

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

Financial Report

For The Years Ended June 30, 2019 and 2018

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities:	
Year ended June 30, 2019	4
Year ended June 30, 2018	5
Statements of cash flows	6
Notes to financial statements	7 - 29
SUPPLEMENTARY INFORMATION	
Combining statement of financial position	31
Combining statement of activities	32
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>	34-35
Summary schedule of current and prior year audit findings and mangement's corrective action plan	36

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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, 2019 and 2018, 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 audits. We conducted our audits 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 auditor's 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 26 to the financial statements, the Society of the Roman Catholic Church of the Diocese of Lafayette, Inc. implemented the provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 31-32 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 October 9, 2019 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
October 9, 2019

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

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 1,447,198	\$ 1,046,532
Investments	39,285,640	38,977,211
Accounts receivable, net	1,071,959	540,869
Pledges receivable, net	13,055,388	18,166,845
Other receivables	17,099	12,113
Prepaid expenses and other assets	1,161,804	1,041,240
Notes receivable	1,820,858	1,863,731
Property and equipment, net	6,811,356	6,743,956
Total assets	\$ 64,671,302	\$ 68,392,497
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash overdraft	\$ 236,152	\$ 433,323
Accounts payable	219,176	246,598
Accrued compensated absences payable	290,523	311,477
Unearned revenue	158,060	21,210
School state mandated services	746,690	806,374
Other liabilities	2,842,733	2,669,010
Other postretirement benefits payable - lay persons	3,150,899	3,114,280
Other postretirement benefits payable - priests	6,714,714	5,757,678
Unfunded pension liability - priests	3,509,640	-
Total liabilities	17,868,587	13,359,950
Net assets:		
Without donor restrictions -		
Designated for specific purposes	22,081,479	23,177,606
Undesignated deficit	(7,954,725)	(3,370,724)
Total net assets without donor restrictions	14,126,754	19,806,882
With donor restrictions	32,675,961	35,225,665
Total net assets	46,802,715	55,032,547
Total liabilities and net assets	\$ 64,671,302	\$ 68,392,497

See notes to financial statements.

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

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Parish assessments	\$ 5,626,125	\$ -	\$ 5,626,125
Bishop's Services Appeal	1,836,295	-	1,836,295
Capital Campaign	-	940,004	940,004
Property insurance premiums	4,823,872	-	4,823,872
Health insurance premiums	15,302,430	-	15,302,430
Grant revenue	-	630,717	630,717
Donations and contributions	728,559	116,202	844,761
Other revenues	1,874,332	-	1,874,332
Investment income	739,375	364,055	1,103,430
Total revenues prior to release from restrictions	30,930,988	2,050,978	32,981,966
Net assets released from restrictions	4,600,682	(4,600,682)	-
Total revenues	35,531,670	(2,549,704)	32,981,966
Expenses and losses:			
Program services-			
Seminarian expense	1,330,315	-	1,330,315
Religious personnel	1,746,864	-	1,746,864
Retired priests	3,936,764	-	3,936,764
Lay development and evangelization	1,517,714	-	1,517,714
Catholic education	841,742	-	841,742
Social services	1,531,377	-	1,531,377
Healthcare	16,129,475	-	16,129,475
Property liability insurance	5,001,330	-	5,001,330
Total program services	32,035,581	-	32,035,581
Support services-			
Management and general:			
Management and finance	880,420	-	880,420
Administrative	3,367,784	-	3,367,784
Diocesan assessments and contributions	224,091	-	224,091
Depreciation	582,207	-	582,207
Fundraising:			
Stewardship and development	523,198	-	523,198
Capital Campaign	3,598,517	-	3,598,517
Total support services	9,176,217	-	9,176,217
Total expenses	41,211,798	-	41,211,798
Change in net assets	(5,680,128)	(2,549,704)	(8,229,832)
Net assets, beginning of year	19,806,882	35,225,665	55,032,547
Net assets, end of year	\$ 14,126,754	\$ 32,675,961	\$ 46,802,715

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

	Without Donor Restrictions	With Donor Restrictions	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
Grant revenue	-	664,774	664,774
Donations and contributions	303,015	759,750	1,062,765
Other revenues	1,521,743	-	1,521,743
Investment income	1,397,990	559,428	1,957,418
Total revenues prior to release from restrictions	31,186,965	3,576,793	34,763,758
Net assets released from restrictions	9,359,165	(9,359,165)	-
Total revenues	40,546,130	(5,782,372)	34,763,758
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	24,504,870	-	24,504,870
Support services-			
Management and general:			
Management and finance	889,933	-	889,933
Administrative	3,799,270	-	3,799,270
Diocesan assessments and contributions	222,199	-	222,199
Depreciation	569,188	-	569,188
Fundraising:			
Stewardship and development	295,710	-	295,710
Capital Campaign	7,773,964	-	7,773,964
Total support services	13,550,264	-	13,550,264
Total expenses	38,055,134	-	38,055,134
Change in net assets	2,490,996	(5,782,372)	(3,291,376)
Net assets, beginning of year	17,315,886	41,008,037	58,323,923
Net assets, end of year	\$ 19,806,882	\$ 35,225,665	\$ 55,032,547

