



Financial Statements  
June 30, 2019 and 2018

Archdiocese of Dubuque Seminarian  
Education Fund

Archdiocese of Dubuque Seminarian Education Fund

Table of Contents  
June 30, 2019 and 2018

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Independent Auditor’s Report .....	1
Financial Statements	
Statements of Financial Position.....	3
Statement of Activities – Year Ended June 30, 2019 .....	4
Statement of Activities – Year Ended June 30, 2018 .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7



## Independent Auditor's Report

To the Audit Committee  
Archdiocese of Dubuque Seminarian Education Fund  
Dubuque, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Dubuque Seminarian Education Fund (Seminarian Education 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 Seminarian Education 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.

### **Emphasis of Matter**

As discussed in Notes 1 and 11 to the financial statements, the Seminarian Education Fund has 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.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
March 5, 2020

# Archdiocese of Dubuque Seminarian Education Fund

## Statements of Financial Position

June 30, 2019 and 2018

	2019	2018 (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 3,817	\$ 5,372
Deposits in Archdiocese of Dubuque		
Deposit and Loan Fund	809,980	703,358
Accrued interest receivable	1,811	1,883
Other receivables	-	19,678
Due from other Archdiocesan funds/organizations	53,946	34,608
Note receivable	179,578	186,750
Investments	383,911	387,780
Annuity/life insurance contracts	570,000	570,000
Beneficial interest in assets held by the Catholic Foundation for the Archdiocese of Dubuque	5,420,155	5,334,104
Total assets	\$ 7,423,198	\$ 7,243,533
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Account payable	\$ -	\$ 5,011
Accrued expenses	385	-
Total liabilities	385	5,011
<b>Net Assets</b>		
Without donor restrictions	1,217,332	1,199,564
With donor restrictions		
Perpetual in nature	3,262,312	3,209,635
Purpose restrictions	2,707,332	2,593,486
Time-restricted for future periods	235,837	235,837
	6,205,481	6,038,958
Total net assets	7,422,813	7,238,522
Total liabilities and net assets	\$ 7,423,198	\$ 7,243,533

# Archdiocese of Dubuque Seminarian Education Fund

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Net investment return	\$ 6,668	\$ 33,571	\$ 40,239
Contributions	-	52,677	52,677
Interest income on note receivable	11,100	-	11,100
Distributions from and change in value of beneficial interest in assets held by others	-	285,846	285,846
Change in value of split-interest agreements	-	924	924
Net assets released from restriction	206,495	(206,495)	-
<b>Total revenue, support, and gains</b>	<b>224,263</b>	<b>166,523</b>	<b>390,786</b>
<b>Expenses</b>			
Program Expenses			
Transfer of investment income to Archdiocese of Dubuque	199,795	-	199,795
Administrative Expense			
Audit expense	6,700	-	6,700
<b>Total expenses</b>	<b>206,495</b>	<b>-</b>	<b>206,495</b>
<b>Change in Net Assets</b>	<b>17,768</b>	<b>166,523</b>	<b>184,291</b>
<b>Net Assets, Beginning of Year</b>	<b>1,199,564</b>	<b>6,038,958</b>	<b>7,238,522</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,217,332</b>	<b>\$ 6,205,481</b>	<b>\$ 7,422,813</b>

# Archdiocese of Dubuque Seminarian Education Fund

Statement of Activities  
Year Ended June 30, 2018

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
<b>Revenue, Support, and Gains</b>			
Net investment return	\$ 15,406	\$ 70,933	\$ 86,339
Contributions	-	447,010	447,010
Interest income on note receivable	11,505	-	11,505
Distributions from and change in value of beneficial interest in assets held by others	-	306,693	306,693
Change in value of split-interest agreements	-	(3,252)	(3,252)
Net assets released from restriction	181,740	(181,740)	-
<b>Total revenue, support, and gains</b>	<b>208,651</b>	<b>639,644</b>	<b>848,295</b>
<b>Expenses</b>			
Program expenses			
Transfer of investment income to Archdiocese of Dubuque	173,360	-	173,360
Administrative Expense			
Audit expense	8,380	-	8,380
<b>Total expenses</b>	<b>181,740</b>	<b>-</b>	<b>181,740</b>
<b>Change in Net Assets</b>	<b>26,911</b>	<b>639,644</b>	<b>666,555</b>
<b>Net Assets, Beginning of Year</b>	<b>1,172,653</b>	<b>5,399,314</b>	<b>6,571,967</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,199,564</b>	<b>\$ 6,038,958</b>	<b>\$ 7,238,522</b>

## Archdiocese of Dubuque Seminarian Education Fund

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

	2019	2018
Operating Activities		
Change in net assets	\$ 184,291	\$ 666,555
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gains) losses on investments	12,842	(31,961)
Change in beneficial interest in assets held by others	(86,051)	(109,939)
Changes in assets and liabilities		
Accrued interest receivable	72	66
Other receivables	19,678	(19,678)
Due to/from other Archdiocesan funds/organizations	(19,338)	(343,487)
Account payable	(5,011)	185
Accrued expenses	385	-
Net Cash from Operating Activities	106,868	161,741
Investing Activities		
Purchase of investments	(9,122)	(11,573)
Proceeds from sale of investments	149	31,829
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(133,743)	(394,632)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	27,121	204,563
Net Cash used for Investing Activities	(115,595)	(169,813)
Financing Activities		
Collection on note receivable	7,172	6,609
Net Change in Cash and Cash Equivalents	(1,555)	(1,463)
Cash and Cash Equivalents, Beginning of Year	5,372	6,835
Cash and Cash Equivalents, End of Year	\$ 3,817	\$ 5,372



