669,735	74,450
Increase (decrease) in unfunded pension liability	(1,435,247)	4,613,583
Net realized and unrealized (gain) loss on investments	(14,808)	8,009
Contributions restricted for permanent investment	(1,543,252)	(1,108,261)
Investment income, grants and contributions temporarily restricted	<u>(18,441,635)</u>	<u>(11,894,510)</u>
Net cash used in operating activities	<u>(16,009,087)</u>	<u>(6,223,710)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of land, buildings and equipment	(441,863)	(312,236)
Net change in work in process	134,980	(97,360)
Mission Diocese Fund investment	(776)	(1,343)
Net increase to investment in CDLP	(287,054)	(1,349,267)
Proceeds from maturity of bonds	-	5,000
Net (increase) decrease in notes receivable	<u>4,136</u>	<u>(1,916,579)</u>
Net cash used in investing activities	<u>(590,577)</u>	<u>(3,671,785)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent and temporary investment:		
Permanently restricted endowments	1,543,252	1,108,261
Investment income, grants and contributions temporarily restricted	<u>18,441,635</u>	<u>11,894,510</u>
Net cash provided by investing activities	<u>19,984,886</u>	<u>13,002,771</u>
Net increase in cash	3,385,222	3,107,276
Cash at beginning of year	<u>3,544,258</u>	<u>436,982</u>
Cash at end of year	<u>\$ 6,929,480</u>	<u>\$ 3,544,258</u>

See notes to financial statements.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements

(1) Nature of Organization and Significant Accounting Policies

A. Organization, Purpose and Reporting Entity

The Society of the Roman Catholic Church of the Diocese of Lafayette, Inc. (the "Diocese"), a not-for-profit corporation established under the laws of the State of Louisiana, operates as a religious organization. The Diocese is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within the surrounding communities. The Diocese is supported primarily through contributions from benefactors and assessments from various church parishes within the boundaries of the Diocese.

The financial statements include the administrative and program offices and departments of the Diocese. The financial statements do not include the activities of other entities of the Diocese, such as Consolata Nursing Home, Catholic Services of Acadiana, Catholic Foundation, various church parishes, and schools. These entities are separate nonprofit organizations. Each is a distinct operating entity from the Diocese, maintaining separate accountability and providing its own services and programs.

In addition, the financial statements do not include the activities of the Cooperative Deposit and Loan Program (the "CDLP"), a program which operates within the dominion of the Diocese. A separate report was issued for these financial statements as of June 30, 2017 and 2016. Summarized financial data of the CDLP is set forth in Note 25.

B. Basis of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted ("GAAP") in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed stipulations.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Diocese.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all bank checking accounts to be cash and cash equivalents. Fair value approximates carrying amounts.

D. Investments

In accordance with generally accepted accounting principles, all investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets.

E. Pledges Receivable

Pledges receivable are promises to give. During the year ended June 30, 2016, the Diocese initiated its Centennial Campaign (Capital Campaign), raising funds through pledges and contributions over a five year period. Pledges received as part of this campaign are shared by the Diocese and individual Parishes based on a predetermined formula. Pledges that are expected to be collected in future years are recognized in the year the promise was made, at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates (3.0% for the years ended June 30, 2017 and 2016, respectively), applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Unconditional pledges are recorded as temporarily restricted revenues and are available for their intended purposes once the pledge is collected. Conditional pledges are not included as support until the conditions are substantially met.

F. Allowance for Doubtful Accounts

The Diocese uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior year's experience and management's evaluation of potential uncollectible accounts receivable balances at year end. As of June 30, 2017 and 2016, respectively, the balance in allowance for doubtful accounts related to accounts receivable was \$0.

Pledges receivable are recorded net of an allowance for doubtful accounts. The Diocese estimates the allowance based on an analysis of pledge balances by Parish and individual donors at year end, taking into consideration the age of past due amounts, an assessment of the donor's ability to pay, and considering the current economic conditions of each Parish. The allowance for doubtful accounts for pledges receivable was \$6,748,294 and \$2,938,183 as of June 30, 2017 and 2016, respectively.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

G. Property and Equipment

The Diocese has adopted a capitalization policy of \$5,000 for all property and equipment, which is recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Diocese has adopted a policy of establishing time restrictions on contributions of such assets that expire over the useful lives of the assets. Maintenance and repairs are expensed as incurred; however, those that significantly increase asset values or extend useful lives, and meet the minimum threshold of \$5,000, are capitalized. Depreciation is computed by the straight line method at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 30
Furniture fixtures and equipment	3 - 10
Computer equipment and software	3 - 5

H. Revenue and Expense Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donated services must be recorded if either of the following criteria are met: (1) the services create or enhance nonfinancial assets or (2) the services require specialized skills performed by individuals possessing these skills and otherwise would have to be purchased.

