



Financial Statements
June 30, 2019 and 2018

Archdiocese of Dubuque Perpetual Care Fund

Archdiocese of Dubuque Perpetual Care Fund

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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 Perpetual Care Fund (Perpetual Care Fund), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Perpetual Care Fund 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.

Eide Bailly LLP

Dubuque, Iowa
March 5, 2020

Archdiocese of Dubuque Perpetual Care Fund

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 9,136	\$ 115,553
Note receivable	359,156	373,500
Investments	5,863,471	6,197,383
Annuity/life insurance contracts	1,075,000	1,075,000
Accrued interest receivable	3,621	3,766
Total assets	\$ 7,310,384	\$ 7,765,202
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,259	\$ 22,446
Payable to Archdiocese of Dubuque Deposit and Loan Fund	298,250	302,158
Deposits payable	7,009,875	7,381,639
Due to other Archdiocesan funds	-	58,959
Total liabilities	7,310,384	7,765,202
Net Assets	-	-
Total liabilities and net assets	\$ 7,310,384	\$ 7,765,202

Archdiocese of Dubuque Perpetual Care Fund
 Statements of Activities
 Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Net investment return	<u>\$ 392,828</u>	<u>\$ 618,720</u>
Expenses		
Program expenses		
Net investment return distributed to depositors	355,478	576,751
Management and general		
Administration fees	<u>37,350</u>	<u>41,969</u>
Total expenses	<u>392,828</u>	<u>618,720</u>
Change in Net Assets	-	-
Net Assets at Beginning of Year	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Archdiocese of Dubuque Perpetual Care Fund

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

	2019	2018
Operating Activities		
Net investment return distributed to depositors	\$ 355,478	\$ 576,751
Adjustments to reconcile net investment return distributed to depositors to net cash provided by operating activities		
Realized and unrealized gain on investments	(202,700)	(414,306)
Changes in assets and liabilities		
Accrued interest receivable	145	133
Accounts payable	(20,187)	18,144
Due to other Archdiocesan funds	(58,959)	(36,232)
Net Cash provided by Operating Activities	73,777	144,490
Investing Activities		
Purchase of investments	(157,808)	(1,051,471)
Proceeds from sale of investments	694,420	1,941,564
Collections on note receivable	14,344	13,219
Proceeds from annuity/life insurance contracts	-	150,000
Withdrawals from Archdiocese of Dubuque Deposit and Loan Fund	-	86,463
Net Cash provided by Investing Activities	550,956	1,139,775
Financing Activities		
Proceeds from Archdiocese of Dubuque Deposit and Loan Fund	1,033,137	1,742,735
Payments to Archdiocese of Dubuque Deposit and Loan Fund	(1,037,045)	(1,440,569)
Proceeds from deposits payable	192,449	307,936
Payments on deposits payable	(919,691)	(1,799,167)
Net Cash used for Financing Activities	(731,150)	(1,189,065)
Net Change in Cash and Cash Equivalents	(106,417)	95,200
Cash and Cash Equivalents, Beginning of Year	115,553	20,353
Cash and Cash Equivalents, End of Year	\$ 9,136	\$ 115,553

Note 1 - Organization and Significant Accounting Policies

Organization

Archdiocese of Dubuque Perpetual Care Fund (Perpetual Care Fund) is an investment pool for Catholic cemeteries located in the Archdiocese of Dubuque.

Cash and Cash Equivalents

The Perpetual Care Fund considers 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, or other long-term purposes of the Perpetual Care Fund are excluded from this definition.

Note Receivable

Note receivable is stated at principal amount and is collateralized by a real estate mortgage. Payments of note receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management reviews the note receivable periodically and estimates a portion, if any, of the balance that will not be collected. Accrued interest is stated separately.

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 values 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 expenses.

Certain Catholic organizations of the Archdiocese of Dubuque, including the Perpetual Care Fund, 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 Perpetual Care Fund 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 Perpetual Care Fund will ultimately realize could differ materially.

Deposits Payable

Deposits payable consists of the value of perpetual care funds of cemeteries of the Archdiocese of Dubuque which the Perpetual Care Fund has invested on their behalf.

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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been reported based on natural classification in the statements of activities. The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Incomes Taxes

The Perpetual Care Fund is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service (IRS) 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) as an integrated auxiliary of a church. The Perpetual Care Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Perpetual Care Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Perpetual Care Fund 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 Perpetual Care Fund believes that it has appropriate support 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 Perpetual Care Fund 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.

