

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

Financial Report

For The Years Ended June 30, 2020 and 2019

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities:	
Year ended June 30, 2020	4
Year ended June 30, 2019	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 management's corrective action plan	36

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

WWW.KCSRCPAS.COM

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, 2020 and 2019, 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, 2020 and 2019, 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 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 21, 2020 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 21, 2020

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

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 1,326,042	\$ 1,447,198
Investments	45,855,530	39,285,640
Accounts receivable, net	1,184,781	1,071,959
Pledges receivable, net	8,972,944	13,055,388
Other receivables	18,138	17,099
Prepaid expenses and other assets	1,121,608	1,161,804
Notes receivable	1,820,858	1,820,858
Property and equipment, net	5,979,338	6,811,356
Total assets	\$ 66,279,239	\$ 64,671,302
LIABILITIES AND NET ASSETS		
Liabilities:		
Cash overdraft	\$ 249,589	\$ 236,152
Accounts payable	419,626	219,176
Accrued compensated absences payable	357,696	290,523
Unearned revenue	29,102	158,060
School state mandated services	-	746,690
Refundable advance - SBA loan	942,900	-
Other liabilities	3,735,455	2,842,733
Other postretirement benefits payable - lay persons	3,361,381	3,150,899
Other postretirement benefits payable - priests	7,530,945	6,714,714
Unfunded pension liability - priests	3,596,477	3,509,640
Total liabilities	20,223,171	17,868,587
Net assets:		
Without donor restrictions -		
Designated for specific purposes	23,490,107	22,081,479
Undesignated deficit	(9,242,452)	(7,954,725)
Total net assets without donor restrictions	14,247,655	14,126,754
With donor restrictions	31,808,413	32,675,961
Total net assets	46,056,068	46,802,715
Total liabilities and net assets	\$ 66,279,239	\$ 64,671,302

See notes to financial statements.

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

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Parish assessments	\$ 4,558,505	\$ -	\$ 4,558,505
Bishop's Services Appeal	2,005,413	-	2,005,413
Capital Campaign	-	752,613	752,613
Property insurance premiums	5,003,165	-	5,003,165
Health insurance premiums	15,364,095	-	15,364,095
Grant revenue	-	623,217	623,217
Donations and contributions	389,763	192,128	581,891
Other revenues	2,297,021	-	2,297,021
Investment income	2,857,284	1,182,472	4,039,756
Total revenues prior to release from restrictions	32,475,246	2,750,430	35,225,676
Net assets released from restrictions	3,617,978	(3,617,978)	-
Total revenues	36,093,224	(867,548)	35,225,676
Expenses and losses:			
Program services-			
Seminarian expense	1,148,060	-	1,148,060
Religious personnel	1,587,781	-	1,587,781
Retired priests	387,459	-	387,459
Lay development and evangelization	1,514,974	-	1,514,974
Catholic education	792,469	-	792,469
Social services	557,348	-	557,348
Healthcare	15,027,250	-	15,027,250
Property liability insurance	6,138,005	-	6,138,005
Total program services	27,153,346	-	27,153,346
Support services-			
Management and general:			
Management and finance	925,305	-	925,305
Administrative	3,547,243	-	3,547,243
Diocesan assessments and contributions	223,372	-	223,372
Depreciation	542,003	-	542,003
Fundraising:			
Stewardship and development	687,545	-	687,545
Capital Campaign	2,893,509	-	2,893,509
Total support services	8,818,977	-	8,818,977
Total expenses	35,972,323	-	35,972,323
Change in net assets	120,901	(867,548)	(746,647)
Net assets, beginning of year	14,126,754	32,675,961	46,802,715
Net assets, end of year	\$ 14,247,655	\$ 31,808,413	\$ 46,056,068