I. Income Taxes

The Internal Revenue Service (IRS) has issued to the United States Conference of Catholic Bishops, a group tax exemption ruling with respect to the Catholic organizations listed in The Official Catholic Directory (OCD) (“Group Ruling”). The Group Ruling establishes that organizations included in the OCD are exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code. The Diocese is included in the OCD; however, inclusion in the Group Ruling has no effect on an organization’s liability for any federal excise taxes.

Accounting principles generally accepted in the United States of America require Diocese management to evaluate tax positions taken and recognize a tax liability (or asset) if the Diocese has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Diocese, and has concluded that as of June 30, 2017 and 2016, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

J. Compensated Absences

The Diocese provides employees who work a minimum of 20 hours (those hired prior to January 1, 2013) and 30 hours (those hired January 1, 2013 and thereafter) per week annual leave (PTO) based on years of service. Annual leave must be taken during the year and is not cumulative; however, an employee can carry over unused PTO to the next year, but not to exceed the maximum number of PTO hours allowed in a year's time. Upon termination of employment, an employee is paid for the value of any accrued leave through the date of employment separation.

K. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$5,250 and \$21,200 for the years ended June 30, 2017 and 2016, respectively.

L. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(2) Investments

Investments are stated at fair value and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
June 30, 2017:		
Investment in CDLP	\$ 33,224,442	\$ 33,224,442
Security interest in LWCC Loss Fund	60,000	60,000
Investment in Mission Diocese Fund	100,000	126,938
National Catholic Risk Retention Group, Inc. ("NCRRG") stock	<u>91,217</u>	<u>91,217</u>
Total investments	<u>\$ 33,475,659</u>	<u>\$ 33,502,597</u>
June 30, 2016:		
Investment in CDLP	\$ 32,937,388	\$ 32,937,388
Security interest in LWCC Loss Fund	60,000	60,000
Investment in Mission Diocese Fund	100,000	111,354
National Catholic Risk Retention Group, Inc. ("NCRRG") stock	<u>91,217</u>	<u>91,217</u>
Total investments	<u>\$ 33,188,605</u>	<u>\$ 33,199,959</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

Net investment return for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest income from CDLP investments and bonds	\$ 1,346,327	1,237,349
Dividends - Louisiana Workers' Compensation Corporation	438,350	496,498
Net realized and unrealized gains/losses on investments	14,808	(8,009)
Net investment return	\$ 1,799,485	\$ 1,725,838

The investment in CDLP includes assets which are permanently restricted for endowments of \$10,093,331 and \$8,550,079 as of June 30, 2017 and 2016, respectively. The investment in Mission Diocese Fund includes \$100,000 permanently restricted for the Diocesan Seminary Endowment as of June 30, 2017 and 2016.

(3) Fair Value Measurements

Professional standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under professional standards are described as follows: Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in inactive markets, quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investment in CDLP is stated at cost, which approximates fair value, due to its high liquidity. Bonds are stated at quoted market prices. Other securities held by the Diocese, which represent stock certificates not readily marketable, are stated at cost, which approximates market. In all instances, estimation of fair value is highly subjective and based upon assumptions made at the time of estimation. Consequently, actual results may differ significantly from the estimates made. There have been no changes in the methodologies used to value the investments at June 30, 2017 and 2016.

The following table sets forth by level, within the fair value hierarchy, the Diocese's investments at fair value as of June 30, 2017 and 2016:

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

	Fair Value	Level 1	Level 2	Level 3
June 30, 2017:				
Investment in CDLP	\$ 33,224,442	\$ -	\$ -	\$ 33,224,442
Security interest in LWCC Loss Fund	60,000	-	60,000	-
Investment in Mission Diocese Fund	126,938	-	126,938	-
NCRRG stock	91,217	-	91,217	-
Total investments	<u>\$ 33,502,597</u>	<u>\$ -</u>	<u>\$ 278,155</u>	<u>\$ 33,224,442</u>
June 30, 2016:				
Investment in CDLP	\$ 32,937,388	\$ -	\$ -	\$ 32,937,388
Security interest in LWCC Loss Fund	60,000	-	60,000	-
Investment in Mission Diocese Fund	111,354	-	111,354	-
NCRRG stock	91,217	-	91,217	-
Total investments	<u>\$ 33,199,959</u>	<u>\$ -</u>	<u>\$ 262,571</u>	<u>\$ 32,937,388</u>

The following table sets forth a summary of changes in fair value of the Plan's Level 3 assets for the years ended June 30, 2017 and 2016:

	2017	2016
Balance, beginning of year	\$ 32,937,388	\$ 31,588,122
Add: deposits	34,262,740	30,751,927
Add: interest income	1,345,551	1,236,006
Withdrawals	<u>(35,321,237)</u>	<u>(30,638,667)</u>
Balance, end of year	<u>\$ 33,224,442</u>	<u>\$ 32,937,388</u>

