

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

Financial Report

For The Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S 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, 2018 and 2017, 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.

Auditor's 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 December 7, 2018, 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, SLAVEN & COMPANY, LLC
Certified Public Accountants

Lafayette, Louisiana
December 7, 2018

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

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 1,046,532	\$ 6,929,480
Investments	38,977,211	33,502,597
Accounts receivable, net	540,869	891,638
Pledges receivable, net	18,166,845	24,129,471
Other receivables	12,112	273
Prepaid expenses and other assets	1,041,240	1,120,823
Notes receivable	1,863,731	1,912,443
Property and equipment, net	6,743,956	6,976,914
Total assets	\$ 68,392,496	\$ 75,463,639
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash overdraft	\$ 433,323	\$ 331,950
Accounts payable	246,598	348,537
Accrued compensated absences payable	311,477	320,922
Unearned revenue	21,210	47,011
School state mandated services	806,374	846,172
Other liabilities	2,669,010	4,029,827
Other postretirement benefits payable - lay persons	3,114,280	2,994,532
Other postretirement benefits payable - priests	5,757,678	5,042,430
Unfunded pension liability - priests	-	3,178,336
Total liabilities	13,359,950	17,139,717
Net assets:		
Unrestricted-		
Designated for specific purposes	23,177,605	22,267,245
Undesignated deficit	(3,370,724)	(4,951,360)
Total unrestricted net assets	19,806,881	17,315,885
Temporarily restricted	21,997,688	30,814,706
Permanently restricted	13,227,977	10,193,331
Total net assets	55,032,546	58,323,922
Total liabilities and net assets	\$ 68,392,496	\$ 75,463,639

See notes to financial statements.

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

Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Parish assessments	\$ 5,878,607	\$ -	\$ -	\$ 5,878,607
Bishop's Services Appeal	1,676,647	-	-	1,676,647
Capital Campaign	-	1,591,891	950	1,592,841
Property insurance premiums	4,860,161	-	-	4,860,161
Health insurance premiums	15,548,802	-	-	15,548,802
Investment income	1,397,990	549,253	-	1,947,243
Grant revenue	-	664,774	-	664,774
Donations and contributions	303,015	83,349	676,401	1,062,765
Other revenues	1,521,743	-	-	1,521,743
Total revenues prior to release from restrictions	31,186,965	2,889,267	677,351	34,753,583
Net assets released from restrictions	9,359,165	(11,716,460)	2,357,295	-
Total revenues	<u>40,546,130</u>	<u>(8,827,193)</u>	<u>3,034,646</u>	<u>34,753,583</u>
Expenses and losses:				
Program services-				
Seminarian expense	1,419,864	-	-	1,419,864
Religious personnel	1,417,785	-	-	1,417,785
Retired priests	(2,755,560)	-	-	(2,755,560)
Lay development and evangelization	1,412,815	-	-	1,412,815
Catholic education	742,181	-	-	742,181
Social services	1,702,830	-	-	1,702,830
Healthcare	15,715,825	-	-	15,715,825
Property liability insurance	4,849,130	-	-	4,849,130
Total program services	<u>24,504,870</u>	<u>-</u>	<u>-</u>	<u>24,504,870</u>
Support services-				
Management and general:				
Management and finance	889,933	-	-	889,933
Administrative	3,804,174	-	-	3,804,174
Diocesan assessments and contributions	222,199	-	-	222,199
Depreciation	569,188	-	-	569,188
Fundraising:				
Stewardship and development	290,806	-	-	290,806
Capital Campaign	7,773,964	-	-	7,773,964
Total support services	<u>13,550,264</u>	<u>-</u>	<u>-</u>	<u>13,550,264</u>
Total expenses	<u>38,055,134</u>	<u>-</u>	<u>-</u>	<u>38,055,134</u>
Other income:				
Net realized and unrealized gain	-	10,175	-	10,175
Change in net assets	2,490,996	(8,817,018)	3,034,646	(3,291,376)
Net assets, beginning of year	<u>17,315,885</u>	<u>30,814,706</u>	<u>10,193,331</u>	<u>58,323,922</u>
Net assets, end of year	<u>\$ 19,806,881</u>	<u>\$ 21,997,688</u>	<u>\$ 13,227,977</u>	<u>\$ 55,032,546</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
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>
Expenses and losses:				
Program services-				
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>
Support services-				
Management and general:				
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
Fundraising:				
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>
Other income:				
Net realized and unrealized gain	-	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.