## **Note 1 - Organization and Significant Accounting Policies**

### **Organization**

The Archdiocese of Dubuque Seminarian Education Fund (Seminarian Education Fund) is an endowment-like fund which requires that the principal be invested and maintained intact with only the income earned from the investments available for education of seminarians of the Archdiocese of Dubuque.

### **Cash and Cash Equivalents**

The Seminarian Education 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, endowments that are perpetual in nature, or other long-term purposes of the Seminarian Education 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.

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

During 2013, the Seminarian Education Fund established a permanent endowment fund under the Catholic Foundation for the Archdiocese of Dubuque (CFAD). The Seminarian Education Fund 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 Seminarian Education Fund, and is reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

### **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 management and custodial fees.

### **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.

*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 Education Fund reports 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. 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 statement of activities as net assets released from restrictions.

### **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 statements of activities report 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 Seminarian Education Fund 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 Seminarian Education Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Seminarian Education Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Seminarian Education 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 Seminarian Education 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 Seminarian Education 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 Seminarian Education 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 Seminarian Education 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 Seminarian Education Fund.

### **Change in Accounting Principle**

As of July 1, 2018, the Seminarian Education Fund 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 Seminarian Education Fund's donor restricted endowment funds. The ASU introduces new disclosures to improve a financial statement user's ability to assess the Seminarian Education 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 Seminarian Education Fund has restated the prior year to present comparative information for these amendments. The Seminarian Education Fund has elected not to present comparative information for the liquidity amendment.

The Seminarian Education Fund has adopted this standard as management believes the standard improves the usefulness and understandability of the Seminarian Education Fund's financial reporting.

### **Subsequent Events**

The Seminarian Education Fund has evaluated subsequent events through March 5, 2020, the date which the financial statements were available to be issued.

**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.

**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	\$	3,817
Deposits in Archdiocese of Dubuque Deposit and Loan Fund		809,980
Accrued interest receivable		1,811
Due From Other Archdiocesan Funds/Organizations		53,946
Note receivable		7,734
Investments		<u>383,911</u>
 Financial assets available to meet general expenditures within one year	 \$	 <u><u>1,261,199</u></u>

The Seminarian Education Fund established a permanent endowment fund under the Catholic Foundation for 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 can be accessed at the measurement date.

# Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

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. 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. The fair value of the 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.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

	<u>Total</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Quote 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	\$ 256,142	\$ 256,142	\$ -	\$ -
Risk reduction assets				
Domestic fixed assets mutual funds	<u>127,769</u>	<u>127,769</u>	<u>-</u>	<u>-</u>
	<u>\$ 383,911</u>	<u>\$ 383,911</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets Held by the Catholic Foundation in the Archdiocese of Dubuque	<u>\$ 5,420,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,420,155</u>

# Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	Total	Fair Value Measurements at Report Date Using		
		Quote 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	\$ 267,586	\$ 267,586	\$ -	\$ -
Risk reduction assets				
Domestic fixed assets mutual funds	120,194	120,194	-	-
	<u>\$ 387,780</u>	<u>\$ 387,780</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets Held by the Catholic Foundation in the Archdiocese of Dubuque	<u>\$ 5,334,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,334,104</u>

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
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque		
Beginning Balance	\$ 5,334,104	\$ 5,224,165
Interest and dividends	114,355	97,152
Distributions	(199,362)	(196,753)
Change in unrealized gains/losses	(612,713)	187,837
Realized gains/losses	814,938	53,258
Administrative fees	(31,167)	(31,555)
Ending Balance	<u>\$ 5,420,155</u>	<u>\$ 5,334,104</u>
Unrealized Gain (Loss) Included in Net Investment Return in the Statements of Activities Relating to Assets Still Held at Year End	<u>\$ (612,713)</u>	<u>\$ 187,837</u>

# Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

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## **Note 4 - Net Investment Return**

Net investment return consists of the following:

	2019	2018
Interest and dividends	\$ 57,995	\$ 58,624
Net realized and unrealized gain (loss)	(12,842)	31,961
Less investment management and custodial fees	(4,914)	(4,246)
Net investment return	\$ 40,239	\$ 86,339

## **Note 5 - Annuity/Life Insurance Contracts**

Annuity/life insurance contracts are designed to provide the Seminarian Education Fund with interest/annuity payments throughout the life of the annuitant/insured. The Seminarian Education 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 6 - Deposits in/payable to Archdiocese of Dubuque Deposit and Loan Fund**

Certain funds are deposited in 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 June 30, 2019 and 2018.

