



Financial Statements  
June 30, 2019 and 2018

Archdiocese of Dubuque  
Administrative Offices

Archdiocese of Dubuque - Administrative Offices

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June 30, 2019 and 2018

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## Independent Auditor's Report

To the Audit Committee  
Archdiocese of Dubuque  
Dubuque, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Dubuque Administrative Offices (Administrative Offices), a division of the Archdiocese of Dubuque, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Dubuque Administrative Offices, 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 discussed in Notes 1 and 23 to the financial statements, the Archdiocese of Dubuque Administrative Offices have adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the June 30, 2018 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

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

Dubuque, Iowa  
March 5, 2020

# Archdiocese of Dubuque - Administrative Offices

## Statements of Financial Position

June 30, 2019 and 2018

	2019	2018 (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 195,972	\$ 377,028
Deposits in Archdiocese of Dubuque		
Deposit and Loan Fund	7,977,572	2,763,476
Accounts receivable	640,901	349,953
Due from other Archdiocesan funds/organizations	1,136,906	8,255,459
Prepaid expenses and other assets	217,591	36,387
Investments	1,015,251	1,090,022
Assets limited as to use	390,000	360,000
Equity in Catholic Umbrella Pool	282,035	356,305
Annuity/life insurance contracts	685,000	685,000
Property and equipment, net	703,242	723,527
Beneficial interest in assets held by the Catholic Foundation in the Archdiocese of Dubuque	14,043,692	13,845,162
Workers' compensation escrow	845,502	827,896
Total assets	\$ 28,133,664	\$ 29,670,215
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 313,764	\$ 187,559
Interest payable	-	13,310
Health claims payable	224,334	264,823
Accrued expenses	282,575	268,403
Mission offerings and collections payable	347,891	516,788
Notes payable - related	-	2,848,402
Deferred revenue	1,714,138	926,513
Estimated claims payable	1,253,946	1,215,910
Funds held for others	623,286	635,220
Total liabilities	4,759,934	6,876,928
<b>Net Assets</b>		
Without donor restrictions		
Designated for special purposes	14,195,714	13,526,421
Undesignated	6,944,016	6,934,936
	21,139,730	20,461,357
With donor restrictions		
Purpose restrictions	975,492	1,067,244
Perpetual in nature	1,275,307	1,275,307
Underwater endowments	(16,799)	(10,621)
	2,234,000	2,331,930
Total net assets	23,373,730	22,793,287
Total liabilities and net assets	\$ 28,133,664	\$ 29,670,215

## Archdiocese of Dubuque - Administrative Offices

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Support, and Gains</b>			
Archdiocesan Taxa	\$ 2,652,606	\$ -	\$ 2,652,606
Fees for services	1,034,452	-	1,034,452
Programs and workshops	300,474	-	300,474
Sale/rental of materials	53,368	-	53,368
Charges to other departments	302,455	-	302,455
Contributions and bequests	85,380	22,243	107,623
Net investment return	196,308	38,715	235,023
Net change in equity in Catholic Umbrella Pool	(74,270)	-	(74,270)
Distributions from and change in value of beneficial interests in assets held by others	707,966	-	707,966
Rental of property	47,139	-	47,139
Gain on disposal of fixed assets	2,638	-	2,638
Assessments/subsidies	509	-	509
Property and liability insurance premiums	2,425,598	-	2,425,598
Medical insurance premiums	4,915,432	-	4,915,432
Net assets released from restrictions	35,043	(35,043)	-
<b>Total Revenues, Support, and Gains</b>	<b>12,685,098</b>	<b>25,915</b>	<b>12,711,013</b>
<b>Expenses and Losses</b>			
Program services expense			
Diocesan Ministries	2,337,162	-	2,337,162
Insurance Program	7,302,695	-	7,302,695
Other Diocesan Program Expenses	748,565	-	748,565
<b>Total program expenses</b>	<b>10,388,422</b>	<b>-</b>	<b>10,388,422</b>
Supporting services expense			
Management and general	3,298,444	-	3,298,444
Fundraising and development	433,444	-	433,444
<b>Total supporting services expenses</b>	<b>3,731,888</b>	<b>-</b>	<b>3,731,888</b>
<b>Total expenses and losses</b>	<b>14,120,310</b>	<b>-</b>	<b>14,120,310</b>
<b>Revenues in Excess of (Less Than) Expenses</b>	<b>(1,435,212)</b>	<b>25,915</b>	<b>(1,409,297)</b>

## Archdiocese of Dubuque - Administrative Offices

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues in Excess of (Less Than) Expenses	\$ (1,435,212)	\$ 25,915	\$ (1,409,297)
Transfers to Other Archdiocesan Organizations	-	(123,845)	(123,845)
Transfer from Education Fund	823,790	-	823,790
Transfer from Seminarian Education Fund	199,795	-	199,795
Transfer from Deposit and Loan Fund	1,090,000	-	1,090,000
Total Transfers	2,113,585	(123,845)	1,989,740
Change in Net Assets	678,373	(97,930)	580,443
Net Assets, Beginning of Year	20,461,357	2,331,930	22,793,287
Net Assets, End of Year	\$ 21,139,730	\$ 2,234,000	\$ 23,373,730