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,291,376)	\$17,682,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	569,188	571,095
Loss on sale of property and equipment	4,952	-
Bad debt expense (recovery)	(324,950)	3,824,578
Decrease in accounts receivable	350,769	12,571
(Increase) decrease in pledges receivable	6,287,576	(17,436,208)
(Increase) decrease in other receivables	(11,839)	13,346
(Increase) decrease in prepaid expenses and other assets	79,583	(31,599)
Increase (decrease) in cash overdraft	101,373	(442,861)
Decrease in accounts payable	(101,939)	(189,791)
Increase (decrease) in unearned revenue	(25,801)	24,995
Decrease in school state mandated services	(39,798)	(426,025)
Increase (decrease) in other liabilities	(1,370,262)	1,153,608
Increase in other postretirement benefits payable	834,996	669,735
Decrease in unfunded pension liability	(3,178,336)	(1,435,247)
Net realized and unrealized gain on investments	(10,175)	(14,808)
Contributions restricted for permanent investment	(3,034,646)	(1,543,252)
Investment income, grants and contributions temporarily restricted	8,827,192	(18,441,635)
Net cash provided by (used in) operating activities	5,666,507	(16,009,088)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(329,025)	(441,863)
Proceeds from sale of property and equipment	7,000	-
Net change in work in progress	(19,157)	134,980
Mission Diocese Fund investment	(911)	(776)
Proceeds from disposition of security interest in LWCC Loss Fund	60,000	-
Net increase to investment in CDLP	(5,523,528)	(287,054)
Decrease in notes receivable	48,712	4,136
Net cash used in investing activities	(5,756,909)	(590,577)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent and temporary investment:		
Permanently restricted endowments	3,034,646	1,543,252
Investment income, grants and contributions temporarily restricted	(8,827,192)	18,441,635
Net cash provided by (used in) investing activities	(5,792,546)	19,984,887
Net change in cash	(5,882,948)	3,385,222
Cash at beginning of year	6,929,480	3,544,258
Cash at end of year	\$ 1,046,532	\$ 6,929,480

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 Charities of Acadiana, Inc., Catholic Foundation, The Diocese of Lafayette Priests' Welfare Trust, 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, 2018 and 2017. 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 over an eighteen-month period 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, 2018 and 2017, 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.

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, 2018 and 2017, 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 \$5,102,103 and \$6,748,294 as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 \$4,310 and \$5,250 for the years ended June 30, 2018 and 2017, 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, 2018:		
Investment in CDLP	\$ 38,747,970	\$ 38,747,970
Investment in Mission Diocese Fund	100,000	138,024
National Catholic Risk Retention Group, Inc. ("NCRRG") stock	<u>91,217</u>	<u>91,217</u>
Total investments	<u>\$ 38,939,187</u>	<u>\$ 38,977,211</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>

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, 2018 and 2017 is as follows:

	2018	2017
Interest income from CDLP investments and bonds	\$ 1,600,395	1,346,327
Dividends - Louisiana Workers' Compensation Corporation	346,848	438,350
Net realized and unrealized gains on investments	10,175	14,808
Net investment return	\$ 1,957,418	\$ 1,799,485

The investment in CDLP includes assets which are permanently restricted for endowments of \$13,089,952 and \$10,093,331 as of June 30, 2018 and 2017, respectively. The investment in Mission Diocese Fund includes \$100,000 permanently restricted for the Diocesan Seminary Endowment as of June 30, 2018 and 2017.

(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, 2018 and 2017.