Financial Instruments and Credit Risk

The Perpetual Care Fund manages 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 Perpetual Care Fund has not experienced losses in any of these accounts. 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 Perpetual Care Fund.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

As of July 1, 2018, the Perpetual Care Fund adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The ASU introduces new disclosures to improve a financial statement user's ability to assess the Perpetual Care Fund's 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 Perpetual Care Fund has elected not to present comparative information for the liquidity amendment. The Perpetual Care Fund has adopted this standard as management believes the standard improves the usefulness and understandability of the Perpetual Care Fund's financial reporting.

Subsequent Events

The Perpetual Care Fund has 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 date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 9,136
Note receivable - current portion	15,468
Investments (not including Alternative Investments Trust)	5,179,090
Accrued interest receivable	3,621
	\$ 5,207,315
	\$ 5,207,315

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.

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 can be accessed 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, inputs are developed 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.

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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 Perpetual Care Fund's assessment of the quality, risk or liquidity profile of the asset or liability. 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 an assessment of the quality, risk or liquidity profile of the asset.

A significant portion of investments 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.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships which do not have readily determinable fair values. The Perpetual Care Fund's 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.

The following table presents assets measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified in the following, at June 30, 2019:

	<u>Total</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
Growth funds				
Domestic and international	\$ 4,162,382	\$ 4,162,382	\$ -	\$ -
Risk reduction assets				
Domestic and international	607,849	607,849	-	-
Global fixed assets mutual funds	408,859	408,859	-	-
At NAV				
Alternative investments trust	<u>684,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,863,471</u>	<u>\$ 5,179,090</u>	<u>\$ -</u>	<u>\$ -</u>

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The following table presents assets measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified in the following, at June 30, 2018:

	<u>Total</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
Growth funds				
Domestic and international	\$ 4,499,434	\$ 4,499,434	\$ -	\$ -
Risk reduction assets				
Domestic and international	624,792	624,792	-	-
Global fixed assets mutual funds	384,631	384,631	-	-
At NAV				
Alternative investments trust	<u>688,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,197,383</u>	<u>\$ 5,508,857</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>June 30, 2019</u>				
Alternative Investments Trust	<u>\$ 684,381</u>	<u>\$ -</u>	(1)	None
<u>June 30, 2018</u>				
Alternative Investments Trust	<u>\$ 688,526</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.

Note 4 - Net Investment Return

Net investment return consists of the following:

	2019	2018
Interest and dividends (includes interest income on note receivable)	\$ 203,090	\$ 219,447
Net realized and unrealized gain (loss)	202,700	414,306
Investment fees	(12,962)	(15,033)
	\$ 392,828	\$ 618,720

Note 5 - Note Receivable

During the fiscal year ending June 30, 2010, the Perpetual Care Fund entered into a loan agreement with another non-profit organization. The \$450,000 promissory note requires bi-annual payments (principal and interest) ranging from \$15,713 to \$18,590, bearing interest at 6%. The final payment on the note (\$260,000) is due October 31, 2024 and is secured by a mortgage. The balance of this note as of June 30, 2019 and 2018 was \$359,156 and \$373,500, respectively.

Note 6 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Perpetual Care Fund with interest/annuity payments throughout the life of the annuitant/insured. The Perpetual Care Fund 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 - Deposits in/payable to Archdiocese of Dubuque Deposit and Loan Fund

Certain funds of the Perpetual Care Fund are deposited in/payable to the Archdiocese of Dubuque Deposit and Loan Fund, a separate 501(c)(3) corporation. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at both June 30, 2019 and 2018. Negative deposit (payable) balances accrue interest at 1.5%. The interest accrued/earned on these deposits amounted to \$(3,888) and \$1,204, respectively, for the years ended June 30, 2019 and 2018.

Note 8 - Related Party Transactions

The Perpetual Care Fund engages in transactions exclusively with cemeteries of the Archdiocese of Dubuque. The assets of the Perpetual Care Fund arise from deposits by Catholic cemeteries, with corresponding net investment return, net of administration fees, being paid to the Catholic cemeteries.

Archdiocese of Dubuque Perpetual Care Fund

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The Fund has money payable to the Archdiocese of Dubuque Deposit and Loan Fund and invests in the Archdiocese of Dubuque Alternative Investments Grantor Trust, both of which are related/affiliated organizations through common management and/or board membership and religious affiliation.

Expenses include administration fees paid to the Archdiocese of Dubuque Deposit and Loan Fund of \$31,350 and \$34,790 for the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, \$0 and \$17,405 was included in accounts payable on the statements of financial position.

Amounts due to other Archdiocesan funds of \$0 and \$58,959 at June 30, 2019 and 2018 primarily include amounts due to the Archdiocese of Dubuque Deposit and Loan Fund which are owed for expenses paid on the Perpetual Care Fund's behalf.