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,229,832)	\$ (3,291,376)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	582,207	569,188
Net realized and unrealized gain on investments	(2,632)	(10,175)
Loss on sale of property and equipment	-	4,952
Bad debt recovery, net	(91,960)	(324,950)
(Increase) decrease in accounts receivable	(531,090)	350,769
Decrease in pledges receivable	5,203,417	6,287,576
Increase in other receivables	(4,986)	(11,839)
(Increase) decrease in prepaid expenses and other assets	(120,564)	79,583
Increase (decrease) in cash overdraft	(197,171)	101,373
Decrease in accounts payable	(27,422)	(101,939)
Increase (decrease) in unearned revenue	136,850	(25,801)
Decrease in school state mandated services	(59,684)	(39,798)
Increase (decrease) in other liabilities	152,769	(1,370,262)
Increase in other postretirement benefits payable	993,655	834,996
Increase (decrease) in unfunded pension liability	3,509,640	(3,178,336)
Contributions and interest restricted for long-term purposes	<u>(2,240,947)</u>	<u>(3,579,683)</u>
Net cash used in operating activities	<u>(927,750)</u>	<u>(3,705,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(559,753)	(329,025)
Proceeds from sale of property and equipment	-	7,000
Net change in work in progress	(89,854)	(19,157)
Mission Diocese Fund	(1,185)	(911)
Proceeds from disposition of security interest in LWCC Loss Fund	-	60,000
Net increase in investment in CDLP	(304,612)	(5,523,528)
Decrease in notes receivable	<u>42,873</u>	<u>48,712</u>
Net cash used in investing activities	<u>(912,531)</u>	<u>(5,756,909)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes:		
Contributions restricted to endowments	55,448	677,352
Collection of pledges allocated to endowments	1,821,444	2,357,295
Interest on contributions restricted for long-term purposes	<u>364,055</u>	<u>545,036</u>
Net cash provided by financing activities	<u>2,240,947</u>	<u>3,579,683</u>
Net change in cash	400,666	(5,882,948)
Cash at beginning of year	<u>1,046,532</u>	<u>6,929,480</u>
Cash at end of year	<u>\$ 1,447,198</u>	<u>\$ 1,046,532</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 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, 2019 and 2018. 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:

Net assets without donor restrictions - Net assets which are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will either (1) expire by incurring expenses satisfying the restricted purpose (purpose restricted), and/or the passage of time (time restricted), or (2) will never expire (perpetual in nature). When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 net assets with donor restrictions.

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, 2019 and 2018, 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 revenues with donor restrictions (time restricted) 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, 2019 and 2018, 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 \$3,668,705 and \$5,102,103 as of June 30, 2019 and 2018, 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. 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

Contributions are recognized when the donor makes a commitment to give to the Diocese. 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 increases to net assets with donor restrictions. Donated services are recorded when 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. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

I. Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Expenses are readily identifiable to a single program or activity and are charged directly to that function.

J. 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.

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

Notes to Financial Statements (Continued)

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, 2019 and 2018, 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.

K. 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. As of June 30, 2019 and 2018, the accrued compensated absences amounted to \$290,523 and \$311,477, 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.

M. Reclassifications

For comparative purposes, certain accounts in the prior year financial statements have been reclassified in order to conform to the presentation of the current year financial statements.

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

Notes to Financial Statements (Continued)

(2) Liquidity and Availability of Financial Assets

The following reflects the Diocese's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of time, donor or internally-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,447,198	\$ 1,046,532
Investments	39,285,640	38,977,211
Accounts, notes and other receivables	2,909,916	2,416,713
Pledges receivable, net	13,055,388	18,166,845
Less: those unavailable for general expenditures within one year, due to:		
Notes receivable maturing December 2039	(1,820,858)	(1,863,731)
Pledges receivable, net restricted for case element allocation	(13,055,388)	(18,166,845)
Restricted by donors in perpetuity	(15,125,393)	(13,227,977)
Restricted by donors for specific purposes	(4,132,387)	(3,348,268)
Others restricted by spending policy and appropriation	(362,793)	(482,575)
Board designations	<u>(22,081,479)</u>	<u>(23,177,606)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 119,844</u>	<u>\$ 340,299</u>

The Diocese had financial assets available within one year to meet cash needs for general expenditures of \$119,844 and \$340,299 as of June 30, 2019 and 2018, respectively. As part of the Organization's liquidity management, the Diocese has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation become due.