The following table sets forth by level, within the fair value hierarchy, the Diocese's investments at fair value as of June 30, 2018 and 2017:

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

Notes to Financial Statements (Continued)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2018:				
Investment in CDLP	\$ 38,747,970	\$ -	\$ -	\$ 38,747,970
Investment in Mission Diocese Fund	138,024	-	138,024	-
NCRRG stock	<u>91,217</u>	<u>-</u>	<u>91,217</u>	<u>-</u>
Total investments	<u>\$ 38,977,211</u>	<u>\$ -</u>	<u>\$ 229,241</u>	<u>\$ 38,747,970</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	126,938	-	126,938	-
NCRRG stock	<u>91,217</u>	<u>-</u>	<u>91,217</u>	<u>-</u>
Total investments	<u>\$ 33,502,597</u>	<u>\$ -</u>	<u>\$ 278,155</u>	<u>\$ 33,224,442</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 33,224,442	\$ 32,937,388
Add: deposits	35,142,815	34,262,740
Add: interest income	1,599,306	1,345,551
Withdrawals	<u>(31,218,593)</u>	<u>(35,321,237)</u>
Balance, end of year	<u>\$ 38,747,970</u>	<u>\$ 33,224,442</u>

(4) Accounts Receivable, Net

Accounts receivable consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Property liability insurance premiums	\$ 160,415	\$ 222,886
Health insurance premiums	89,108	26,927
Healthcare reinsurance receivable	35,317	270,416
Grants receivable	19,406	35,175
Assessment income receivable	255,456	314,954
Less: assessment credits	(57,788)	(36,564)
Community development projects	9,000	12,000
Other	<u>29,955</u>	<u>45,844</u>
Total	<u>\$ 540,869</u>	<u>\$ 891,638</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 2018 and 2017:

	2018	2017
Capital Campaign pledges receivable:		
Receivable within one year	\$ 7,080,321	\$ 7,074,548
Receivable in one to five years	18,430,195	26,666,922
Gross pledges receivable	25,510,516	33,741,470
Less: unamortized discount	(2,241,568)	(2,863,705)
Pledges receivable, net of unamortized discount	23,268,948	30,877,765
Less: allowance for uncollectible pledges	(5,102,103)	(6,748,294)
Pledges receivable, net	\$ 18,166,845	\$ 24,129,471

Included in Capital Campaign revenues is the amortization of discount on pledges receivable of \$622,136 and \$246,978 for the years ended June 30 2018 and 2017, respectively.

(6) Prepaid Expenses and Other Assets

The balance in prepaid expenses and other assets of \$1,041,240 and \$1,120,823 as of June 30, 2018 and 2017, 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, Inc. taking back a note in the amount of \$1,561,572, plus accrued interest of \$302,159, which was donated to the Diocese of Lafayette as a single indebtedness of \$1,863,731. The first phase of the project was refinanced in November 2015 and the financing arrangement required Village du Lac, Inc. to make a reimbursable capital contribution to Rue du Lac, LLC. As part of the refinancing, the above note plus accrued interest was paid in full to the Diocese of Lafayette, who in turn made a non-interest bearing loan to Village du Lac, Inc., which provided the equity needed for the capital contribution to Rue du Lac, LLC.

Notes receivable of \$1,863,731 and \$1,912,443 as of June 30, 2018 and 2017, respectively, maturing December 1, 2039, bear no interest. Repayment of the indebtedness will come from Village du Lac, Inc., as and when it receives its capital reimbursed through excess cash flow of the project from Rue du Lac, LLC. 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, 2018 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, 2018 and 2017:

	2018	2017
Land	\$ 1,247,935	\$ 1,217,935
Buildings and improvements	11,797,209	11,530,412
Furniture, fixtures and equipment	2,501,943	2,506,565
Computer equipment and software	305,018	305,018
	15,852,105	15,559,930
Less: accumulated depreciation	(9,127,572)	(8,583,282)
Total depreciable assets	6,724,533	6,976,648
Work in progress	19,423	266
Total	\$ 6,743,956	\$ 6,976,914

Total depreciation expense for the years ended June 30, 2018 and 2017 was \$569,188 and \$571,095, 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 \$433,323 and \$331,950 as of June 30, 2018 and 2017, respectively.