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.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (746,647)	\$(8,229,832)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	542,003	582,207
Gain on sale of property and equipment	(707,549)	-
Bad debt recoveries	(585,379)	(91,960)
Increase in accounts receivable	(112,822)	(531,090)
Decrease in pledges receivable	4,667,823	5,203,417
Increase in other receivables	(1,039)	(4,986)
(Increase) decrease in prepaid expenses and other assets	40,196	(120,564)
Increase (decrease) in cash overdraft	13,437	(197,171)
Increase (decrease) in accounts payable	200,450	(27,422)
Increase (decrease) in unearned revenue	(128,958)	136,850
Decrease in school state mandated services	(746,690)	(59,684)
Increase in refundable advances	942,900	-
Increase in other liabilities	959,895	152,769
Increase in other postretirement benefits payable	1,026,713	993,655
Increase in unfunded pension liability	86,837	3,509,640
Contributions and interest restricted for long-term purposes	(2,873,227)	(2,240,947)
Net cash provided by (used in) operating activities	2,577,943	(925,118)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(20,407)	(148,857)
Proceeds from sale of property and equipment	1,104,559	-
Additions to work in progress	(86,588)	(500,749)
Mission Diocese Fund	38	(3,818)
Net increase in investment in CDLP	(6,569,928)	(304,612)
Decrease in notes receivable	-	42,873
Net cash used in investing activities	(5,572,326)	(915,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes:		
Contributions restricted to endowments	49,108	55,448
Collection of pledges allocated to endowments	1,641,647	1,821,444
Interest on contributions restricted for long-term purposes	1,182,472	364,055
Net cash provided by financing activities	2,873,227	2,240,947
Net change in cash	(121,156)	400,666
Cash at beginning of year	1,447,198	1,046,532
Cash at end of year	\$ 1,326,042	\$ 1,447,198

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"). The CDLP is a financial program of the Diocese and separately incorporated Catholic Church Parishes, managed by the Diocese, which have combined their individual financial resources into a common fund with separate accounts for investment and lending purposes.

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, 2020 and 2019, 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, 2020 and 2019, 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 \$2,492,560 and \$3,668,705 as of June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, the accrued compensated absences amounted to \$356,696 and \$290,523, respectively.

L. Refundable Advances

Refundable advances arise when a non-profit organization receives resources with donor-imposed conditions before the condition has been met. In subsequent periods, when the organization has met the condition, or the condition is explicitly waived by the donor, the liability for refundable advances is removed from the statement of financial position and the revenue is recognized. The Diocese had refundable advances of \$942,900 and \$0, as of June 30, 2020 and 2019, respectively. The advances represent loan proceeds received under the Small Business Administration Paycheck Protection Program (PPP). The PPP loan is expected to be forgiven during the next operating cycle.

M. 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.

N. 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, 2020 and 2019, reduced by amounts not available for general use because of time, donor or internally-imposed restrictions.

	2020	2019
Cash, net of overdrafts	\$ 1,076,453	\$ 1,211,046
Investments	45,855,530	39,285,640
Accounts, notes and other receivables	3,023,777	2,909,916
Pledges receivable, net	8,972,944	13,055,388
Less: those unavailable for general expenditures within one year, due to:		
Notes receivable maturing December 2039	(1,820,858)	(1,820,858)
Pledges receivable, net restricted for case element allocation	(8,972,944)	(13,055,388)
Restricted by donors in perpetuity	(16,743,032)	(15,125,393)
Restricted by donors for specific purposes	(4,788,543)	(4,097,322)
Others restricted by spending policy and appropriation	(1,303,894)	(397,858)
Board designations	<u>(23,490,107)</u>	<u>(22,081,479)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,809,326</u>	<u>\$ (116,308)</u>

The Diocese had financial assets available within one year to meet cash needs for general expenditures of \$1,809,326 and (\$116,308) as of June 30, 2020 and 2019, 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 obligations become due.

(3) Investments

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

	Cost	Fair Value
June 30, 2020:		
Investment in CDLP	\$ 45,622,510	\$ 45,622,510
Investment in Mission Diocese Fund	100,000	141,803
National Catholic Risk Retention Group, Inc. ("NCRRG") stock	<u>91,217</u>	<u>91,217</u>
Total investments	<u>\$ 45,813,727</u>	<u>\$ 45,855,530</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>

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, 2020 and 2019 and its classification in the statement of activities is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020:			
Interest income from investments	\$ 557,872	\$ 333,691	\$ 891,563
Additional interest - profit distribution from CDLP	1,425,349	849,694	2,275,043
Dividend income from Louisiana Workers' Compensation Corporation	874,063	-	874,063
Net realized and unrealized losses	-	(913)	(913)
Net investment return	\$2,857,284	\$1,182,472	\$4,039,756
June 30, 2019:			
Interest income from 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

The investment in CDLP includes endowments restricted by donors of \$16,643,032 and \$15,025,393 as of June 30, 2020 and 2019. The investment in Mission Diocese Fund includes \$100,000 restricted by donors for the Diocesan Seminarian Education Endowment as of June 30, 2020 and 2019.