(4) Accounts Receivable, Net

Accounts receivable consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Property liability insurance premiums	\$ 222,886	\$ 108,747
Health insurance premiums	26,927	45,801
Healthcare reinsurance receivable	270,416	61,466
Grants receivable	35,175	64,289
Assessment income receivable	314,954	433,227
Less: assessment credits	(36,564)	(205,408)
Community development projects	12,000	234,124
Other	45,844	161,963
	891,638	904,209
Less: allowance for doubtful accounts	-	-
Total	<u>\$ 891,638</u>	<u>\$ 904,209</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(5) Pledges Receivable, Net

Included in pledges receivable, net are the following promises to give as of June 30 2017 and 2016:

	2017	2016
Capital Campaign pledges receivable:		
Receivable within one year	\$ 7,074,548	\$ 2,938,183
Receivable in one to five years	26,666,922	11,752,730
Gross pledges receivable	33,741,470	14,690,913
Less: unamortized discount	(2,863,705)	(1,234,889)
Pledges receivable, net of unamortized discount	30,877,765	13,456,024
Less: allowance for uncollectible pledges	(6,748,294)	(2,938,183)
Pledges receivable, net	\$ 24,129,471	\$ 10,517,841

Included in Capital Campaign revenues is the amortization of discount on pledges receivable of \$246,978 and \$0 for the years ended June 30 2017 and 2016, respectively.

(6) Prepaid Expenses and Other Assets

The balance in prepaid expenses and other assets of \$1,120,823 and \$1,089,224 as of June 30, 2017 and 2016, respectively, consisted mainly of prepaid property insurance premiums.

(7) Notes Receivable

Village du Lac Apartments is a 200 unit government subsidized HUD development for the disabled and elderly (Section 202) sponsored by the Diocese of Lafayette in 1981. The property went through extensive rehabilitation in two phases utilizing tax credits and external financing that also resulted in Village du Lac Apartments, Inc. taking back a note in the amount of \$1,561,572. The first phase of the project was refinanced in November 2015 and the financing arrangement required Village du Lac Apartments, Inc. to convert its loan from debt to a reimbursable capital contribution; therefore, the loan of \$1,561,572 plus accrued interest of \$302,159 was donated to the Diocese of Lafayette as a single indebtedness of \$1,863,731.

Notes receivable of \$1,912,443 and \$1,916,579 as of June 30, 2017 and 2016, respectively, consisted of the promissory note dated November 13, 2015 and maturing December 1, 2039 together with accrued interest at the rate of 4.50% and calculated by using the simple interest method based on annual balances of the principal amount outstanding. Repayment of the indebtedness will come from Village du Lac, Apartments, Inc, which will be getting its capital reimbursed through excess cash flow of the project. While this pass-through repayment requires the development to generate excess cash flow and other items be repaid in a certain priority, as of June 30, 2017 the Diocese does not anticipate any losses with respect to collection of the note.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(8) Property and Equipment

Property and equipment consist of the following as of June 30, 2017 and 2016:

	2017	2016
Land	\$ 1,217,935	\$ 1,217,935
Buildings and improvements	11,530,412	11,308,949
Furniture, fixtures and equipment	2,506,566	2,376,165
Computer equipment and software	305,018	305,018
	15,559,931	15,208,067
Less: accumulated depreciation	(8,583,282)	(8,102,187)
Total depreciable assets	6,976,649	7,105,880
Work in progress	265	135,246
Total	\$ 6,976,914	\$ 7,241,126

Total depreciation expense for the years ended June 30, 2017 and 2016 was \$571,095 and \$556,979, respectively.

(9) Cash Overdraft

Excess funds on deposit are held in an interest bearing account and transferred to the operating accounts as checks clear the bank. Cash overdrafts, consisting of outstanding checks at the end of each fiscal year, amounted to \$331,950 and \$774,811 as of June 30, 2017 and 2016, respectively.

(10) Other Liabilities

Other liabilities as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Accrued health insurance claims	\$ 1,455,928	\$ 872,505
Due to parishes for share of Capital Campaign collections	1,049,083	829,180
Accrued property insurance claims	934,715	390,814
Accrued payroll liabilities	33,705	22,513
Extern priest liability	216,210	191,429
Other	340,186	534,558
Total	\$ 4,029,827	\$ 2,840,999

(11) Other Postretirement Employment Benefits (OPEB)

The Diocese provides postretirement health care for incardinated priests. This is a non-contributory plan provided by the Diocese which pays for the health insurance of its priests for life. The benefit generally takes effect when the priest reaches the age of 75.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

Central office employees who retire at age 62 or older and have worked for the Diocese for 20 or more years are eligible for a monthly cash payment, currently set at \$500, until the date of death. Employees retiring with at least 15 years, but less than 20 years, receive a pro-rated benefit.