(3) Investments

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

	<u>Cost</u>	<u>Fair Value</u>
June 30, 2019:		
Investment in CDLP	\$ 39,052,582	\$ 39,052,582
Investment in Mission Diocese Fund	100,000	141,841
National Catholic Risk Retention Group, Inc. ("NCRRG") stock	<u>91,217</u>	<u>91,217</u>
Total investments	<u>\$ 39,243,799</u>	<u>\$ 39,285,640</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>

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, 2019 and 2018 and its classification in the statement of activities is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019:			
Interest income from CDLP investments	\$ 539,613	\$ 361,423	\$ 901,036
Dividend income from Louisiana Workers' Compensation Corporation	199,762	-	199,762
Net realized and unrealized gains	-	2,632	2,632
Net investment return	\$ 739,375	\$ 364,055	\$ 1,103,430
June 30, 2018:			
Interest income from CDLP investments	1,051,142	\$ 549,253	\$ 1,600,395
Dividend income from Louisiana Workers' Compensation Corporation	346,848	-	346,848
Net realized and unrealized gains	-	10,175	10,175
Net investment return	\$ 1,397,990	\$ 559,428	\$ 1,957,418

The investment in CDLP includes endowments restricted by donors of \$15,025,393 and \$13,127,977 as of June 30, 2019 and 2018. The investment in Mission Diocese Fund includes \$100,000 restricted by donors for the Diocesan Seminarian Education Endowment as of June 30, 2019 and 2018.

(4) 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.

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

Notes to Financial Statements (Continued)

The investment in CDLP is stated at cost, which approximates fair value, due to its high liquidity. 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, 2019 and 2018.

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2019:				
Investment in CDLP	\$ 39,052,582	\$ -	\$ -	\$ 39,052,582
Investment in Mission Diocese Fund	141,841	-	141,841	-
NCRRG stock	<u>91,217</u>	<u>-</u>	<u>91,217</u>	<u>-</u>
Total investments	<u>\$ 39,285,640</u>	<u>\$ -</u>	<u>\$ 233,058</u>	<u>\$ 39,052,582</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>

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 38,747,970	\$ 33,224,442
Add: deposits	35,561,111	35,142,815
Add: interest income	900,001	1,599,306
Less: withdrawals	<u>(36,156,500)</u>	<u>(31,218,593)</u>
Balance, end of year	<u>\$ 39,052,582</u>	<u>\$ 38,747,970</u>

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

Notes to Financial Statements (Continued)

(5) Accounts Receivable, Net

Accounts receivable consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Property liability insurance premiums	\$ 280,479	\$ 160,415
Health insurance premiums	161,930	89,108
Reinsurance receivables and other recoveries due from insurance companies	138,572	35,317
Grants receivable	19,627	19,406
Assessment income receivable	330,987	255,456
Less: assessment credits	(14,710)	(57,788)
Community development projects	-	9,000
Other	155,074	29,955
Total	\$ 1,071,959	\$ 540,869

(6) Pledges Receivable, Net

Included in pledges receivable, net are the following promises to give as of June 30, 2019 and 2018:

	2019	2018
Capital Campaign pledges receivable:		
Receivable within one year	\$ 7,401,276	\$ 7,080,321
Receivable in one to five years	10,942,248	18,430,195
Gross pledges receivable	18,343,524	25,510,516
Less: unamortized discount	(1,619,431)	(2,241,568)
Pledges receivable, net of unamortized discount	16,724,093	23,268,948
Less: allowance for uncollectible pledges	(3,668,705)	(5,102,103)
Pledges receivable, net	\$ 13,055,388	\$ 18,166,845

Included in Capital Campaign revenues is the amortization of discount on pledges receivable of \$622,137 for the years ended June 30, 2019 and 2018, respectively.

(7) Prepaid Expenses and Other Assets

The balance in prepaid expenses and other assets of \$1,161,804 and \$1,041,240 as of June 30, 2019 and 2018, respectively, consisted mainly of prepaid property insurance premiums.

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

Notes to Financial Statements (Continued)

(8) 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 \$1,820,858 and \$1,863,731 as of June 30, 2019 and 2018, 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, 2019 the Diocese does not anticipate any losses with respect to collection of the note.

(9) Property and Equipment

Property and equipment consist of the following as of June 30, 2019 and 2018:

	2019	2018
Land	\$ 1,318,393	\$ 1,247,935
Buildings and improvements	11,985,491	11,797,209
Furniture, fixtures and equipment	2,558,818	2,501,943
Computer equipment and software	549,156	305,018
	16,411,858	15,852,105
Less: accumulated depreciation	(9,709,779)	(9,127,572)
Total depreciable assets	6,702,079	6,724,533
Work in progress	109,277	19,423
Total	\$ 6,811,356	\$ 6,743,956

Total depreciation expense for the years ended June 30, 2019 and 2018 was \$582,207 and \$569,188, respectively.

(10) 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 \$236,152 and \$433,323 as of June 30, 2019 and 2018, respectively.

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

Notes to Financial Statements (Continued)

(11) Other Liabilities

Other liabilities as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Accrued health insurance claims	\$ 993,011	\$ 1,072,446
Due to parishes for share of Capital Campaign collections	488,226	619,881
Due to Priests' Welfare Trust for case element distribution	356,556	-
Accrued property insurance claims	391,287	335,166
External priest liability	288,696	256,198
Due to Catholic Charities and parishes for Bishop's Services Appeal allocations	27,718	-
Other	297,239	385,319
Total	\$ 2,842,733	\$ 2,669,010

(12) 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.