# Archdiocese of Dubuque - Administrative Offices

Statement of Activities  
Year Ended June 30, 2018

	2018 (Restated)		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Support, and Gains			
Archdiocesan Taxa	\$ 2,698,628	\$ -	\$ 2,698,628
Fees for services	967,966	-	967,966
Programs and workshops	1,213,087	-	1,213,087
Sale/rental of materials	87,679	-	87,679
Charges to other departments	305,534	-	305,534
Contributions and bequests	122,900	35,371	158,271
Net investment return	1,247,888	60,607	1,308,495
Distributions from and change in value of beneficial interests in assets held by others	58,322	-	58,322
Net change in equity in Catholic Umbrella Pool	(52,764)	-	(52,764)
Rental of property	45,866	-	45,866
Gain on disposal of fixed assets	867	-	867
Assessments/subsidies	1,389	-	1,389
Property and liability insurance premiums	2,272,627	-	2,272,627
Medical insurance premiums	4,737,266	-	4,737,266
Net assets released from restrictions	11,027	(11,027)	-
<b>Total Revenues, Support, and Gains</b>	<b>13,718,282</b>	<b>84,951</b>	<b>13,803,233</b>
Expenses and Losses			
Program services expense			
Diocesan Ministries	3,324,037	-	3,324,037
Insurance Program	7,215,945	-	7,215,945
Other Diocesan Program Expenses	824,913	-	824,913
<b>Total program expenses</b>	<b>11,364,895</b>	<b>-</b>	<b>11,364,895</b>
Supporting services expense			
Management and general	3,089,381	-	3,089,381
Fundraising and development	418,380	-	418,380
<b>Total supporting services expenses</b>	<b>3,507,761</b>	<b>-</b>	<b>3,507,761</b>
<b>Total expenses and losses</b>	<b>14,872,656</b>	<b>-</b>	<b>14,872,656</b>
<b>Revenues in Excess of (Less Than) Expenses</b>	<b>(1,154,374)</b>	<b>84,951</b>	<b>(1,069,423)</b>



Archdiocese of Dubuque - Administrative Offices

Statement of Activities  
Year Ended June 30, 2018

	2018 (Restated)		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues in Excess of (Less Than) Expenses	\$ (1,154,374)	\$ 84,951	\$ (1,069,423)
Transfers to Other Archdiocesan Organizations	-	(28,491)	(28,491)
Transfer from Education Fund	816,952	-	816,952
Transfer from Seminarian Education Fund	173,360	-	173,360
Transfer from Deposit and Loan Fund	4,500,000	-	4,500,000
Total Transfers	5,490,312	(28,491)	5,461,821
Change in Net Assets	4,335,938	56,460	4,392,398
Net Assets, Beginning of year	16,125,419	2,275,470	18,400,889
Net Assets, End of year	<u>\$ 20,461,357</u>	<u>\$ 2,331,930</u>	<u>\$ 22,793,287</u>

Archdiocese of Dubuque - Administrative Offices  
Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services			Total	Management and General	Fundraising and Development	Total
	Diocesan Ministries	Insurance Program	Other Diocesan Program				
Salaries	\$ 923,336	\$ 17,198	\$ 434,664	\$ 1,375,198	\$ 1,428,115	\$ 301,054	\$ 3,104,367
Employee benefits	106,190	2,107	73,317	181,614	195,752	37,781	415,147
Medical insurance premiums and claims	-	5,157,876	-	5,157,876	-	-	5,157,876
Property and liability insurance	-	1,244,561	-	1,244,561	-	-	1,244,561
Supplemental insurance premiums	-	587,404	-	587,404	-	-	587,404
Insurance service fees	-	162,500	-	162,500	-	-	162,500
Professional services	416	93,266	3,338	97,020	116,144	16,725	229,889
Occupancy	56,565	2,544	38,804	97,913	257,321	10,512	365,746
Office supplies and expenses	16,374	329	15,130	31,833	115,802	50,936	198,571
Telephone	4,730	51	4,420	9,201	37,111	869	47,181
Travel, conventions, and meetings	97,328	-	47,610	144,938	18,038	11,683	174,659
Dues and memberships	4,093	-	2,431	6,524	150,365	3,019	159,908
Depreciation	-	-	-	-	65,663	-	65,663
Programs and workshops	162,502	-	83,321	245,823	31,499	865	278,187
Materials for resale or rental	23,839	-	17,948	41,787	25,075	-	66,862
Education of priests and seminarians	-	-	19,532	19,532	778,185	-	797,717
Interest	-	34,859	-	34,859	-	-	34,859
Grants and contributions	941,789	-	8,050	949,839	79,374	-	1,029,213
<b>Total</b>	<b>\$ 2,337,162</b>	<b>\$ 7,302,695</b>	<b>\$ 748,565</b>	<b>\$ 10,388,422</b>	<b>\$ 3,298,444</b>	<b>\$ 433,444</b>	<b>\$ 14,120,310</b>