The following table sets forth the changes in the accumulated benefit obligation as of and for the years ended June 30, 2017 and 2016:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2017:			
Accumulated benefit obligation, beginning of year	\$ 8,654,456	\$ 4,027,483	\$ 12,681,939
Service and interest cost	671,681	223,174	894,855
Actuarial adjustments	-	-	-
Benefits paid	<u>(259,384)</u>	<u>(190,328)</u>	<u>(449,712)</u>
Accumulated benefit obligation, end of year	<u>\$ 9,066,753</u>	<u>\$ 4,060,329</u>	<u>\$ 13,127,082</u>
June 30, 2016:			
Accumulated benefit obligation, beginning of year	\$ 4,970,194	\$ 2,887,350	\$ 7,857,544
Service and interest cost	347,801	199,560	547,361
Actuarial adjustments	3,579,320	1,128,196	4,707,516
Benefits paid	<u>(242,859)</u>	<u>(187,623)</u>	<u>(430,482)</u>
Accumulated benefit obligation, end of year	<u>\$ 8,654,456</u>	<u>\$ 4,027,483</u>	<u>\$ 12,681,939</u>

Funded status and funding progress: As of June 30, 2017 and 2016, respectively, the OPEB plans had no assets, therefore the funded ratio (defined as the actuarial value of plan assets divided by the accumulated benefit obligation) is 0%.

The following table sets forth the unfunded amount of the accumulated benefit obligation (funded status) and net accrued benefit obligation recognized as of June 30, 2017 and 2016:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2017:			
Funded status	\$ 9,066,753	\$ 4,060,329	\$ 13,127,082
Unrecognized actuarial net gain	<u>(4,024,323)</u>	<u>(1,065,797)</u>	<u>(5,090,120)</u>
Net accrued benefit obligation	<u>\$ 5,042,430</u>	<u>\$ 2,994,532</u>	<u>\$ 8,036,962</u>
June 30, 2016:			
Funded status	\$ 8,654,456	\$ 4,027,483	\$ 12,681,939
Unrecognized actuarial net (gain) loss	<u>(4,163,910)</u>	<u>(1,150,802)</u>	<u>(5,314,712)</u>
Net accrued benefit obligation	<u>\$ 4,490,546</u>	<u>\$ 2,876,681</u>	<u>\$ 7,367,227</u>

The discount rates used in determining the OPEB obligation for the years ended June 30, 2017 and 2016, respectively, was 3.66%, for priests, and 3.19% for lay persons. The assumed cost trend rate used was 5.0% for each of the years ended June 30, 2017 and 2016.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

The following schedule of benefits expected to be paid to the OPEB plans in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter is based on the latest actuarial valuation as of June 30, 2016:

	Priests	Lay Persons	Total
2017	\$ 259,384	\$ 192,561	\$ 451,945
2018	263,782	209,459	473,241
2019	271,170	219,704	490,874
2020	275,026	229,163	504,189
2021	277,378	237,489	514,867
2022-2026	1,447,121	1,224,450	2,671,571

(12) Unfunded Pension Liability - Priests

Professional standards require the estimated amounts for future retirement payments be accrued over the period of active service with regard to deferred compensation contracts with individual employees when such plan is the equivalent of a pension plan. The Priest's Welfare Trust, a separate trust established in 2008, holds the assets of the priest retirement plan. As of June 30, 2017, and 2016, the unfunded portion of the pension liability amounted to \$3,178,336 and \$4,613,583, respectively and was 82% and 74% funded, respectively. This resulted in a (decrease) increase in the pension liability of (\$1,435,247) and \$4,613,583, which is reflected in retired priests program expenses in the statement of activities for the years ended June 30, 2017 and 2016, respectively. The Diocese contributed \$298,156 and \$517,081 to the Priest Welfare Trust for the years ended June 30, 2017 and 2016, respectively.

(13) Lay Person's Retirement Plan

Under a defined contribution 403 (b) retirement plan, the Diocese contributes 8% of lay person's eligible compensation. Employer contributions to the plan were \$304,390 and \$303,085 for the years ended June 30, 2017 and 2016, respectively.

(14) Net Assets Undesignated

As of June 30, 2017 and 2016, respectively, net assets undesignated amounted to deficit balances of \$4,951,360 and \$2,477,980. The deficit balance in 2016 resulted from the unfunded pension liability described in Note 12, which reduced unrestricted net assets by \$4,613,583 for the year ended June 30, 2016. The increase in the deficit balance in 2017 of \$2,473,380 was a result of both a decrease in anticipated revenues as well as unfunded expenses associated with the Centennial Capital Campaign. The reduction in revenues was attributable primarily to 1) a decrease of \$1,352,600 in assessment revenue, which included an assessment holiday for the month of August 2016 due to historic flooding with an impact of approximately \$550,000 and 2) a decrease in the Bishop's Services Appeal of \$329,081, which followed a decrease in the previous year as well. Expenses incurred for the funding of the Centennial Capital Campaign totaled \$1,861,307 and will only be recouped if receipts of the Campaign are above the goal of \$42,500,000. Funding of the deficit will include a normalization of assessment and annual appeal revenues, reduction in Unfunded Pension Liability-Priests due to additions to the Priests' Welfare Trust from Campaign receipts, and future excesses in unrestricted revenues over expenses.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
DIOCESE OF LAFAYETTE