(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, 2020 and 2019.

The following table sets forth by level, within the fair value hierarchy, the Diocese's investments at fair value as of June 30, 2020 and 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2020:				
Investment in CDLP	\$ 45,622,510	\$ -	\$ -	\$ 45,622,510
Investment in Mission Diocese Fund	141,803	-	141,803	-
NCRRG stock	<u>91,217</u>	<u>-</u>	<u>91,217</u>	<u>-</u>
Total investments	<u>\$ 45,855,530</u>	<u>\$ -</u>	<u>\$ 233,020</u>	<u>\$ 45,622,510</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>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 39,052,582	\$ 38,747,970
Add: deposits	39,741,309	35,561,111
Add: interest income	3,165,731	900,001
Less: withdrawals	<u>(36,337,112)</u>	<u>(36,156,500)</u>
Balance, end of year	<u>\$ 45,622,510</u>	<u>\$ 39,052,582</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, 2020 and 2019:

	2020	2019
Property liability insurance premiums	\$ 430,991	\$ 280,479
Health insurance premiums	105,480	161,930
Reinsurance receivables and other recoveries due from insurance companies	351,469	138,572
Grants receivable	-	19,627
Assessment income receivable	282,374	330,987
Less: assessment credits	(26,193)	(14,710)
Other	40,660	155,074
Total	\$ 1,184,781	\$ 1,071,959

(6) Pledges Receivable, Net

Included in pledges receivable, net are the following promises to give as of June 30, 2020 and 2019:

	2020	2019
Capital Campaign pledges receivable:		
Receivable within one year	\$ 7,401,277	\$ 7,401,276
Receivable in one to five years	5,061,522	10,942,248
Gross pledges receivable	12,462,799	18,343,524
Less: unamortized discount	(997,295)	(1,619,431)
Pledges receivable, net of unamortized discount	11,465,504	16,724,093
Less: allowance for uncollectible pledges	(2,492,560)	(3,668,705)
Pledges receivable, net	\$ 8,972,944	\$ 13,055,388

Included in Capital Campaign revenues is the amortization of discount on pledges receivable of \$622,137 for the years ended June 30, 2020 and 2019, respectively.

(7) Prepaid Expenses and Other Assets

The balance in prepaid expenses and other assets of \$1,121,608 and \$1,161,804 as of June 30, 2020 and 2019, 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 as of June 30, 2020 and 2019, 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, 2020 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, 2020 and 2019:

	2020	2019
Land	\$ 1,163,393	\$ 1,318,394
Buildings and improvements	11,860,591	11,985,491
Furniture, fixtures and equipment	2,551,611	2,558,818
Computer equipment and software	573,001	549,156
	16,148,596	16,411,859
Less: accumulated depreciation	(10,202,792)	(9,709,779)
Total depreciable assets	5,945,804	6,702,080
Work in progress	33,534	109,276
Total	\$ 5,979,338	\$ 6,811,356

Total depreciation expense for the years ended June 30, 2020 and 2019 was \$542,003 and \$582,207, 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 \$249,589 and \$236,152 as of June 30, 2020 and 2019, 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, 2020 and 2019 consisted of the following:

	2020	2019
Accrued health insurance claims	\$ 1,747,914	\$ 993,011
Due to parishes for share of Capital Campaign collections	522,447	488,226
Due to Priests' Welfare Trust for case element distribution	323,505	356,556
Accrued property insurance claims	655,078	391,287
External priest liability	274,180	288,696
Due to Catholic Charities and parishes for Bishop's Services Appeal allocations	28,467	27,718
Other	183,864	297,239
Total	\$ 3,735,455	\$ 2,842,733

(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, 2020 and 2019:

	Priests	Lay Persons	Total
June 30, 2020:			
Accumulated benefit obligation, beginning of year	\$ 13,805,733	\$ 3,439,506	\$ 17,245,239
Service and interest cost	1,055,646	174,290	1,229,936
Actuarial adjustments	4,268,356	436,474	4,704,830
Benefits paid	(454,524)	(194,220)	(648,744)
Accumulated benefit obligation, end of year	\$ 18,675,211	\$ 3,856,050	\$ 22,531,261
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