Archdiocese of Dubuque - Administrative Offices  
Statement of Functional Expenses  
Year Ended June 30, 2018

	Program Services			Total	Management and General	Fundraising and Development	Total
	Diocesan Ministries	Insurance Program	Other Diocesan Program				
Salaries	\$ 950,350	\$ 16,033	\$ 473,874	\$ 1,440,257	\$ 1,359,375	\$ 285,889	\$ 3,085,521
Employee benefits	142,056	1,777	83,042	226,875	179,657	45,582	452,114
Medical insurance premiums and claims	-	4,698,456	-	4,698,456	-	-	4,698,456
Property and liability insurance	-	1,553,335	-	1,553,335	-	-	1,553,335
Supplemental insurance premiums	-	536,324	-	536,324	-	-	536,324
Insurance service fees	-	151,500	-	151,500	-	-	151,500
Professional services	405	197,702	40,845	238,952	127,210	17,925	384,087
Occupancy	55,690	2,756	37,804	96,250	253,918	10,512	360,680
Office supplies and expenses	17,355	195	18,779	36,329	114,823	48,422	199,574
Telephone	4,743	89	4,855	9,687	38,292	894	48,873
Travel, conventions, and meetings	44,294	-	46,615	90,909	16,630	8,326	115,865
Dues and memberships	4,975	-	2,726	7,701	147,383	770	155,854
Depreciation	-	-	-	-	71,829	-	71,829
Programs and workshops	1,143,589	-	69,915	1,213,504	18,194	60	1,231,758
Materials for resale or rental	50,515	-	24,338	74,853	46,425	-	121,278
Education of priests and seminarians	-	-	14,930	14,930	650,708	-	665,638
Interest	-	57,778	-	57,778	-	-	57,778
Grants and contributions	910,065	-	7,190	917,255	64,916	-	982,171
Rental Property	-	-	-	-	21	-	21
<b>Total</b>	<b>\$ 3,324,037</b>	<b>\$ 7,215,945</b>	<b>\$ 824,913</b>	<b>\$ 11,364,895</b>	<b>\$ 3,089,381</b>	<b>\$ 418,380</b>	<b>\$ 14,872,656</b>

## Archdiocese of Dubuque - Administrative Offices

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

	2019	2018
Operating Activities		
Change in net assets	\$ 580,443	\$ 4,392,398
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	65,663	71,829
Gain on disposal of fixed assets	(2,638)	(867)
Realized and unrealized gain/loss on investments	(7,391)	(909,920)
Change in equity in Catholic Umbrella Pool	198,053	179,447
Change in beneficial interests held by others	(198,530)	(791,306)
Equity transfers from other Archdiocesan organizations	(2,113,585)	(5,490,312)
Changes in assets and liabilities		
Accounts receivable	(290,948)	998,444
Due to/from other Archdiocesan funds/organizations	7,118,553	(4,059,036)
Prepaid expenses and other assets	(181,204)	(13,826)
Assets limited as to use	(30,000)	260,000
Workers' compensation escrow	(17,606)	(9,271)
Accounts payable	126,205	(128,068)
Interest payable	(13,310)	(1,756)
Health claims payable	(40,489)	(100,035)
Accrued expenses	14,172	12,932
Mission offerings and collections payable	(168,897)	98,700
Deferred revenue	787,625	(111,760)
Estimated claims payable	38,036	830,417
Funds held for others	(11,934)	30,669
Net Cash from (used for) Operating Activities	5,852,218	(4,741,321)
Investing Activities		
Purchase of property and equipment	(49,839)	(202,507)
Proceeds from disposal of property and equipment	7,099	1,675
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(13,477,065)	(8,396,432)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	8,262,969	8,722,358
Purchase of investments	(98,205)	(1,008,273)
Proceeds from sale of investments	180,367	1,207,533
Proceeds from annuity/life insurance contracts	-	50,000
Contributions to Catholic Umbrella Pool	(123,783)	(126,683)
Net Cash from (used for) Investing Activities	(5,298,457)	247,671

## Archdiocese of Dubuque - Administrative Offices

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

	2019	2018
Financing Activities		
Equity transfers from other Archdiocesan organizations	\$ 2,113,585	\$ 5,490,312
Proceeds from note payable - related	1,265,000	919,199
Payments of note payable - related	(4,113,402)	(1,790,743)
Net Cash from (used for) Financing Activities	(734,817)	4,618,768
Net Change in Cash and Cash Equivalents	(181,056)	125,118
Cash and Cash Equivalents at Beginning of Year	377,028	251,910
Cash and Cash Equivalents at End of Year	\$ 195,972	\$ 377,028
Supplemental Disclosure of Non-cash investing Activity		
Transfer of investments to the Catholic Foundation in the Archdiocese of Dubuque	\$ -	\$ 12,870,196
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 34,859	\$ 57,778

**Note 1 - Organization and Summary of Significant Accounting Policies****Organization**

The information contained in the financial statements relates only to the operations of the Archdiocese of Dubuque - Administrative Offices (Administrative Offices), a division of the Archdiocese of Dubuque. Support for the Administrative Offices comes from Archdiocesan assessments, contributions, insurance premiums and service fees.