Notes to Financial Statements (Continued)

(15) Net Assets Designated for Specific Purposes

Net assets designated for specific purposes consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Msgr. Fusilier Scholarship Endowment	\$ 263,500	\$ 263,500
Information Technology	258,715	250,000
Parish Preservation Fund	609,665	628,622
Capital fund	836,858	1,063,218
Hurricane fund	3,744	3,618
Msgr. Viglerio fund	99,700	96,680
Bishop's designated fund	43,691	50,495
Consolata	2,532,439	2,447,132
Holy Rosary Institute	-	64,047
Community Development	499,578	594,455
Diocesan Seminary Endowment	1,747,328	1,747,328
Health insurance	6,067,676	6,262,809
Property insurance	<u>9,304,351</u>	<u>8,639,246</u>
	<u>\$ 22,267,245</u>	<u>\$ 22,111,150</u>

(16) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Diocesan Seminary Endowment	\$ 146,059	\$ -
Rev. George Simon Education Endowment	91,096	79,282
Msgr. Fusilier Scholarship Endowment	122,296	110,685
School Teacher Endowment	133,272	124,254
Perpetual Mass Endowment	8,315	7,221
St Bryant Parish Endowment	11,790	11,169
J.W. Matt Educational Endowment	42,531	41,557
Fusilier Continuing Education Endowment	11,699	1,255
Capital Campaign Seminary Endowment	19,026	-
Disaster relief funds	444,920	7,731
Centennial Celebration 2018	23,500	-
Catholic Social Services	-	17,200
Christian formation	1,485	1,496
Music ministry	4,078	4,078
Deaf Action Center	10,000	10,000
Foundation grants	52,672	48,025
Capital Campaign - uncollected pledges	24,129,471	10,517,841
Capital Campaign - restricted for case element allocation	<u>5,562,496</u>	<u>1,376,469</u>
	<u>\$ 30,814,706</u>	<u>\$ 12,358,263</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(17) Permanently Restricted Net Assets

Permanently restricted endowment net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Diocesan Seminary Endowment	\$ 4,898,460	\$4,754,884
Rev. George Simon Education Endowment	214,500	214,500
Msgr. Fusilier Scholarship Endowment	1,692,975	1,692,975
School Teacher Endowment	100,000	100,000
Perpetual Mass Endowment	20,000	20,000
St Bryant Parish Endowment	4,268	4,268
J.W. Matt Educational Endowment	328,060	328,060
Fusilier Continuing Education Endowment	515,026	515,026
Capital Campaign - Seminarian Education Endowment	2,001,940	779,184
Capital Campaign - Matthew 25 Endowment	<u>418,102</u>	<u>241,182</u>
	<u>\$10,193,331</u>	<u>\$8,650,079</u>

(18) Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Grants	\$ 696,518	\$ 1,063,259
Flood relief	542,777	-
J.W. Matt Educational Endowment	13,973	13,118
Msgr. Fusilier Scholarship Endowment	71,612	63,696
Fusilier Continuing Education Endowment	10,492	19,563
Diocesan Seminary Endowment	131,065	310,405
Christian formation	521	955
Msgr. Fusilier bonds redeemed	-	5,000
Capital Campaign - parish share of contributions received	2,405,504	829,180
Capital Campaign - write off of uncollectible pledges	<u>3,810,111</u>	<u>2,938,183</u>
	<u>\$ 7,682,573</u>	<u>\$ 5,243,359</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(19) Endowments and Net Asset Classifications

The Diocese's endowments consist of ten individual funds established for a variety of purposes. Endowments include donor-restricted endowment funds whereby the stipulations of the gift may require the preservation of the original donation with only the income derived used for specific purposes as well as term endowments where all funds are available for specific purposes. As required by GAAP, net assets associated with endowment funds to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(20) Interpretation of Relevant Law

In accordance with State of Louisiana Act 168, the Finance Board of the Diocese has a policy requiring the preservation of the fair value of the original gift (as of the donation date) of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Currently, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction (if any) of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the Finance Board's policies and procedures.