## **Note 7 - Note Receivable**

During the fiscal year ending June 30, 2010, the Seminarian Education Fund entered into a loan agreement with another non-profit organization. The \$225,000 promissory note requires bi-annual payments ranging from \$7,857 to \$9,295, with a lump sum payment of \$130,078 in October 2024. The note bears interest at 6% and is secured by a mortgage. The balance of this note as of June 30, 2019 and 2018 was \$179,578 and \$186,750, respectively.

## Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

### Note 8 - 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 Seminarian education	\$ 2,025,357	\$ 1,847,918
Subject to the Passage of Time Term endowment for seminarian education (in the year 2031 this endowment becomes unrestricted)	235,837	235,837
Endowments Subject to appropriation and expenditure when a specified event occurs Restricted by donors for Seminarian education	681,975	745,568
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation Seminarian education	3,262,312	3,209,635
Total endowments	3,944,287	3,955,203
	\$ 6,205,481	\$ 6,038,958

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of Purpose Restrictions Seminarian education	\$ 206,495	\$ 181,740

### Note 9 - Related Party Transactions

The Seminarian Education Fund provides financial support for the education of seminarians of the Archdiocese of Dubuque. During the years ended June 30, 2019 and 2018, the Seminarian Education Fund transferred \$199,795 and \$173,360, respectively, to the Archdiocese of Dubuque Administrative Offices for Seminarian education expenses incurred during the year.

The Seminarian Education Fund has money deposited with the Archdiocese of Dubuque Deposit & Loan Fund. The net interest earned on monies invested with the Archdiocese of Dubuque Deposit and Loan Fund amounted to \$7,486 and \$8,032, for the years ended June 30, 2019 and 2018.



**Note 10 - Endowments**

The Seminarian Education Fund’s 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 Seminarian Education Fund’s Board of Directors 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 Seminarian Education Fund retains 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 by the Seminarian Education Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. The Seminarian Education Fund considers 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

The Seminarian Education Fund 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	\$ -	\$ 3,944,287	\$ 3,944,287
June 30, 2018			
Donor-restricted endowment funds	\$ -	\$ 3,955,203	\$ 3,955,203

*Investment and Spending Policies*

The Seminarian Education Fund has 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 Seminarian Education Fund must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, 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 Seminarian Education Fund expects 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.

To satisfy its long-term rate-of-return objectives, the Seminarian Education Fund relies 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 Seminarian Education Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Seminarian Education Fund has a policy of appropriating for distribution the lesser of expenses incurred to educate men for the priesthood or the current year investment earnings plus previous years unspent earnings, if any. In establishing this policy, the Seminarian Education Fund considered the long-term expected return on its endowment. This is consistent with the Seminarian Education Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Seminarian Education Fund would not spend from any funds that would be in an underwater position.

# Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

Changes in Endowment net assets for the year ending June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,955,203	\$ 3,955,203
Investment Return			
Investment income	-	35,366	35,366
Net realized and unrealized gain	-	107,536	107,536
Contributions	-	52,677	52,677
Appropriation of Endowment Assets for Expenditure	-	(6,700)	(6,700)
Other Changes			
Equity transfer	-	(199,795)	(199,795)
Endowment Net Assets, End of Year	\$ -	\$ 3,944,287	\$ 3,944,287

Changes in Endowment net assets for the year ending June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,512,313	\$ 3,512,313
Investment Return			
Investment income	-	33,952	33,952
Net realized and unrealized gain	-	143,668	143,668
Contributions	-	447,010	447,010
Appropriation of Endowment Assets for Expenditure	-	(8,380)	(8,380)
Other Changes			
Equity transfer	-	(173,360)	(173,360)
Endowment Net Assets, End of Year	\$ -	\$ 3,955,203	\$ 3,955,203

# Archdiocese of Dubuque Seminarian Education Fund

Notes to Financial Statements

June 30, 2019 and 2018

## Note 11 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Seminarian Education Fund 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 change in accounting policy in the Seminarian Education Fund's June 30, 2018 net assets.

The effect on the Seminarian Education Fund's 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	\$ 1,199,564	\$ (1,199,564)	\$ -
Temporarily restricted net assets	2,829,323	(2,829,323)	-
Permanently restricted net assets	3,209,635	(3,209,635)	-
Net assets without donor restrictions	-	1,199,564	1,199,564
Net assets with donor restrictions	-	6,038,958	6,038,958

The effect on the Seminarian Education Fund's 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 net assets	\$ 1,172,653	\$ (1,172,653)	\$ -
Temporarily restricted net assets	2,636,689	(2,636,689)	-
Permanently restricted net assets	2,762,625	(2,762,625)	-
Net assets without donor restrictions	-	1,172,653	1,172,653
Net assets with donor restrictions	-	5,399,314	5,399,314
Net Assets, End of Year			
Unrestricted net assets	\$ 1,199,564	\$ (1,199,564)	\$ -
Temporarily restricted net assets	2,829,323	(2,829,323)	-
Permanently restricted net assets	3,209,635	(3,209,635)	-
Net assets without donor restrictions	-	1,199,564	1,199,564
Net assets with donor restrictions	-	6,038,958	6,038,958