(10) Other Liabilities

Other liabilities as of June 30, 2018 and 2017 consisted of the following:

	2018	2017
Accrued health insurance claims	\$1,072,446	\$1,455,928
Due to parishes for share of Capital Campaign collections	619,881	1,049,083
Accrued property insurance claims	335,166	934,715
Accrued payroll liabilities	33,705	33,705
External priest liability	256,198	216,210
Other	351,614	340,186
Total	\$2,669,010	\$4,029,827

(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
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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, 2018 and 2017:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2018:			
Accumulated benefit obligation, beginning of year	\$ 9,066,753	\$ 4,060,329	\$ 13,127,082
Service and interest cost	699,854	227,304	927,158
Actuarial adjustments	3,606,357	(692,184)	2,914,173
Benefits paid	<u>(263,782)</u>	<u>(192,562)</u>	<u>(456,344)</u>
Accumulated benefit obligation, end of year	<u>\$ 13,109,182</u>	<u>\$ 3,402,887</u>	<u>\$ 16,512,069</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
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>

Funded status and funding progress: As of June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2018:			
Funded status	\$ 13,109,182	\$ 3,402,887	\$ 16,512,069
Unrecognized actuarial net loss	<u>(7,351,504)</u>	<u>(288,607)</u>	<u>(7,640,111)</u>
Net accrued benefit obligation	<u>\$ 5,757,678</u>	<u>\$ 3,114,280</u>	<u>\$ 8,871,958</u>
June 30, 2017:			
Funded status	\$ 9,066,753	\$ 4,060,329	\$ 13,127,082
Unrecognized actuarial net loss	<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>

The discount rates used in determining the OPEB obligation was 4.14% for priests and 3.95% for lay persons for the year ended June 30, 2018, and 3.66%, for priests, and 3.19% for lay persons for the year ended June 30, 2017. The assumed cost trend rate used was 5.0% for each of the years ended June 30, 2018 and 2017.

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, 2018:

	Priests	Lay Persons	Total
2019	\$ 452,010	\$ 228,900	\$ 680,910
2020	459,600	227,766	687,366
2021	466,148	226,288	692,436
2022	464,158	218,001	682,159
2023	454,794	228,349	683,143
2024-2028	2,535,604	1,153,587	3,689,191

(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 Priests' Welfare Trust, a separate trust established in 2008, holds the assets of the priest retirement plan. As of June 30, 2018, and 2017, the unfunded portion of the pension liability amounted to \$0 and \$3,178,336 respectively and was 104% and 82% funded, respectively. This resulted in a decrease in the pension liability of \$3,178,336 and \$1,435,247, which is reflected in retired priests program expenses in the statement of activities for the years ended June 30, 2018 and 2017, respectively. The Diocese contributed \$3,786,894 and \$298,156 to the Priests' Welfare Trust for the years ended June 30, 2018 and 2017, respectively. These contributions were funded by Capital Campaign case element allocations in 2018 and General Fund unrestricted funds in 2017.

(13) Lay Person's Retirement Plan

Under a defined contribution 403 (b) (9) retirement plan, the Diocese contributes 8% of lay person's eligible compensation. Employer contributions to the plan were \$262,554 and \$304,390 for the years ended June 30, 2018 and 2017, respectively.

(14) Net Assets Undesignated Deficit

As of June 30, 2018 and 2017, respectively, net assets undesignated amounted to deficit balances of \$3,370,724 and \$4,951,360. The deficit balance in 2018 and 2017 was a result of both a decrease in anticipated assessment and Bishop Services Appeals revenues in prior years, as well as unfunded expenses associated with the Centennial Capital Campaign. Expenses incurred for the funding of the Centennial Capital Campaign totaled \$3,398,703 (\$213,307 during 2018, \$1,861,307 during 2017, and \$1,324,089 during 2016) and will only be recouped if receipts of the Campaign are above the goal of \$42,500,000. Funding of the deficit, beginning in 2018, includes 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
OF THE DIOCESE OF LAFAYETTE, INC.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Msgr. Fusilier Scholarship Endowment	\$ 263,500	\$ 263,500
Information Technology	269,435	258,715
Parish Preservation Fund	619,335	609,665
Capital fund	661,848	836,857
Hurricane fund	3,899	3,744
Msgr. Viglerio fund	104,181	99,700
Bishop's designated fund	37,152	43,691
Consolata	2,537,368	2,532,439
Holy Rosary Institute	69,026	-
Community Development	520,277	499,578
Diocesan Seminary Endowment	1,747,328	1,747,328
Health insurance	6,222,295	6,067,676
Property insurance	10,121,961	9,304,351
	<u>\$ 23,177,605</u>	<u>\$ 22,267,244</u>