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, 2020 and 2019, 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, 2020 and 2019:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
June 30, 2020:			
Funded status	\$ 18,675,211	\$ 3,856,050	\$ 22,531,261
Unrecognized actuarial net loss	<u>(11,144,266)</u>	<u>(494,669)</u>	<u>(11,638,935)</u>
Net accrued benefit obligation	<u>\$ 7,530,945</u>	<u>\$ 3,361,381</u>	<u>\$ 10,892,326</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>

The Diocese recognized OPEB expense of \$1,270,755 (priests) and \$404,702 (lay persons) for the year ended June 30, 2020 and \$1,401,969 (priests) and \$249,190 (lay persons) for the year ended June 30, 2019. Total OPEB expense was \$1,675,457 and \$1,651,159 for the years ended June 30, 2020 and 2019, respectively. Included in OPEB expense was benefits paid on the behalf of retirees of \$648,744 and \$657,504 during the years ended June 30, 2020 and 2019, respectively. The OPEB liability increased by \$1,026,713 and \$993,655 as of June 30, 2020 and 2019, respectively.

The discount rates used in determining the OPEB obligation was 2.75% for priests and 2.24% for lay persons for the year ended June 30, 2020, and 3.52% for priests and 3.17% for lay persons for the year ended June 30, 2019. The assumed medical cost trend rate used was 5.0% for each of the years ended June 30, 2020 and 2019.

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, 2020:

	<u>Priests</u>	<u>Lay Persons</u>	<u>Total</u>
2021	\$ 444,053	\$ 218,000	\$ 662,053
2022	453,153	220,201	673,354
2023	447,060	217,077	664,137
2024	433,526	220,431	653,957
2025	464,666	221,946	686,612
2026-2030	2,475,934	1,110,153	3,586,087

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, 2020 and 2019, the unfunded portion of the pension liability amounted to \$3,596,477 and \$3,509,640, respectively, and was 81.1% and 81.4% funded, 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 \$259,524 and \$270,957 for the years ended June 30, 2020 and 2019, respectively.

(15) Net Assets without Donor Restrictions

Net assets without donor restrictions consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Designated by the Board -		
Msgr. Fusilier Scholarship Endowment	\$ 287,194	\$ 267,568
Information Technology	31,617	29,456
Parish Preservation Fund	661,831	616,604
Capital fund	707,673	672,067
Hurricane fund	4,176	3,959
Msgr. Viglerio fund	113,549	105,790
Bishop's designated fund	21,975	23,850
Consolata	2,308,658	2,346,543
Holy Rosary Institute	75,232	70,091
Community Development	522,754	475,764
Diocesan Seminarian Education Endowment	<u>1,665,302</u>	<u>1,581,714</u>
Total General Fund designations	6,399,961	6,193,406
Health insurance	6,373,713	5,545,552
Property insurance	<u>10,716,433</u>	<u>10,342,521</u>
Total designated by board	23,490,107	22,081,479
Undesignated deficit	<u>(9,242,452)</u>	<u>(7,954,725)</u>
Total net assets without donor restrictions	<u>\$ 14,247,655</u>	<u>\$ 14,126,754</u>

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

Notes to Financial Statements (Continued)

As of June 30, 2020 and 2019, net assets undesignated amounted to deficit balances of \$9,242,452 and \$7,954,725, respectively. The deficit balances were the result of unfunded OPEB and priests' pension liabilities on the statement of financial position, which are long-term in nature, and will be funded on an as-needed basis using future excesses of unrestricted revenues over expenses. Such liabilities amounted to \$14,488,803 and \$13,375,253 as of June 30, 2020 and 2019, respectively, and are further described in Notes 12 and 13 above.

(16) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

June 30, 2020:

	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	\$ -	\$4,558,147	\$ -	\$ -	\$ 4,558,147
Grants	-	204,490	-	-	204,490
Ministries	-	25,906	-	-	25,906
Uncollected pledges	8,972,944	-	-	-	8,972,944
Diocesan Seminarian					
Education	-	-	313,381	5,108,577	5,421,958
Rev. George Simon					
Education	-	-	208,738	805,114	1,013,852
Msgr. Fusilier					
Scholarship	-	-	162,109	1,692,975	1,855,084
School Teacher	-	-	87,163	100,000	187,163
Perpetual Mass	-	-	12,491	20,000	32,491
St Bryant Parish	-	-	14,157	4,268	18,425
J.W. Matt Educational	-	-	43,804	328,060	371,864
Fusilier Continuing					
Education	-	-	27,529	515,026	542,555
Capital Campaign:					
Seminarian Education	-	-	309,433	6,770,654	7,080,087
Matthew 25	-	-	125,089	1,398,358	1,523,447
	<u>\$ 8,972,944</u>	<u>\$4,788,543</u>	<u>\$ 1,303,894</u>	<u>\$16,743,032</u>	<u>\$31,808,413</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, 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	\$ -	\$ 4,006,982	\$ -	\$ -	\$ 4,006,982
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	-	-	35,065	1,138,574	1,173,639
	<u>\$ 13,055,388</u>	<u>\$ 4,097,322</u>	<u>\$ 397,858</u>	<u>\$ 15,125,393</u>	<u>\$ 32,675,961</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, 2020 and 2019 as follows:

	2020	2019
Grants and contributions	\$ 625,703	\$ 634,042
Centennial celebration	-	71,480
Deaf Action Center	-	10,000
Christian formation	-	500
J.W. Matt Educational Endowment interest	(10,785)	43,801
Msgr. Fusilier Scholarship Endowment interest	14,008	131,727
Fusilier Continuing Education Endowment interest	10,671	35,905
School Teacher Endowment interest	78,691	-
Diocesan Seminarian Education Endowment interest	63,360	153,999
Capital Campaign Seminarian Education Endowment interest	118,292	97,881
Capital Campaign Matthew 25 Endowment interest	2,125	-
Capital Campaign - parish share of contributions received	1,691,796	1,830,163
Capital Campaign - external case element disbursements	1,609,496	1,683,313
Capital Campaign - recoveries of uncollectible pledges	(585,379)	(92,129)
	\$ 3,617,978	\$ 4,600,682

(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, 2020 and 2019.

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020:			
Board-designated endowment funds	\$ 1,952,496	\$ -	\$ 1,952,496
Donor-restricted endowment funds	-	18,046,926	18,046,926
	\$ 1,952,496	\$ 18,046,926	\$ 19,999,422
June 30, 2019:			
Board-designated endowment funds	\$ 1,849,282	\$ -	\$ 1,849,282
Donor-restricted endowment funds	-	15,523,251	15,523,251
	\$ 1,849,282	\$ 15,523,251	\$ 17,372,533

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, 2020 and 2019 are as follows:

June 30, 2020:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,849,282	\$ 15,523,251	\$ 17,372,533
Donor-restricted contributions	-	49,108	49,108
Investment income	135,644	1,182,472	1,318,116
Reclassification of pledges collected	-	1,641,647	1,641,647
Earnings released from restriction	<u>(32,430)</u>	<u>(349,552)</u>	<u>(381,982)</u>
Endowment net assets, end of year	<u>\$ 1,952,496</u>	<u>\$ 18,046,926</u>	<u>\$ 19,999,422</u>
June 30, 2019:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,010,827	\$ 13,724,945	\$ 15,735,772
Donor-restricted contributions	-	55,448	55,448
Investment income	31,045	384,727	415,772
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>\$ 1,849,282</u>	<u>\$ 15,523,251</u>	<u>\$ 17,372,533</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>2020</u>	<u>2019</u>
Stewardship and development office	\$ 418,560	\$ 302,661
Parish share of Bishop's Services Appeal contributions	68,444	109,354
Bishop's Services Appeal allocation to Catholic Charities	<u>200,541</u>	<u>111,183</u>
Total	<u>\$ 687,545</u>	<u>\$ 523,198</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:

	2020	2019
Capital Campaign fundraising office	\$ 177,596	\$ 177,170
Parish share of contributions received	1,691,796	1,830,163
Case element disbursements to external agencies	1,609,496	1,683,313
Bad debt recovery	(585,379)	(92,129)
Total	\$ 2,893,509	\$ 3,598,517

(20) Self-Insurance Programs

As of June 30, 2020 and 2019, 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, 2020 and 2019, respectively, and an unlimited lifetime deductible, as of June 30, 2020 and 2019. 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, 2020 and 2019, the minimum annual aggregate deductible was \$18,930,800 and \$19,976,393, 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, 2020 and 2019.