The following is the composition by type of fund of net assets permanently and temporarily restricted as of June 30, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2017:			
Donor-restricted funds	<u>\$ 30,814,706</u>	<u>\$10,193,331</u>	<u>\$41,008,037</u>
June 30, 2016:			
Donor-restricted funds	<u>\$ 12,358,263</u>	<u>\$ 8,650,079</u>	<u>\$21,008,342</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

The following is a recap of the changes in permanently and temporarily restricted balances as of June 30, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
<b>June 30, 2017:</b>			
Net assets, beginning of year	\$ 12,358,263	\$ 8,650,079	\$ 21,008,342
Capital Campaign revenue	24,013,273	1,399,676	25,412,949
Grant revenue	788,263	-	788,263
Investment return:			
Interest income on endowments	422,996	-	422,996
Net realized and unrealized gain	14,808	-	14,808
Donor-restricted contributions	899,676	143,576	1,043,252
Net assets released from restriction:			
Capital Campaign	(6,215,615)	-	(6,215,615)
Grant expenses	(696,518)	-	(696,518)
Flood relief	(542,777)	-	(542,777)
Interest on endowments	(227,142)	-	(227,142)
Other	(521)	-	(521)
Net assets, end of year	<u>\$ 30,814,706</u>	<u>\$ 10,193,331</u>	<u>\$ 41,008,037</u>
	Temporarily Restricted	Permanently Restricted	Total
<b>June 30, 2016:</b>			
Net assets, beginning of year	\$ 471,762	\$ 7,541,818	\$ 8,013,580
Capital Campaign revenue	15,661,673	1,020,366	16,682,039
Grant revenue	1,081,008	-	1,081,008
Investment return:			-
Interest income on endowments	377,341	-	377,341
Net realized and unrealized loss	(8,009)	-	(8,009)
Donor-restricted contributions	17,847	87,895	105,742
Net assets released from restriction:			
Capital Campaign	(3,767,363)	-	(3,767,363)
Grant expenses	(1,063,259)	-	(1,063,259)
Interest on endowments	(406,782)	-	(406,782)
Other	(5,955)	-	(5,955)
Net assets, end of year	<u>\$12,358,263</u>	<u>\$ 8,650,079</u>	<u>\$21,008,342</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(21) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese spends what is necessary to fulfill the endowment purpose. Accordingly, over the long-term, the Diocese expects the current spending policy to allow its endowments to grow annually. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund.
- (2) Purposes of the Diocese and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) Possible effect of inflation and deflation.
- (5) Expected total return from income and the appreciation of investments.
- (6) Other resources of the Diocese.
- (7) Investment policies of the Diocese.

(22) Fundraising

Stewardship and development costs shown on the statements of activities of \$260,108 and \$278,155 for the years ended June 30, 2017 and 2016, respectively, consisted of expenses incurred by the development office of the Diocese which is responsible for coordination of the Diocese's annual Bishop's Services Appeal.

Capital Campaign costs shown on the statements of activities consisted of the following:

	2017	2016
Capital Campaign fundraising office	\$ 1,861,307	\$ 1,324,089
Parish share of contributions received	2,405,504	829,180
Bad debt expense for estimated uncollectible pledges	3,810,111	2,938,183
Total	\$ 8,076,922	\$ 5,091,452

(23) Self-Insurance Programs

As of June 30, 2017 and 2016, the Diocese maintained several types of self-insurance programs for itself as well as parishes, schools, and other entities of the Diocese and their employees. These policies cover property and liability, as well as hospitalization and medical coverage for employees. The Diocese limits its losses through the use of stop-loss policies from reinsurers and excess insurance coverage.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

Health Insurance -

Health and medical claims are limited to a \$175,000 specific deductible per claimant annually, as of June 30, 2017 and 2016, respectively, and an unlimited lifetime deductible, as of June 30, 2017 and 2016. The Diocese's aggregate annual loss estimation is based on a formula that considers, among other things, the total number of participants in the medical plan. In addition, a split-funded arrangement is in effect in which the Diocese is responsible for all amounts necessary to satisfy the individual specific deductible plus amounts which exceed the individual specific deductible up to an amount based upon the number of covered individuals times the number of months in the policy times a predetermined rate. As of June 30, 2017 and 2016, the minimum annual aggregate deductible was \$17,626,001 and \$18,292,669, respectively.

Property and Liability Insurance -

With respect to the Diocese's insurance for property and liability, the self-insured retention (SIR) is \$300,000 per occurrence for property claims and \$250,000 per occurrence for most liability claims, and the program has an annual aggregate limit of \$1,000,000 as of June 30, 2017 and 2016.

The Diocese charges and collects assessments and premiums from all parties for both medical and property/liability types of insurance and considers these services as program type services. Total expenses for these services are included in the statements of activities and shown as separate program services.

Claims are accrued based on the loss that is probable to have been at the date of the financial statements and the amount of the loss that can be reasonably estimated. Other liabilities include a provision for claims that have been incurred but not reported of \$424,330 and \$295,812 as of June 30, 2017 and 2016, respectively. The provision was calculated utilizing historical information adjusted for current trends.

(24) Concentration of Credit Risk

The Diocese maintains cash balances at financial institutions, which at times may exceed Federal Deposit Insurance Corporation (FDIC) insured limits. The Diocese does not believe that it is exposed to any significant credit risk on uninsured amounts.