(16) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Diocesan Seminary Endowment	\$ -	\$ 146,059
Rev. George Simon Education Endowment	117,403	91,096
Msgr. Fusilier Scholarship Endowment	131,727	122,296
School Teacher Endowment	143,481	133,272
Perpetual Mass Endowment	9,555	8,315
St Bryant Parish Endowment	12,493	11,790
J.W. Matt Educational Endowment	43,801	42,531
Fusilier Continuing Education Endowment	24,115	11,699
Capital Campaign Seminary Endowment	-	19,026
Disaster relief funds	-	444,920
Centennial Celebration 2018	30,500	23,500
Christian formation	-	1,485
Music ministry	4,078	4,078
Deaf Action Center	10,000	10,000
Foundation and evangelization grants	90,236	52,672
Capital Campaign - uncollected pledges	18,166,845	24,129,471
Capital Campaign - restricted for case element allocation	3,213,454	5,562,496
	<u>\$ 21,997,688</u>	<u>\$ 30,814,706</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Diocesan Seminary Endowment	\$ 5,008,247	\$ 4,898,460
Rev. George Simon Education Endowment	781,114	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	3,953,755	2,001,940
Capital Campaign - Matthew 25 Endowment	<u>824,532</u>	<u>418,102</u>
	<u>\$13,227,977</u>	<u>\$ 10,193,331</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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Grants	\$ 538,260	\$ 696,518
Flood relief	550,599	542,777
Centennial celebration	59,618	-
Christian formation	1,485	521
J.W. Matt Educational Endowment	14,948	13,973
Msgr. Fusilier Scholarship Endowment	81,539	71,612
Fusilier Continuing Education Endowment	10,633	10,492
Diocesan Seminary Endowment	445,397	131,065
Capital Campaign Seminary Endowment	96,029	-
Capital Campaign - parish share of contributions received	2,316,813	2,405,504
Capital Campaign - external case element disbursements	5,586,894	-
Capital Campaign - case element transfers to endowments	2,357,295	-
Capital Campaign - write off (recovery) of uncollectible pledges	<u>(343,050)</u>	<u>3,810,111</u>
	<u>\$ 11,716,460</u>	<u>\$ 7,682,573</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, 2018 and 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018:			
Donor-restricted funds	<u>\$ 21,997,688</u>	<u>\$ 13,227,977</u>	<u>\$ 35,225,665</u>
June 30, 2017:			
Donor-restricted funds	<u>\$ 30,814,706</u>	<u>\$ 10,193,331</u>	<u>\$ 41,008,037</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, 2018 and 2017:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018:			
Net assets, beginning of year	\$ 30,814,706	\$ 10,193,331	\$ 41,008,037
Capital Campaign revenue	1,591,891	950	1,592,841
Grant revenue	664,774	-	664,774
Investment return:			
Interest income on endowments	549,253	-	549,253
Net realized and unrealized gain	10,175	-	10,175
Donor-restricted contributions	83,349	676,401	759,750
Net assets released from restriction:			
Capital Campaign	(9,917,952)	2,357,295	(7,560,657)
Grant expenses	(538,260)	-	(538,260)
Flood relief	(550,599)	-	(550,599)
Interest on endowments	(648,546)	-	(648,546)
Other	(61,103)	-	(61,103)
Net assets, end of year	<u>\$ 21,997,688</u>	<u>\$ 13,227,977</u>	<u>\$ 35,225,665</u>
	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017:			
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>

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 \$290,806 and \$260,108 for the years ended June 30, 2018 and 2017, 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:

	2018	2017
Capital Campaign fundraising office	\$ 213,307	\$ 1,861,307
Parish share of contributions received	2,316,813	2,405,504
Case element disbursements to external agencies	5,586,894	-
Bad debt expense (recovery)	(343,050)	3,810,111
Total	\$ 7,773,964	\$ 8,076,922

(23) Self-Insurance Programs

As of June 30, 2018 and 2017, 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, 2018 and 2017, respectively, and an unlimited lifetime deductible, as of June 30, 2018 and 2017. 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, 2018 and 2017, the minimum annual aggregate deductible was \$17,851,709 and \$17,626,001, 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, 2018 and 2017.

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 \$58,468 and \$424,330 as of June 30, 2018 and 2017, 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, 2018 and 2017, the Diocese had invested with the CDLP an amount of \$38,747,970 and \$33,224,442, 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)

	2018	2017
Total assets	\$ 135,077,541	\$ 121,849,669
Total liabilities	\$ 102,647,406	\$ 94,651,964
Total net assets	32,430,135	27,197,705
Total liabilities and net assets	\$ 135,077,541	\$ 121,849,669
Revenues	9,474,295	11,369,896
Expenses	4,241,865	3,798,039
Change in net assets	\$ 5,232,430	\$ 7,571,857

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 \$249,523 and \$249,813 as of June 30, 2018 and 2017, respectively, for property liability and healthcare insurance premiums due from schools and church parishes. In addition, accounts receivable in the amount of \$197,668 and \$278,390 as of June 30, 2018 and 2017, 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 March, 2019 through September, 2022.

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

2019	\$ 46,872
2020	27,315
2021	22,731
2022	20,512
2023	5,128
Total	\$ 122,558

Rent expense included in the statement of activities totaled \$86,979 and \$86,608 for the years ended June 30, 2018 and 2017, 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, 2018, the total range of potential loss of claims with a reasonably possible likelihood of unfavorable outcome is \$975,000 to \$1,950,000.

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) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. As revised, the requirements will be effective for the Diocese year ending June 30, 2020. The effect of implementation of this update on the Diocese’s financial statements has not yet been determined.

The FASB has issued ASU 2016-14, Not-for-Profit Entities (Topic 958): “Presentation of Financial Statements of Not-for-Profit Entities”. The requirements are effective for the Diocese year ending June 30, 2019. Implementation of this update will change the classification of net assets from three groups: permanently restricted, temporarily restricted and unrestricted; to two groups: net assets with donor restrictions, and net assets without donor restrictions. In addition, the update requires a reporting of expenses by their natural expense classification (such as salaries, rent, etc.) as well as their functional classification (program services and support services) on the face of the statement of activities, as a schedule in the notes to the financial statements, or in a separate financial statement.

(29) Subsequent Events Review

The Diocese’s management has evaluated subsequent events through December 7, 2018, 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, 2018

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
ASSETS				
Cash	\$ 1,046,532	\$ -	\$ -	\$ 1,046,532
Investments	22,298,969	7,159,708	9,518,534	38,977,211
Accounts receivable, net	256,029	124,425	160,415	540,869
Pledges receivable, net	18,166,845	-	-	18,166,845
Other receivables	12,112	-	-	12,112
Prepaid expenses and other assets	150,533	17,750	872,957	1,041,240
Notes receivable	1,863,731	-	-	1,863,731
Property and equipment, net	6,743,956	-	-	6,743,956
 Total assets	 \$ 50,538,707	 \$ 7,301,883	 \$ 10,551,906	 \$ 68,392,496
LIABILITIES AND NET ASSETS				
Liabilities:				
Cash overdraft	\$ 376,687	\$ -	\$ 56,636	\$ 433,323
Accounts payable	227,883	7,142	11,573	246,598
Accrued compensated absences payable	306,117	-	5,360	311,477
Unearned revenue	-	-	21,210	21,210
School state mandated services	806,374	-	-	806,374
Other liabilities	1,261,398	1,072,446	335,166	2,669,010
Lay persons other postretirement benefits payable	3,114,280	-	-	3,114,280
Priest other postretirement benefits payable	5,757,678	-	-	5,757,678
 Total liabilities	 11,850,417	 1,079,588	 429,945	 13,359,950
Net assets:				
Unrestricted-				
Designated for specific purposes	6,833,349	6,222,295	10,121,961	23,177,605
Undesignated deficit	(3,370,724)	-	-	(3,370,724)
Total unrestricted net assets	3,462,625	6,222,295	10,121,961	19,806,881
Temporarily restricted	21,997,688	-	-	21,997,688
Permanently restricted	13,227,977	-	-	13,227,977
Total net assets	38,688,290	6,222,295	10,121,961	55,032,546
 Total liabilities and net assets	 \$ 50,538,707	 \$ 7,301,883	 \$ 10,551,906	 \$ 68,392,496