**Cash and Cash Equivalents**

The Administrative Offices consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, assets limited as to use, or other long-term purposes of the Administrative Offices are excluded from this definition.

**Receivables and Credit Policies**

Accounts receivable consist primarily of uncollateralized individual obligations and amounts due from insured agencies for premiums. Unpaid accounts receivable are not charged interest on amounts owed. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivables are written off when deemed uncollectable. At June 30, 2019 and 2018, the allowance was \$0.

**Investments**

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

Certain Catholic organizations of the Archdiocese of Dubuque, including the Administrative Offices, invest some of their funds in the Archdiocese of Dubuque Alternative Investments Grantor Trust (Alternative Investments Trust), a pooled investment trust managed by the Archdiocese of Dubuque. Holdings in this trust consist of alternative investments which do not have readily determinable fair values and may include partnerships and other interests that invest in multi-strategy funds, private equity funds, hedge funds, private debt funds, and real asset funds, among others. Investment income and gains or losses are allocated based on a proportionate share of each entity's fair value at the time of each periodic allocation.

The Administrative Offices utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Administrative Office will ultimately realize could differ materially.

**Assets Limited as to Use**

Holy Family Catholic Schools, Dubuque (HFCS) entered into an interest rate swap agreement with Piper Jaffray to “fix” the interest rate on \$8.5 million of bonds issued in 2005. The proceeds from the bond issue funded the construction of Mazzuchelli Middle School. As part of the agreement there are covenants which HFCS must comply with. One of the covenants limits the amount HFCS can spend on capital expenditures annually.

HFCS and Piper Jaffray negotiated a compromise to the covenant which allowed HFCS to conduct a capital campaign to fund renovation of Wahlert High school. The compromise requires HFCS to post collateral equivalent to the liability associated with the agreement. The Administrative Offices initially agreed to post up to \$900,000 of the collateral on behalf of HFCS. The amounts posted as of June 30, 2019 and 2018 were \$390,000 and \$360,000.

**Equity in Catholic Umbrella Pool**

The Administrative Offices accounts for its participation interest in the Catholic Umbrella Pool under the equity method. The Administrative Offices shares in the operating and investment income and expenses of the Catholic Umbrella Pool based on their contributions into the fund.

**Property and Equipment**

Property and equipment additions over \$500 are recorded at cost, or if donated, at the fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 4 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

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

**Beneficial Interest in Assets Held by the Catholic Foundation in the Archdiocese of Dubuque**

The Administrative Offices established a fund under the Catholic Foundation in the Archdiocese of Dubuque (CFAD). The Administrative Offices granted variance power to CFAD which allows CFAD to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFAD’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the mission of CFAD. The fund is held and invested by CFAD for the benefit of the Administrative Offices, and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

### **Net Assets**

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

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Administrative Offices have designated, from net assets without donor restrictions, net assets to support various missions and programs at the direction of the Archbishop.

**Net Assets With Donor Restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Administrative Offices report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### **Property and Liability Insurance Claims**

The Administrative Offices provides insurance coverage to all Catholic parishes, schools, cemeteries and other Catholic organizations of the Archdiocese of which the Archbishop of Dubuque is the president of the corporation. Insurance claims reserves are the estimated amounts necessary to settle outstanding claims, based on the facts in each case and the Archdiocese's experience with similar cases. The agencies are assessed insurance premiums to fund claims and operating expenses of the Administrative Offices.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received in advance are deferred to the applicable period in which related services are performed, or expenditures are incurred, respectively. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Functional Allocation of Expenses**

The statements of functional expenses present the natural classification detail of expenses by function and reports categories of expenses that are attributed to program service activities or supporting service activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.



### **Income Taxes**

The Archdiocese of Dubuque is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(i). The Archdiocese of Dubuque is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Archdiocese of Dubuque is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Archdiocese of Dubuque has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Administrative Offices believes that it has appropriate purpose for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Administrative Offices would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Performance Indicator**

Revenue in excess of (less than) expenses is the performance indicator and excludes transfers of assets to and from related parties.

### **Financial Instruments and Credit Risk**

The Administrative Offices manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Administrative Offices have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from related entities within the Archdiocese. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Council. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Administrative Offices.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported equity or changes in net income.