(25) Related Parties

A. Activities in CDLP

As of June 30, 2017 and 2016, the Diocese had invested with the CDLP an amount of \$33,224,442 and \$32,937,387, respectively. The CDLP program facilitates the pooling of funds from the various church parishes as well as the Diocese. The program's assets, liabilities, and net assets are not part of these financial statements, as previously explained in Note 1. Substantially all investment income reflected within the statements of activities is derived from investments of the Diocese in the CDLP. Summarized financial data for this program is as follows:

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

	2017	2016
Total assets	\$ 121,849,669	\$ 116,740,756
Total liabilities	\$ 94,651,964	\$ 97,114,907
Total net assets	<u>27,197,705</u>	<u>19,625,849</u>
Total liabilities and net assets	<u>\$ 121,849,669</u>	<u>\$ 116,740,756</u>
Revenues	11,369,896	1,040,841
Expenses	<u>3,798,039</u>	<u>3,615,046</u>
Change in net assets	<u>\$ 7,571,857</u>	<u>\$ (2,574,205)</u>

B. Fee and assessment income

Substantially all fee and assessment income result from charges billed and collected from church parishes within the Diocese. Included in accounts receivable is \$249,813 and \$154,548 as of June 30, 2017 and 2016, respectively, for property liability and healthcare insurance premiums due from schools and church parishes. In addition, accounts receivable in the amount of \$278,390 and \$227,819 as of June 30, 2017 and 2016, respectively, are due from church parishes for assessment income, net of assessment credits. (See Note 4.)

(26) Operating Leases and Other Rent

The Diocese is obligated under several office equipment operating lease agreements each having terms ranging from 36 months to 62 months, expiring at various dates from August, 2017 through September, 2022.

Future minimum lease payments under non-cancellable operating leases are as follows:

2018	\$ 56,922
2019	44,652
2020	25,095
2021	20,512
2022	20,512
2023	<u>5,128</u>
Total	<u>\$ 172,821</u>

Rent expense included in the statement of activities totaled \$86,608 and \$127,593 for the years ended June 30, 2017 and 2016, respectively.

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Notes to Financial Statements (Continued)

(27) Pending Litigation

The Diocese is party to several claims and litigations brought against entities that participate in the Property Insurance Program. These claims and litigations are at various stages of the legal process. Legal counsel has reviewed the lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Diocese in order to arrive at an estimate, if any, of the amount or range of potential loss. As a result of the review, various claims and litigations have been categorized as “reasonably possible,” or “remote” as defined by the standards. As of June 30, 2017, the total range of potential loss of claims with a reasonably possible likelihood of unfavorable outcome is \$3,972,000 to \$4,068,000.

As part of the self-insurance administration, each claim is assigned an estimated reserve which is included as part of the designated portion of the Property Insurance net asset balance. The excess insurance coverage within the Property Insurance Program is also available to settle potentially large claims.

(28) Reclassifications

Certain reclassifications have been made in the June 30, 2016 financial statements in order to be consistent with reporting in the current year. These reclassifications had no effect on previously reported net assets and results of operations in the statement of activities.

(29) Subsequent Events Review

The Diocese’s management has evaluated subsequent events through September 18, 2017, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Combining Statement of Financial Position  
June 30, 2017

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
<b>ASSETS</b>				
Cash	\$ 6,629,480	\$ -	\$ 300,000	\$ 6,929,480
Investments	17,433,913	7,144,314	8,924,370	33,502,597
Accounts receivable, net	371,409	297,343	222,886	891,638
Pledges receivable, net	24,129,471	-	-	24,129,471
Other receivables	273	-	-	273
Prepaid expenses and other assets	134,517	122,957	863,349	1,120,823
Notes receivable	1,912,443	-	-	1,912,443
Property and equipment, net	6,976,914	-	-	6,976,914
Total assets	<u>\$ 57,588,420</u>	<u>\$ 7,564,614</u>	<u>\$ 10,310,605</u>	<u>\$ 75,463,639</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Cash overdraft	\$ 325,823	\$ 474	\$ 5,653	\$ 331,950
Accounts payable	311,160	6,726	30,651	348,537
Accrued compensated absences payable	315,201	-	5,721	320,922
Deferred revenues	-	17,497	29,514	47,011
School state mandated services	846,172	-	-	846,172
Other liabilities	1,622,871	1,472,241	934,715	4,029,827
Lay persons other postretirement benefits payable	2,994,532	-	-	2,994,532
Priest other postretirement benefits payable	5,042,430	-	-	5,042,430
Unfunded pension liability - priests	3,178,336	-	-	3,178,336
Total liabilities	14,636,525	1,496,938	1,006,254	17,139,717
Net assets:				
Unrestricted-				
Designated for specific purposes	6,895,218	6,067,676	9,304,351	22,267,245
Undesignated	(4,951,360)	-	-	(4,951,360)
Total unrestricted net assets	1,943,858	6,067,676	9,304,351	17,315,885
Temporarily restricted	30,814,706	-	-	30,814,706
Permanently restricted	10,193,331	-	-	10,193,331
Total net assets	42,951,895	6,067,676	9,304,351	58,323,922
Total liabilities and net assets	<u>\$ 57,588,420</u>	<u>\$ 7,564,614</u>	<u>\$ 10,310,605</u>	<u>\$ 75,463,639</u>