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, 2019 and 2018:

	Priests	Lay Persons	Total
June 30, 2019:			
Accumulated benefit obligation, beginning of year	\$ 13,109,182	\$ 3,402,887	\$ 16,512,069
Service and interest cost	1,050,127	202,268	1,252,395
Actuarial adjustments	91,357	46,922	138,279
Benefits paid	(444,933)	(212,571)	(657,504)
Accumulated benefit obligation, end of year	\$ 13,805,733	\$ 3,439,506	\$ 17,245,239
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	(263,782)	(192,562)	(456,344)
Accumulated benefit obligation, end of year	\$ 13,109,182	\$ 3,402,887	\$ 16,512,069

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

Notes to Financial Statements (Continued)

Funded status and funding progress: As of June 30, 2019 and 2018, 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, 2019 and 2018:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2019:			
Funded status	\$ 13,805,733	\$ 3,439,506	\$ 17,245,239
Unrecognized actuarial net loss	<u>(7,091,019)</u>	<u>(288,607)</u>	<u>(7,379,626)</u>
Net accrued benefit obligation	<u>\$ 6,714,714</u>	<u>\$ 3,150,899</u>	<u>\$ 9,865,613</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>

The Diocese recognized OPEB expense of \$1,401,969 (priests) and \$249,190 (lay persons) for the year ended June 30, 2019 and \$979,030 (priests) and \$312,310 (lay persons) for the year ended June 30, 2018. Total OPEB expense was \$1,651,159 and \$1,291,340 for the years ended June 30, 2019 and 2018, respectively. Included in OPEB expense was benefits paid on the behalf of retirees of \$657,504 and \$456,344 during the years ended June 30, 2019 and 2018, respectively. The OPEB liability increased by \$993,655 and \$834,996 as of June 30, 2019 and 2018, respectively.

The discount rates used in determining the OPEB obligation was 3.52% for priests and 3.17% for lay persons for the year ended June 30, 2019, and 4.14%, for priests, and 3.98% for lay persons for the year ended June 30, 2018. The assumed medical cost trend rate used was 5.0% for each of the years ended June 30, 2019 and 2018.

The following schedule of benefits, net of employee contributions, 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, 2019:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
2020	\$ 442,702	\$ 217,549	\$ 660,251
2021	450,242	219,299	669,541
2022	442,821	215,735	658,556
2023	428,043	218,468	646,511
2024	455,908	219,535	675,443
2025-2029	2,389,046	1,301,540	3,690,586

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

Notes to Financial Statements (Continued)

(13) 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, (the Trust), a separate trust established in 2008, holds the assets of the priest retirement plan. As of June 30, 2019 and 2018, the unfunded portion of the pension liability amounted to \$3,509,640 and \$0, respectively, and was 81% and 104% funded, respectively. The increase of \$3,509,640 is the result of a change in the estimated pension liability due to the contribution of Capital Campaign case element allocations to the Trust in prior years that will now be used for a new long-term care program in the Trust. The Diocese contributed \$0 and \$3,786,894 to the Trust for the years ended June 30, 2019 and 2018, respectively.

(14) 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 \$270,957 and \$262,554 for the years ended June 30, 2019 and 2018, respectively.

(15) Net Assets without Donor Restrictions

Net assets without donor restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Designated by the Board -		
Msgr. Fusilier Scholarship Endowment	\$ 267,568	\$ 263,500
Information Technology	29,456	269,435
Parish Preservation Fund	616,604	619,335
Capital fund	672,066	661,849
Hurricane fund	3,959	3,899
Msgr. Viglerio fund	105,790	104,181
Bishop's designated fund	23,850	37,152
Consolata	2,346,543	2,537,368
Holy Rosary Institute	70,091	69,026
Community Development	475,764	520,277
Diocesan Seminarian Education Endowment	1,581,715	1,747,328
Total General Fund designations	6,193,406	6,833,350
Health insurance	5,545,552	6,222,295
Property insurance	10,342,521	10,121,961
Total designated by board	22,081,479	23,177,606
Undesignated deficit	(7,954,725)	(3,370,724)
Total net assets without donor restrictions	\$ 14,126,754	\$ 19,806,882

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

Notes to Financial Statements (Continued)

As of June 30, 2019 and 2018, net assets undesignated amounted to deficit balances of \$7,954,725 and \$3,370,724, respectively. The deficit balance in 2019 and 2018 was the result of a decrease in anticipated assessment and Bishop's Services Appeals revenues in prior years, unfunded expenses associated with the Centennial Capital Campaign, the increase in 2019 in the unfunded pension in the Priests' Welfare Trust of \$3,509,640, as further described in Note 13 and the increase in the OPEB liability of \$993,655, as described in Note 12. Funding of the deficit includes a normalization of assessment and annual appeal revenues and future excesses of unrestricted revenues over expenses.