**Change in Accounting Principle**

As of July 1, 2018, the Administrative Offices adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Administrative Offices’ donor restricted endowment funds and underwater endowments. The ASU introduces new disclosures to improve a financial statement user’s ability to assess the Administrative Offices’ liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the disclosure about liquidity and availability of resources. The Administrative Offices has elected to not present comparative liquidity information.

The Administrative Offices has adopted this standard as management believes the standard improves the usefulness and understandability of the Administrative Offices’ financial reporting.

**Subsequent Events**

The Administrative Offices have evaluated subsequent events through March 5, 2020, the date which the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following at June 30, 2019:

Cash and cash equivalents	\$ 195,972
Deposits in Archdiocese of Dubuque Deposit and Loan Fund	7,977,572
Accounts receivable	640,901
Due from other Archdiocesan funds/organizations	1,136,906
Investments (excluding Alternative Investments Trust)	994,637
	<u>10,945,988</u>
	<u>\$ 10,945,988</u>

The Alternative Investment Trust’s strategy is for long-term preservation of capital and maximizing long-term total returns. Funds invested in the Alternative Investments Trust are considered illiquid due to the limitation of divesting assets. Therefore, due to the uncertainty of time it would take to divest these assets, they have not been included in the table above.

The Administrative Offices established a fund under the Catholic Foundation in the Archdioceses of Dubuque (CFAD). Funds with beneficial interest in assets held by CFAD are invested to provide long-term growth and financial support. Since there are restrictions on amounts that can be withdrawn from CFAD, they have not been included in the table above.

### **Note 3 - Fair Value Measurements and Disclosures**

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Administrative Offices can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset. In these situations, the Administrative Offices develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Administrative Offices' assessment of the quality, risk or liquidity profile of the asset.

Some of the Administrative Offices' investment assets are classified within Level 1 because they are comprised of open-end mutual funds and stocks with readily determinable fair values based on daily redemption values. The fair value of the Fund's beneficial interest in assets held by the Catholic Foundation in the Archdiocese of Dubuque (CFAD) is based on the fair value of the fund investments as reported by CFAD. These are considered to be Level 3 measurements.

## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

The Administrative Offices uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain commodities funds and real estate funds which do not have readily determinable fair values. The Administrative Offices' estimate of fair value of the Alternative Investments Trust is determined using the calculated allocation of net asset value provided by the trust administrator. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2019 are as follows:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Growth Funds				
Domestic and international	\$ 872,682	\$ 872,682	\$ -	\$ -
Risk Reduction Assets				
Domestic fixed assets mutual funds	121,955	121,955	-	-
At NAV				
Alternative Investments Trust	<u>20,614</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,015,251</u>	<u>\$ 994,637</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets Held by the Catholic Foundation in the Archdiocese of Dubuque	<u>\$ 14,043,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,043,692</u>

Assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2018 are as follows:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Growth Funds				
Domestic and international	\$ 936,938	\$ 936,938	\$ -	\$ -
Risk Reduction Assets				
Domestic fixed assets mutual funds	131,052	131,052	-	-
At NAV				
Alternative Investments Trust	<u>22,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,090,022</u>	<u>\$ 1,067,990</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets Held by the Catholic Foundation in the Archdiocese of Dubuque	<u>\$ 13,845,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,845,162</u>

## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

Below is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Fair Value Measurements at Report Date Using  
Significant Unobservable Inputs (Level 3)

	2019	2018
Beginning Balance	\$ 13,845,162	\$ 183,660
Purchases/contributions of investments	-	13,585,553
Interest and dividends	294,945	184,616
Distributions during the year	(539,977)	(6,434)
Change in unrealized gain (loss)	(1,532,333)	(85,867)
Realized gain (loss)	2,056,450	6,819
Administrative fees	(80,555)	(23,185)
Ending Balance	<u>\$ 14,043,692</u>	<u>\$ 13,845,162</u>
Unrealized Gain (Loss) Included in Net Investment Return in the Statements of Activities Relating to Assets Still Held at Year End	<u>\$ (1,532,333)</u>	<u>\$ (85,867)</u>

Investments in certain entities that calculate NAV per share are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2019				
Alternative Investments Trust	<u>\$ 20,614</u>	<u>\$ -</u>	(1)	None
June 30, 2018				
Alternative Investments Trust	<u>\$ 22,032</u>	<u>\$ -</u>	(1)	None

(1) Generally, participants may make contributions to and withdrawals from the Trust at any time, subject to minimum and upper balance limits that the trustees may set from time to time.

The Alternative Investments Trust's strategy includes long-term preservation of capital, maximizing long-term total return and avoidance of market timing techniques that rely upon subjective short-term market forecasts.

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

**Note 4 - Net Investment Return**

Net investment return consists of the following:

	2019	2018
Interest and dividends	\$ 235,871	\$ 423,795
Net realized and unrealized gain (loss)	7,391	909,920
Less investment fees	(8,239)	(25,220)
	\$ 235,023	\$ 1,308,495

**Note 5 - Deposits in Archdiocese of Dubuque Deposit and Loan Fund**

Certain funds are deposited into the Archdiocese of Dubuque Deposit and Loan Fund. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at June 30, 2019 and 2018. The interest earned on these deposits amounted to \$10,213 and \$37,486 for the years ended June 30, 2019 and 2018.