SOCIETY OF THE ROMAN CATHOLIC CHURCH
OF THE DIOCESE OF LAFAYETTE, INC.
Combining Statement of Activities
Year Ended June 30, 2018

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
Revenues:				
Parish assessments	\$ 5,878,607	\$ -	\$ -	\$ 5,878,607
Bishop's Services Appeal	1,676,647	-	-	1,676,647
Capital Campaign	1,592,841	-	-	1,592,841
Property insurance premiums	-	-	4,860,161	4,860,161
Health insurance premiums	-	15,548,802	-	15,548,802
Investment income	819,022	321,642	806,579	1,947,243
Grant revenue	664,774	-	-	664,774
Donations and contributions	1,062,765	-	-	1,062,765
Other revenue	<u>1,521,743</u>	<u>-</u>	<u>-</u>	<u>1,521,743</u>
Total revenues	<u>13,216,399</u>	<u>15,870,444</u>	<u>5,666,740</u>	<u>34,753,583</u>
Expenses and losses:				
Program services-				
Seminarian expense	1,419,864	-	-	1,419,864
Religious personnel	1,417,785	-	-	1,417,785
Retired priests expense	(2,755,560)	-	-	(2,755,560)
Lay development and evangelization	1,412,815	-	-	1,412,815
Catholic education	742,181	-	-	742,181
Social services	1,702,830	-	-	1,702,830
Healthcare	-	15,715,825	-	15,715,825
Property liability insurance	<u>-</u>	<u>-</u>	<u>4,849,130</u>	<u>4,849,130</u>
Total program services	<u>3,939,915</u>	<u>15,715,825</u>	<u>4,849,130</u>	<u>24,504,870</u>
Supporting services-				
Management and general:				
Management and finance	889,933	-	-	889,933
Administrative	3,804,174	-	-	3,804,174
Diocesan assessments and contributions	222,199	-	-	222,199
Depreciation	569,188	-	-	569,188
Fundraising:				
Stewardship and development	290,806	-	-	290,806
Capital Campaign	<u>7,773,964</u>	<u>-</u>	<u>-</u>	<u>7,773,964</u>
Total support services	<u>13,550,264</u>	<u>-</u>	<u>-</u>	<u>13,550,264</u>
Total expenses	<u>17,490,179</u>	<u>15,715,825</u>	<u>4,849,130</u>	<u>38,055,134</u>
Other income:				
Net realized and unrealized gain	<u>10,175</u>	<u>-</u>	<u>-</u>	<u>10,175</u>
Change in net assets	(4,263,605)	154,619	817,610	(3,291,376)
Net assets, beginning of year	<u>42,951,895</u>	<u>6,067,676</u>	<u>9,304,351</u>	<u>58,323,922</u>
Net assets, end of year	<u>\$ 38,688,290</u>	<u>\$ 6,222,295</u>	<u>\$ 10,121,961</u>	<u>\$ 55,032,546</u>

INTERNAL CONTROL AND COMPLIANCE

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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, 2018 and 2017, 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 December 7, 2018.

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, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 7, 2018

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, 2018

Fiscal Year Finding Initially Ref. No.	Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
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CURRENT YEAR (6/30/18) --

There were no findings noted.

PRIOR YEAR (6/30/17) --

There were no findings noted.