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

Notes to Financial Statements (Continued)

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 \$729,512 and \$297,015 as of June 30, 2020 and 2019, 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 \$1,076,042 and \$1,196,927 as of June 30, 2020 and 2019, 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, 2020 and 2019, the Diocese had invested with the CDLP an amount of \$45,622,510 and \$39,052,582, respectively. Substantially all investment income reflected within the statements of activities is derived from investments of the Diocese in the CDLP.

B. Fee and assessment income

Substantially all fee and assessment income result from charges billed and collected from separately incorporated church parishes within the boundaries of the diocese. Included in accounts receivable is \$243,105 and \$211,136 as of June 30, 2020 and 2019, respectively, for property liability and healthcare insurance premiums due from schools and church parishes. In addition, accounts receivable in the amount of \$256,181 and \$316,277 as of June 30, 2020 and 2019, 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, 2022 through September, 2022.

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

2021	\$ 22,731
2022	22,362
2023	<u>5,128</u>
Total	<u>\$ 50,221</u>

Rent expense included in the statement of activities totaled \$69,453 and \$73,582 for the years ended June 30, 2020 and 2019, 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, 2020, the total range of potential loss of claims with a reasonably possible likelihood of unfavorable outcome is \$1,650,000 to \$3,300,000.

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.

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

Notes to Financial Statements (Continued)

(25) Expenses by Nature and Function

The Diocese's expenses by both their nature and function for the years ended June 30, 2020 and 2019 are as follows:

June 30, 2020:

	<u>Salaries and Benefits</u>	<u>Operational Costs, Rent and Insurance Programs</u>	<u>Office, Conferences, Travel and Other</u>	<u>Total</u>
Program services-				
Seminarian expense	\$ 85,744	\$ 1,047,046	\$ 15,270	\$ 1,148,060
Religious personnel	1,446,044	101,956	39,781	1,587,781
Retired priests expense	387,459	-	-	387,459
Lay development and evangelization	963,391	452,489	99,094	1,514,974
Catholic education	337,105	433,021	22,343	792,469
Social services	350,593	178,735	28,020	557,348
Healthcare	-	15,027,250	-	15,027,250
Property liability	<u>125,807</u>	<u>5,945,105</u>	<u>67,093</u>	<u>6,138,005</u>
Total program services	<u>3,696,143</u>	<u>23,185,602</u>	<u>271,601</u>	<u>27,153,346</u>
Supporting services-				
Management and general:				
Management and finance	888,246	3,725	33,334	925,305
Administrative	2,075,051	522,164	950,028	3,547,243
Diocesan assessments	-	223,372	-	223,372
Depreciation	-	542,003	-	542,003
Fundraising:				
Stewardship and development	188,270	314,039	185,236	687,545
Capital Campaign	<u>49,575</u>	<u>3,301,292</u>	<u>(457,358)</u>	<u>2,893,509</u>
Total support services	<u>3,201,142</u>	<u>4,906,595</u>	<u>711,240</u>	<u>8,818,977</u>
Total expenses	<u>\$ 6,897,285</u>	<u>\$ 28,092,197</u>	<u>\$ 982,841</u>	<u>\$ 35,972,323</u>

continued

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

Notes to Financial Statements (Continued)

(25) Expenses by Nature and Function (Continued)

June 30, 2019:

	<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	\$ 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	<u>114,224</u>	<u>4,825,400</u>	<u>61,706</u>	<u>5,001,330</u>
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	<u>51,117</u>	<u>3,513,478</u>	<u>33,922</u>	<u>3,598,517</u>
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>

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

Notes to Financial Statements (Continued)

(26) 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 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, 2021 and is not expected to have a significant impact on the Diocese's 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, 2022. The Diocese is evaluating the potential impact of this update on its financial statements.

(27) Uncertainties Arising During and After Financial Statement Date

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have and may continue to impact the Diocese's ongoing operations. The extent and severity of the potential impact on future operations is unknown at this time.