(16) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2019 and 2018:

June 30, 2019:

	Subject to Time Restrictions	Subject to Expenditure for Specified Purpose	Endowments		Total
			Subject to Spending Policy and Appropriation Unspent Interest	Investments in Perpetuity	
Capital Campaign					
case elements	\$ -	\$4,042,047	\$ -	\$ -	\$ 4,042,047
Grants	-	86,262	-	-	86,262
Music ministry	-	4,078	-	-	4,078
Uncollected pledges	13,055,388	-	-	-	13,055,388
Diocesan Seminarian					
Education	-	-	-	5,059,469	5,059,469
Rev. George Simon					
Education	-	-	138,083	805,114	943,197
Msgr. Fusilier					
Scholarship	-	-	44,995	1,692,975	1,737,970
School Teacher	-	-	149,012	100,000	249,012
Perpetual Mass	-	-	10,226	20,000	30,226
St Bryant Parish	-	-	12,873	4,268	17,141
J.W. Matt Educational	-	-	7,604	328,060	335,664
Fusilier Continuing					
Education	-	-	-	515,026	515,026
Capital Campaign:					
Seminarian Education	-	-	-	5,461,907	5,461,907
Matthew 25	-	-	-	1,138,574	1,138,574
	<u>\$ 13,055,388</u>	<u>\$4,132,387</u>	<u>\$362,793</u>	<u>\$15,125,393</u>	<u>\$ 32,675,961</u>

continued

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

Notes to Financial Statements (Continued)

(16) Net Assets with Donor Restrictions (Continued)

June 30, 2018:

	Subject to Time Restrictions	Subject to Expenditure for Specified Purpose	Endowments		Total
			Subject to Spending Policy and Appropriation Unspent Interest	Investments in Perpetuity	
Capital Campaign case elements	\$ -	\$ 3,213,454	\$ -	\$ -	\$ 3,213,454
Grants	-	90,236	-	-	90,236
Centennial Celebration	-	30,500	-	-	30,500
Music ministry	-	4,078	-	-	4,078
Deaf Action Center	-	10,000	-	-	10,000
Uncollected pledges	18,166,845	-	-	-	18,166,845
Diocesan Seminarian Education	-	-	-	5,008,247	5,008,247
Rev. George Simon Education	-	-	117,403	781,114	898,517
Msgr. Fusilier Scholarship	-	-	131,727	1,692,975	1,824,702
School Teacher	-	-	143,481	100,000	243,481
Perpetual Mass	-	-	9,555	20,000	29,555
St Bryant Parish	-	-	12,493	4,268	16,761
J.W. Matt Educational	-	-	43,801	328,060	371,861
Fusilier Continuing Education	-	-	24,115	515,026	539,141
Capital Campaign: Seminarian Education	-	-	-	3,953,755	3,953,755
Matthew 25	-	-	-	824,532	824,532
	<u>\$18,166,845</u>	<u>\$ 3,348,268</u>	<u>\$482,575</u>	<u>\$13,227,977</u>	<u>\$35,225,665</u>

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

Notes to Financial Statements (Continued)

(17) Net Assets Released From Donor 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, 2019 and 2018 as follows:

	2019	2018
Grants	\$ 634,042	\$ 538,260
Flood relief	-	550,599
Centennial celebration	71,480	59,618
Deaf Action Center	10,000	-
Christian formation	500	1,485
J.W. Matt Educational Endowment interest	43,801	14,948
Msgr. Fusilier Scholarship Endowment interest	131,727	81,539
Fusilier Continuing Education Endowment interest	35,905	10,633
Diocesan Seminarian Education Endowment interest	153,999	445,397
Capital Campaign Seminarian Education Endowment interest	97,881	96,029
Capital Campaign - parish share of contributions received	1,830,163	2,316,813
Capital Campaign - external case element disbursements	1,683,313	5,586,894
Capital Campaign - recoveries of uncollectible pledges	(92,129)	(343,050)
	\$ 4,600,682	\$ 9,359,165

(18) Interpretation of Relevant Law

The Diocese's endowments consist of ten donor-restricted funds and two board-designated funds established for specific purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Diocese has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. Currently, the Diocese classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the perpetual 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 donor-restricted net assets is classified as without donor-restriction until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the Finance Board's policies and procedures.

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

Notes to Financial Statements (Continued)

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 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 following factors are considered 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.

Investment Return Objectives, Risk Parameters and Strategies - The Diocese has adopted an investment policy, approved by the Finance Board, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in funds held by the Cooperative Deposit and Loan Program (CDLP) and other securities that are intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019:			
Board-designated endowment funds	\$ 1,849,283	\$ -	\$ 1,849,283
Donor-restricted endowment funds	-	15,488,186	15,488,186
	\$ 1,849,283	\$ 15,488,186	\$ 17,337,469
June 30, 2018:			
Board-designated endowment funds	\$ 2,010,828	\$ -	\$ 2,010,828
Donor-restricted endowment funds	-	13,710,552	13,710,552
	\$ 2,010,828	\$ 13,710,552	\$ 15,721,380

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

Notes to Financial Statements (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