**Note 6 - Annuity/Life Insurance Contracts**

Annuity/life insurance contracts are designed to provide the Administrative Offices with interest/annuity payments throughout the life of the annuitant/insured. The Administrative Offices is the owner and named beneficiary of life insurance policies in the amount of the initial investment in these contracts. These investments are recorded at the original amount invested.

**Note 7 - Property and Equipment**

Property and equipment consists of the following:

	2019		2018	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 33,372	\$ -	\$ 33,372	\$ -
Land improvements	43,781	29,878	43,781	28,108
Buildings and improvements	2,359,600	1,761,145	2,523,844	1,905,835
Equipment	680,292	622,780	1,020,530	964,057
	\$ 3,117,045	\$ 2,413,803	\$ 3,621,527	\$ 2,898,000
Net property and equipment	\$ 703,242		\$ 723,527	

**Note 8 - Health Claims Payable**

The Administrative Offices offer health insurance coverage to all eligible lay and religious employees of parishes, schools, cemeteries, and other agencies. Health claims payable reflects an estimated amount established for claims occurred by, but reported after, June 30, 2019 and 2018.

The Administrative Offices purchase reinsurance for coverage of specific individual claims in excess of \$150,000 and aggregate claims in excess of 125% of estimated claims based on individual plans and demographic actuarial information.

**Note 9 - Estimated Claims Payable**

Estimated claims payable reflects an estimated amount established for claims occurred by, but reported after, June 30, 2019 and 2018.

**Note 10 - Notes Payable - Related**

Notes payable – related consist of unsecured notes due to Archdiocese of Dubuque Deposit and Loan. Interest on the outstanding balances accrue at 1.5% per annum at June 30, 2019 and 2018.

**Note 11 - Funds Held for Others**

Funds held for others include funds held by the Archdiocese of Dubuque on behalf of other agencies or organizations to which principal and/or investment income is to be disbursed.

**Note 12 - Mission Offerings and Collections Payable**

The Administrative Offices receive mission offerings on behalf of The Society for the Propagation of the Faith, as well as the proceeds of other collections held in the Archdiocese. These funds are held temporarily by the Administrative Offices before being transferred to the designated agencies or organizations. The balance is comprised of the following:

	<u>2019</u>	<u>2018</u>
Missions offerings payable	\$ 24,695	\$ 60,270
Collections payable	<u>323,196</u>	<u>456,518</u>
	<u>\$ 347,891</u>	<u>\$ 516,788</u>

**Note 13 - Endowments**

The Administrative Offices' endowment (the Endowment) consists of individual funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Administrative Offices' Finance Council has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Administrative Offices retain in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Administrative Offices consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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



## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

The Administrative Offices had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,275,307	\$ 1,275,307
Accumulated investment gains	-	180,656	180,656
	\$ -	\$ 1,455,963	\$ 1,455,963
June 30, 2018			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,275,307	\$ 1,275,307
Accumulated investment gains	-	266,784	266,784
	\$ -	\$ 1,542,091	\$ 1,542,091

From time to time, certain donor-restricted endowment funds had fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019, funds with original gift values of \$533,870, fair values of \$517,071 and deficiencies of \$16,799 were reported in net assets with donor restrictions. At June 30, 2018, a fund with original gift value of \$33,870, fair value of \$23,249, and a deficiency of \$10,621 was reported in net assets with donor restrictions. These deficiencies, which the Organization believes are temporary, resulted from unfavorable market fluctuations in the past few years. The Board determined that continued appropriation during fiscal years ended June 30, 2019 and 2018 for certain programs was prudent.

### *Investment and Spending Policies*

The Administrative Offices have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Administrative Offices must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Administrative Offices expect its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

To satisfy its long-term rate-of-return objectives, the Administrative Offices rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Administrative Offices target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in Endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>June 30, 2019</b>			
Endowment net assets, beginning of year	\$ -	\$ 1,542,091	\$ 1,542,091
Investment return, net	-	35,713	35,713
Appropriation of endowment assets for expenditure	-	(121,841)	(121,841)
Endowment net assets, end of year	\$ -	\$ 1,455,963	\$ 1,455,963
<b>June 30, 2018</b>			
Endowment net assets, beginning of year	\$ -	\$ 1,491,102	\$ 1,491,102
Investment return, net	-	57,472	57,472
Appropriation of endowment assets for expenditure	-	(6,483)	(6,483)
Endowment net assets, end of year	\$ -	\$ 1,542,091	\$ 1,542,091