(28) Subsequent Events Review

The Diocese's management has evaluated subsequent events through October 21, 2020, 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, 2020

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
ASSETS				
Cash	\$ 1,326,042	\$ -	\$ -	\$ 1,326,042
Investments	30,868,625	7,953,599	7,033,306	45,855,530
Accounts receivable, net	296,841	456,949	430,991	1,184,781
Pledges receivable, net	8,972,944	-	-	8,972,944
Other receivables	18,138	-	-	18,138
Due (to) from other funds	(2,946,500)	(53,500)	3,000,000	-
Prepaid expenses and other assets	111,193	-	1,010,415	1,121,608
Notes receivable	1,820,858	-	-	1,820,858
Property and equipment, net	5,979,338	-	-	5,979,338
Total assets	\$ 46,447,479	\$ 8,357,048	\$ 11,474,712	\$ 66,279,239
LIABILITIES AND NET ASSETS				
Liabilities:				
Cash overdraft	\$ 220,751	\$ 25,638	\$ 3,200	\$ 249,589
Accounts payable	204,252	149,783	65,591	419,626
Accrued compensated absences payable	346,271	-	11,425	357,696
Unearned revenue	6,117	-	22,985	29,102
SBA loan payable	942,900	-	-	942,900
Other liabilities	1,272,463	1,807,914	655,078	3,735,455
Lay persons other postretirement benefits payable	3,361,381	-	-	3,361,381
Priest other postretirement benefits payable	7,530,945	-	-	7,530,945
Unfunded pension liability - priests	3,596,477	-	-	3,596,477
Total liabilities	17,481,557	1,983,335	758,279	20,223,171
Net assets:				
Without donor restrictions -				
Designated for specific purposes	6,399,961	6,373,713	10,716,433	23,490,107
Undesignated deficit	(9,242,452)	-	-	(9,242,452)
Total net assets without donor restrictions	(2,842,491)	6,373,713	10,716,433	14,247,655
With donor restrictions	31,808,413	-	-	31,808,413
Total net assets	28,965,922	6,373,713	10,716,433	46,056,068
Total liabilities and net assets	\$ 46,447,479	\$ 8,357,048	\$ 11,474,712	\$ 66,279,239

SOCIETY OF THE ROMAN CATHOLIC CHURCH
OF THE DIOCESE OF LAFAYETTE, INC.
Combining Statement of Activities
Year Ended June 30, 2020

	General Fund	Health Insurance Fund	Property Insurance Fund	Total
Revenues:				
Parish assessments	\$ 4,558,505	\$ -	\$ -	\$ 4,558,505
Bishop's Services Appeal	2,005,413	-	-	2,005,413
Capital Campaign	752,613	-	-	752,613
Property insurance premiums	-	-	5,003,165	5,003,165
Health insurance premiums	-	15,364,095	-	15,364,095
Grant revenue	623,217	-	-	623,217
Donations and contributions	581,891	-	-	581,891
Other revenue	2,297,021	-	-	2,297,021
Investment income	2,039,688	491,316	1,508,752	4,039,756
Total revenues	<u>12,858,348</u>	<u>15,855,411</u>	<u>6,511,917</u>	<u>35,225,676</u>
Expenses and losses:				
Program services-				
Seminarian expense	1,148,060	-	-	1,148,060
Religious personnel	1,587,781	-	-	1,587,781
Retired priests expense	387,459	-	-	387,459
Lay development and evangelization	1,514,974	-	-	1,514,974
Catholic education	792,469	-	-	792,469
Social services	557,348	-	-	557,348
Healthcare	-	15,027,250	-	15,027,250
Property liability insurance	-	-	6,138,005	6,138,005
Total program services	<u>5,988,091</u>	<u>15,027,250</u>	<u>6,138,005</u>	<u>27,153,346</u>
Supporting services-				
Management and general:				
Management and finance	925,305	-	-	925,305
Administrative	3,547,243	-	-	3,547,243
Diocesan assessments and contributions	223,372	-	-	223,372
Depreciation	542,003	-	-	542,003
Fundraising:				
Stewardship and development	687,545	-	-	687,545
Capital Campaign	2,893,509	-	-	2,893,509
Total support services	<u>8,818,977</u>	<u>-</u>	<u>-</u>	<u>8,818,977</u>
Total expenses	<u>14,807,068</u>	<u>15,027,250</u>	<u>6,138,005</u>	<u>35,972,323</u>
Change in net assets	(1,948,720)	828,161	373,912	(746,647)
Net assets, beginning of year	<u>30,914,642</u>	<u>5,545,552</u>	<u>10,342,521</u>	<u>46,802,715</u>
Net assets, end of year	<u>\$ 28,965,922</u>	<u>\$ 6,373,713</u>	<u>\$ 10,716,433</u>	<u>\$ 46,056,068</u>

INTERNAL CONTROL AND COMPLIANCE

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

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*

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, 2020, 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 21, 2020.

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 21, 2020

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, 2020

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.