June 30, 2019:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,010,828	\$ 13,710,552	\$ 15,721,380
Donor-restricted contributions	-	55,448	55,448
Investment income	31,045	364,055	395,100
Reclassification of pledges collected	-	1,821,444	1,821,444
Earnings released from restriction	<u>(192,590)</u>	<u>(463,313)</u>	<u>(655,903)</u>
Endowment net assets, end of year	<u>\$ 1,849,283</u>	<u>\$ 15,488,186</u>	<u>\$ 17,337,469</u>
June 30, 2018:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,010,828	\$ 10,779,415	\$ 12,790,243
Donor-restricted contributions	-	677,352	677,352
Investment income	-	559,428	559,428
Reclassification of pledges collected	-	2,357,295	2,357,295
Earnings released from restriction	<u>-</u>	<u>(662,938)</u>	<u>(662,938)</u>
Endowment net assets, end of year	<u>\$ 2,010,828</u>	<u>\$ 13,710,552</u>	<u>\$ 15,721,380</u>

(19) Fundraising

Stewardship and development costs shown on the statements of activities consisted of the following expenses incurred by the development office of the Diocese which is responsible for coordination of the Diocese's annual Bishop's Services Appeal:

	<u>2019</u>	<u>2018</u>
Stewardship and development office	\$ 302,661	\$ 290,806
Parish share of Bishop's Services Appeal contributions	109,354	4,904
Bishop's Services Appeal allocation to Catholic Charities	<u>111,183</u>	<u>-</u>
Total	<u>\$ 523,198</u>	<u>\$ 295,710</u>

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

Notes to Financial Statements (Continued)

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

	2019	2018
Capital Campaign fundraising office	\$ 177,170	\$ 213,307
Parish share of contributions received	1,830,163	2,316,813
Case element disbursements to external agencies	1,683,313	5,586,894
Bad debt recovery	(92,129)	(343,050)
Total	\$ 3,598,517	\$ 7,773,964

(20) Self-Insurance Programs

As of June 30, 2019 and 2018, 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.

Health Insurance -

Health and medical claims are limited to a \$175,000 specific deductible per claimant annually, as of June 30, 2019 and 2018, respectively, and an unlimited lifetime deductible, as of June 30, 2019 and 2018. 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, 2019 and 2018, the minimum annual aggregate deductible was \$19,976,393 and \$17,851,709, 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, 2019 and 2018.

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.

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

Notes to Financial Statements (Continued)

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 \$297,015 and \$58,468 as of June 30, 2019 and 2018, respectively. The provision was calculated utilizing historical information adjusted for current trends.

(21) Concentration of Credit Risk

Cash balances on deposit at financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits by \$1,196,927 and \$796,061 as of June 30, 2019 and 2018, respectively. The Diocese does not believe that it is exposed to any significant credit risk on uninsured amounts.

(22) Related Parties

A. Activities in CDLP

As of June 30, 2019 and 2018, the Diocese had invested with the CDLP an amount of \$39,052,582 and \$38,747,970, 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:

	2019	2018
Total assets	<u>\$ 141,870,926</u>	<u>\$ 135,077,541</u>
Total liabilities	\$ 105,199,460	\$ 102,647,406
Total net assets	<u>36,671,466</u>	<u>32,430,135</u>
Total liabilities and net assets	<u>\$ 141,870,926</u>	<u>\$ 135,077,541</u>
Revenues	6,652,300	9,474,295
Expenses	<u>2,410,969</u>	<u>4,241,865</u>
Change in net assets	<u>\$ 4,241,331</u>	<u>\$ 5,232,430</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 \$211,136 and \$249,523 as of June 30, 2019 and 2018, respectively, for property liability and healthcare insurance premiums due from schools and church parishes. In addition, accounts receivable in the amount of \$316,277 and \$197,668 as of June 30, 2019 and 2018, respectively, are due from church parishes for assessment income, net of assessment credits. (See Note 5.)

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

Notes to Financial Statements (Continued)

(23) Operating Leases and Other Rent

The Diocese is obligated under several office equipment operating lease agreements each having terms ranging from 48 months to 62 months, expiring at various dates from April, 2020 through September, 2022.

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

2020	\$ 27,315
2021	22,731
2022	22,362
2023	<u>5,128</u>
Total	<u>\$ 77,536</u>

Rent expense included in the statement of activities totaled \$73,582 and \$86,979 for the years ended June 30, 2019 and 2018, respectively.

(24) 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, 2019, the total range of potential loss of claims with a reasonably possible likelihood of unfavorable outcome is \$1,275,000 to \$2,250,000.

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.

(25) Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance for exchange transactions. The new standard’s core principle is that a revenue will be recognized when it transfers promised goods or services in an amount that reflects the consideration to expected in exchange for those goods or services. Consequently, the recognition of revenue in exchange transactions will require more judgement and estimates than under existing guidance. The new standard will be effective for the year ending June 30, 2020 and is not expected to have a significant impact on the Diocese’s financial statements.

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

Notes to Financial Statements (Continued)

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Update (ASU) 2016-15, (Topic 230) “Statement of Cash Flows”, which will be effective for the Diocese year ending June 30, 2020. The ASU provides guidance for the classification of eight specific cash flow issues, with the objective of reducing existing diversity in practice on the cash flow statement. The Diocese does not expect the implementation of this update to have a material impact on its financial statements.

The FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. Under the new standard, a lessee is required to recognize leases having terms of more than 12 months on its balance sheet. At initial recognition of a lease, the lessee will measure the liability for its lease obligation at the present value of lease payments not yet paid. The guidance will also require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update will be effective for the Diocese year ending June 30, 2021. The Diocese is evaluating the potential impact of this update on its financial statements.

(26) Change in Accounting Pronouncement

The FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): “Presentation of Financial Statements of Not-for-Profit Entities”. The Diocese has changed the presentation of its financial statements, accordingly, applying the changes retrospectively to beginning net assets. The new standard changed the following aspects of the Diocese’s financial statements: temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class: net assets with donor restrictions; the unrestricted net asset class has been changed to net assets without donor restrictions; reporting of expenses by their natural expense classification (such as salaries, rent, etc.) has been added; and new disclosures relative to the liquidity and availability of resources and endowments have been added.

The adoption of ASU 2016-14 had the following effect on previously reported net assets.

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	\$ 19,806,882	\$ -
Temporarily restricted	21,997,688	-
Permanently restricted	13,227,977	-
Net assets without donor restrictions	-	19,806,882
Net assets with donor restrictions	-	<u>35,225,665</u>
	<u>\$ 55,032,547</u>	<u>\$ 55,032,547</u>

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

Notes to Financial Statements (Continued)

(27) Expenses by Nature and Function

The Diocese's expenses by both their nature and function for the years ended June 30, 2019 and 2018 are as follows:

June 30, 2019:

	Salaries and Benefits	Operational Costs, Rent and Insurance Programs	Office, Conferences and Travel	Total
Program services-				
Seminarian expense	\$ 125,186	\$ 1,184,604	\$ 20,525	\$ 1,330,315
Religious personnel	1,623,543	55,109	68,212	1,746,864
Retired priests expense	3,936,331	200	233	3,936,764
Lay development and evangelization	925,064	439,264	153,386	1,517,714
Catholic education	326,921	482,090	32,731	841,742
Social services	804,420	646,259	80,698	1,531,377
Healthcare	-	16,129,475	-	16,129,475
Property liability	114,224	4,825,400	61,706	5,001,330
Total program services	<u>7,855,689</u>	<u>23,762,401</u>	<u>417,491</u>	<u>32,035,581</u>
Supporting services-				
Management and general:				
Management and finance	835,035	5,533	39,852	880,420
Administrative	1,784,060	497,698	1,086,026	3,367,784
Diocesan assessments	-	224,091	-	224,091
Depreciation	-	582,207	-	582,207
Fundraising:				
Stewardship and development	138,033	255,942	129,223	523,198
Capital Campaign	51,117	3,513,478	33,922	3,598,517
Total support services	<u>2,808,245</u>	<u>5,078,949</u>	<u>1,289,023</u>	<u>9,176,217</u>
Total expenses	<u>\$ 10,663,934</u>	<u>\$ 28,841,350</u>	<u>\$ 1,706,514</u>	<u>\$ 41,211,798</u>

continued

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

Notes to Financial Statements (Continued)

(27) Expenses by Nature and Function (Continued)

June 30, 2018:

	<u>Salaries and Benefits</u>	<u>Operational Costs, Rent and Insurance Programs</u>	<u>Office, Conferences and Travel</u>	<u>Total</u>
Program services-				
Seminarian expense	\$ 81,487	\$ 1,317,172	\$ 21,205	\$ 1,419,864
Religious personnel	1,329,708	22,008	66,069	1,417,785
Retired priests expense	(2,756,179)	190	429	(2,755,560)
Lay development and evangelization	885,125	400,314	127,376	1,412,815
Catholic education	317,292	386,431	38,458	742,181
Social services	866,883	736,984	98,963	1,702,830
Healthcare	-	15,715,825	-	15,715,825
Property liability	<u>93,754</u>	<u>4,669,183</u>	<u>86,193</u>	<u>4,849,130</u>
Total program services	<u>818,070</u>	<u>23,248,107</u>	<u>438,693</u>	<u>24,504,870</u>
Supporting services-				
Management and general:				
Management and finance	837,502	1,337	51,094	889,933
Administrative	1,804,579	877,711	1,116,980	3,799,270
Diocesan assessments	-	222,199	-	222,199
Depreciation	-	569,188	-	569,188
Fundraising:				
Stewardship and development	163,520	26,119	106,071	295,710
Capital Campaign	<u>68,694</u>	<u>7,560,657</u>	<u>144,613</u>	<u>7,773,964</u>
Total support services	<u>2,874,295</u>	<u>9,257,211</u>	<u>1,418,758</u>	<u>13,550,264</u>
Total expenses	<u>\$3,692,365</u>	<u>\$32,505,318</u>	<u>\$1,857,451</u>	<u>\$38,055,134</u>

(28) Subsequent Events Review

The Diocese's management has evaluated subsequent events through October 9, 2019, 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, 2019