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

**Note 14 - Net Assets with Donor Restrictions**

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

	2019	2018
Subject to Expenditure for Specified Purpose		
Archdiocesan funds restricted for the benefit of other		
Archdiocesan organizations		
Fr. Frese Estate	\$ 29,307	\$ 31,005
Waterloo Deanery Priests Voc School	4,581	4,536
Communications	315,133	315,013
Domestic Violence	-	4,930
Vocations	75,289	71,161
Vocation Awareness	-	7,000
Hispanic Ministry	-	7,547
Flood Relief	71,999	69,568
Unexpended Technology Grant	14,251	14,251
Latin American Fund	266,673	264,028
C. Menke - for masses	804	800
	778,037	789,839
 Endowments		
Subject to appropriation and expenditure when a		
specified event occurs		
Restricted by donor for		
C. Helin Estate	2,237	1,824
Kohl Estate	-	1,775
Conrin Estate	212	-
John Fassbinder Trust	-	44,150
Ertl Scholarship	4,360	9,170
Ed Helin Estate	224	182
M. Beatrice Spiegel Trust	1,369	1,306
William Butt Estate	109,250	142,082
Ray/Eileen Seitz Scholarship Fund	4,371	4,680
Fr. Nestor Goedken Trust	75,142	71,964
Diaconate Formation Scholarships	290	272
	197,455	277,405

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

Endowments (Continued)	2019	2018
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
C. Helin Estate	\$ 10,000	\$ 10,000
Kohl Estate	27,878	27,878
Conrin Estate	42,640	42,640
John Fassbinder Trust	500,000	500,000
Ertl Scholarship	53,885	53,885
Ed Helin Estate	1,000	1,000
M. Beatrice Spiegel Trust	5,000	5,000
Amy Koscheder Memorial Fund	33,870	33,870
William Butt Estate	384,534	384,534
Ray/Eileen Seitz Scholarship Fund	15,000	15,000
Fr. Nestor Goedken Trust	200,000	200,000
Diaconate Formation Scholarships	1,500	1,500
Underwater endowments	(16,799)	(10,621)
	1,258,508	1,264,686
Total endowments	1,455,963	1,542,091
	\$ 2,234,000	\$ 2,331,930

Net assets were released from donor restrictions as follows:

	2019	2018
Satisfaction of Purpose Restrictions		
Vocations	\$ 18,570	\$ 10,296
Domestic violence	4,930	-
Hispanic ministry	7,547	-
Flood relief	3,996	-
Technology	-	731
	-	731
	\$ 35,043	\$ 11,027

**Note 15 - Pension Plan**

The Administrative Offices have a defined contribution contributory pension plan under code Section 401(k) which covers employees who have worked for the Archdiocese for at least one year. The Administrative Offices contributes up to 5% of employee compensation, based on the amount of employee contributions. The policy is to fund pension cost as accrued. The total expense for the plan for the years ended June 30, 2019 and 2018 was \$111,624 and \$109,552.

## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

### Note 16 - Related Party Transactions

The Administrative Offices by its nature engages in transactions with other separately incorporated nonprofit Catholic institutions and organizations in northeast Iowa. The Archdiocese of Dubuque is a separate corporate entity. The Administrative Offices receive financial support from these other entities. Among these transactions include transfers from the Archdiocese of Dubuque Education Fund and Seminarian Education Fund for education expenses incurred during the year, transfers to various Archdiocesan agencies to fulfill restricted purposes, deposits with the Archdiocese of Dubuque Deposit & Loan Fund, and a note payable with the Archdiocese of Dubuque Deposit and Loan Fund. The Administrative Offices also invests in the Archdiocese of Dubuque Alternative Investments Grantor Trust. The Archdiocese of Dubuque Deposit and Loan Fund and the Archdiocese of Dubuque Alternative Investments Grantor Trust are related/affiliated organizations through common management and/or board membership and religious affiliation. The following table summarizes the respective amounts:

	2019	2018
Archdiocese of Dubuque Deposit and Loan Fund:		
Funds deposited on account	\$ 7,977,572	\$ 2,763,476
Notes payable for funds borrowed	-	2,848,402
Transfer from Archdiocese of Dubuque Deposit and Loan Fund	1,090,000	4,500,000
Administration fee charged for services	45,000	45,000
Investment in Archdiocese of Dubuque Alternative Investment Trust	20,614	22,032
St. Raphael Priest Fund Society of the Archdiocese of Dubuque:		
Administration fee charged for services	65,000	60,000
Insurance premium charges received	28,000	28,000
Archdiocese of Dubuque Education Fund - received transfer of funds	823,790	816,952
Archdiocese of Dubuque Seminarian Education Fund - received transfer of funds	199,795	173,360
Our Faith, Our Children, Our Future, School Tuition Organization, Inc.		
Administration fee charged for services	169,000	170,000

### Note 17 - Bond Issue Guarantee

The Archdiocese of Dubuque Deposit and Loan Fund, Education Fund and Administrative Offices has guaranteed the following bond issue:

	2019	2018
Holy Family Catholic Schools, Dubuque - Variable Rate Demand Education Facilities Revenue Bonds, Due Periodically Beginning 2021 Through 2036	\$ 10,000,000	\$ 10,000,000

**Note 18 - Loss Contingency**

In addition to the estimated claims payable reflected in these financial statements, additional significant losses from unreported occurrences and from claims in excess of the estimated liability for reported occurrences are possible. Since the Administrative Offices is responsible for approximately the first \$1,000,000 for each occurrence after July 6, 1987, the potential amount of additional loss is significant.