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.  
Combining Statement of Activities  
Year Ended June 30, 2017

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
<b>Revenues:</b>				
Parish assessments	\$ 5,828,905	\$ -	\$ -	\$ 5,828,905
Bishop's Services Appeal	1,891,233	-	-	1,891,233
Capital Campaign	25,412,949	-	-	25,412,949
Property insurance premiums	-	-	4,823,291	4,823,291
Health insurance premiums	-	15,848,848	-	15,848,848
Investment income	666,987	287,985	829,705	1,784,677
Grant revenue	788,263	-	-	788,263
Donations and contributions	1,112,096	-	-	1,112,096
Other revenue	1,815,746	-	-	1,815,746
Total revenues	<u>37,516,179</u>	<u>16,136,833</u>	<u>5,652,996</u>	<u>59,306,008</u>
<b>Expenses and losses:</b>				
<b>Program services-</b>				
Seminarian expense	1,614,407	-	-	1,614,407
Religious personnel	1,323,635	-	-	1,323,635
Retired priests expense	(689,129)	-	-	(689,129)
Lay development and evangelization	1,642,959	-	-	1,642,959
Catholic education	744,314	-	-	744,314
Social services	1,737,316	-	-	1,737,316
Healthcare	-	16,331,966	-	16,331,966
Property liability insurance	-	-	4,987,891	4,987,891
Total program services	<u>6,373,502</u>	<u>16,331,966</u>	<u>4,987,891</u>	<u>27,693,359</u>
<b>Supporting services-</b>				
<b>Management and general:</b>				
Management and finance	907,874	-	-	907,874
Administrative	3,910,617	-	-	3,910,617
Diocesan assessments and contributions	218,431	-	-	218,431
Depreciation	571,095	-	-	571,095
<b>Fundraising:</b>				
Stewardship and development	260,108	-	-	260,108
Capital Campaign	8,076,922	-	-	8,076,922
Total support services	<u>13,945,047</u>	<u>-</u>	<u>-</u>	<u>13,945,047</u>
Total expenses	<u>20,318,549</u>	<u>16,331,966</u>	<u>4,987,891</u>	<u>41,638,406</u>
<b>Other expense:</b>				
Net realized and unrealized gain	14,808	-	-	14,808
Change in net assets	17,212,438	(195,133)	665,105	17,682,410
Net assets, beginning of year	<u>25,739,457</u>	<u>6,262,809</u>	<u>8,639,246</u>	<u>40,641,512</u>
Net assets, end of year	<u>\$ 42,951,895</u>	<u>\$ 6,067,676</u>	<u>\$ 9,304,351</u>	<u>\$ 58,323,922</u>

**INTERNAL CONTROL AND COMPLIANCE**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Brad E. Kolder, CPA, JD\*  
Stephen J. Anderson, CPA\*  
Penny Angelle Scruggins, CPA  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA  
Alan M. Taylor, CPA  
Albert R. Leger, CPA,PFS,CSA\*  
Marshall W. Guidry, CPA  
Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC\*\*  
James R. Roy, CPA  
Robert J. Metz, CPA  
Kelly M. Doucet, CPA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Jane R. Hebert, CPA  
Deidre L. Stock, CPA  
Karen V. Fontenot, CPA  
Tabby A. LeMay, CPA  
Seth C. Norris, CPA  
Shayne M. Breaux, CPA

\* A Professional Accounting Corporation

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

434 East Main Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

133 East Waddil St.  
Marksville LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

1428 Metro Drive  
Alexandria, LA 71301  
Phone (318) 442-4421  
Fax (318) 442-9833

WEB SITE  
[WWW.KCSRPCAS.COM](http://WWW.KCSRPCAS.COM)

Retired:  
Conrad O. Chapman, CPA\* 2006

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Bishop and the  
Diocesan Finance Board  
Society of the Roman Catholic Church  
of the Diocese of Lafayette, Inc.  
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Diocese's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 18, 2017

SOCIETY OF THE ROMAN CATHOLIC CHURCH  
OF THE DIOCESE OF LAFAYETTE, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended June 30, 2017

Fiscal Year Finding Initially Ref. No.	Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
---	----------	------------------------	-------------------------------	---------------------------	------------------------------	--------------------

CURRENT YEAR (6/30/17) --

There were no findings noted.

PRIOR YEAR (6/30/16) --

There were no findings noted.