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
ASSETS				
Cash	\$ 1,447,198	\$ -	\$ -	\$ 1,447,198
Investments	26,219,568	6,391,909	6,674,163	39,285,640
Accounts receivable, net	608,573	182,907	280,479	1,071,959
Pledges receivable, net	13,055,388	-	-	13,055,388
Other receivables	17,099	-	-	17,099
Due (to) from other funds	(2,970,601)	(29,399)	3,000,000	-
Prepaid expenses and other assets	109,102	-	1,052,702	1,161,804
Notes receivable	1,820,858	-	-	1,820,858
Property and equipment, net	6,811,356	-	-	6,811,356
Total assets	\$ 47,118,541	\$ 6,545,417	\$ 11,007,344	\$ 64,671,302
LIABILITIES AND NET ASSETS				
Liabilities:				
Cash overdraft	\$ 194,105	\$ -	\$ 42,047	\$ 236,152
Accounts payable	122,965	6,854	89,357	219,176
Accrued compensated absences payable	283,529	-	6,994	290,523
Unearned revenue	22,922	-	135,138	158,060
School state mandated services	746,690	-	-	746,690
Other liabilities	1,458,435	993,011	391,287	2,842,733
Lay persons other postretirement benefits payable	3,150,899	-	-	3,150,899
Priest other postretirement benefits payable	6,714,714	-	-	6,714,714
Unfunded pension liability - priests	3,509,640	-	-	3,509,640
Total liabilities	16,203,899	999,865	664,823	17,868,587
Net assets:				
Without donor restrictions -				
Designated for specific purposes	6,193,406	5,545,552	10,342,521	22,081,479
Undesignated deficit	(7,954,725)	-	-	(7,954,725)
Total net assets without donor restrictions	(1,761,319)	5,545,552	10,342,521	14,126,754
With donor restrictions	32,675,961	-	-	32,675,961
Total net assets	30,914,642	5,545,552	10,342,521	46,802,715
Total liabilities and net assets	\$ 47,118,541	\$ 6,545,417	\$ 11,007,344	\$ 64,671,302

SOCIETY OF THE ROMAN CATHOLIC CHURCH
OF THE DIOCESE OF LAFAYETTE, INC.
Combining Statement of Activities
Year Ended June 30, 2019

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
Revenues:				
Parish assessments	\$ 5,626,125	\$ -	\$ -	\$ 5,626,125
Bishop's Services Appeal	1,836,295	-	-	1,836,295
Capital Campaign	940,004	-	-	940,004
Property insurance premiums	-	-	4,823,872	4,823,872
Health insurance premiums	-	15,302,430	-	15,302,430
Grant revenue	630,717	-	-	630,717
Donations and contributions	844,761	-	-	844,761
Other revenue	1,874,332	-	-	1,874,332
Investment income	555,110	150,302	398,018	1,103,430
Total revenues	<u>12,307,344</u>	<u>15,452,732</u>	<u>5,221,890</u>	<u>32,981,966</u>
Expenses and losses:				
Program services-				
Seminarian expense	1,330,315	-	-	1,330,315
Religious personnel	1,746,864	-	-	1,746,864
Retired priests expense	3,936,764	-	-	3,936,764
Lay development and evangelization	1,517,714	-	-	1,517,714
Catholic education	841,742	-	-	841,742
Social services	1,531,377	-	-	1,531,377
Healthcare	-	16,129,475	-	16,129,475
Property liability insurance	-	-	5,001,330	5,001,330
Total program services	<u>10,904,776</u>	<u>16,129,475</u>	<u>5,001,330</u>	<u>32,035,581</u>
Supporting services-				
Management and general:				
Management and finance	880,420	-	-	880,420
Administrative	3,367,784	-	-	3,367,784
Diocesan assessments and contributions	224,091	-	-	224,091
Depreciation	582,207	-	-	582,207
Fundraising:				
Stewardship and development	523,198	-	-	523,198
Capital Campaign	3,598,517	-	-	3,598,517
Total support services	<u>9,176,217</u>	<u>-</u>	<u>-</u>	<u>9,176,217</u>
Total expenses	<u>20,080,993</u>	<u>16,129,475</u>	<u>5,001,330</u>	<u>41,211,798</u>
Change in net assets	(7,773,649)	(676,743)	220,560	(8,229,832)
Net assets, beginning of year	<u>38,688,291</u>	<u>6,222,295</u>	<u>10,121,961</u>	<u>55,032,547</u>
Net assets, end of year	<u>\$ 30,914,642</u>	<u>\$ 5,545,552</u>	<u>\$ 10,342,521</u>	<u>\$ 46,802,715</u>

INTERNAL CONTROL AND COMPLIANCE

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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 GOVERNMENT AUDITING STANDARDS

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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, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2019.

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
October 9, 2019

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

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year ended June 30, 2019

Part I. Current Year Findings and Management's Corrective Action Plan

A. Internal Control Findings -

There are no findings to report under this section.

B. Compliance Findings -

There are no findings to report under this section.

Part II. Prior Year Findings

A. Internal Control Findings -

There are no findings to report under this section.

B. Compliance Findings -

There are no findings to report under this section.