**Note 19 - Insurance Coverages Provided**

The Administrative Offices provides insurance coverage to all parishes, institutions, cemeteries, and agencies.

The types and amount of different coverages follow:

Type of Coverage	Amount of Coverage
Property Loss	Full replacement cost with \$500 deductible per occurrence
Autos – Collision	Actual cost value with \$500 deductible per occurrence
Autos – Comprehensive	Repair cost up to actual cash value with \$500 deductible
Liability	Full with no deductible
Boiler	Full replacement cost with \$500 deductible
Workers' Compensation	Statutory; no deductible

There are no co-insurance provisions for any coverage provided.

**Note 20 - Supplemental Insurance Coverage**

The Administrative Offices is currently reinsured by commercial carriers as follows (coverage limits are different for claims prior to fiscal year 1998):

	<u>Reinsurance Coverage</u>
Claims Basis	Occurrence
Specific Excess Coverage (Per Occurrence):	
Boiler	Over \$1,000
Workers' compensation claims	Over \$1,000,000
All other claims (excluding sexual misconduct)	Over \$1,000,000
Aggregate Excess Coverage (Total all claims by year)	\$2,000,000

The cost of claims up to the reinsurance level is the sole responsibility of the Administrative Offices, except for a \$500 deductible for each property, automobile and boiler loss. The reinsurance coverage has a limit of \$20,000,000 per occurrence and in the aggregate for liability claims and \$99,000,000 per occurrence and in the aggregate for property claims.

Reinsurance coverage for sexual misconduct, subsequent to July 1, 1999, is as follows:

	<u>Reinsurance Coverage</u>
Aggregate Excess Coverage (Total all claims by year)	up to \$1,000,000

The Administrative Offices has no specific coverage for sexual misconduct claims prior to July 1, 1990.

The Administrative Offices joined several other similar entities to participate in the Catholic Umbrella Pool (CUP). CUP was formed to insure participants for excess general liability and morality claims. The participating entities are liable for any losses beyond CUP's ability to fund losses. However, the Administrative Offices' exposure to additional loss funding, if any, because of its participation in CUP is unknown.

The Administrative Offices' contribution to CUP was \$123,783 and \$126,683 for the years ended June 30, 2019 and 2018. The Administrative Offices' equity interest in the pool decreased by \$74,270 and increased by \$52,764 during the years ended June 30, 2019 and 2018, respectively. The Administrative Offices has a 1.22% and 1.37% equity interest in the pool at June 30, 2019 and 2018.

**Note 21 - Workers' Compensation Escrow**

The state of Iowa requires \$810,000 to be held in escrow at a bank to fund the self-insured workers' compensation plan.

**Note 22 - Pending Claims**

The Archdiocese of Dubuque is subject to various unresolved claims at June 30, 2019. While amounts claimed may be substantial, the ultimate liability to the Administrative Offices, with respect to such claims, cannot be determined at this time. Conversely, the Administrative Offices has instituted subrogation proceedings against others whom the Administrative Offices deems financially responsible for certain claims paid by the Administrative Offices. The amount to be received by the Administrative Offices with respect to such proceedings cannot be determined at this time.

**Note 23 - Adjustments Resulting from Change in Accounting Policy**

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

The effect on the Administrative Offices' statement of financial position as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted net assets	\$ 20,450,737	\$ (20,450,737)	\$ -
Temporarily restricted net assets	1,067,243	(1,067,243)	-
Permanently restricted net assets	1,275,307	(1,275,307)	-
Net assets without donor restrictions	-	20,461,357	20,461,357
Net assets with donor restrictions	-	2,331,930	2,331,930



## Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2019 and 2018

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The effect on the Administrative Offices' statement of activities as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net Assets, Beginning of Year			
Unrestricted	\$ 16,118,975	\$ (16,118,975)	\$ -
Temporarily restricted	1,006,607	(1,006,607)	-
Permanently restricted	1,275,307	(1,275,307)	-
Net assets without donor restrictions	-	16,125,419	16,125,419
Net assets with donor restrictions	-	2,275,470	2,275,470
Net Assets, End of Year			
Unrestricted	\$ 20,450,737	\$ (20,450,737)	-
Temporarily restricted	1,067,243	(1,067,243)	-
Permanently restricted	1,275,307	(1,275,307)	-
Net assets without donor restrictions	-	20,461,357	20,461,357
Net assets with donor restrictions	-	2,331,930	2,331,930