DIOCESE
of
LAFAYETTE-IN-INDIANA
Department of Administration

June 18, 2019

Attached is the report of externally audited financials for the Central Administration of the Diocese of Lafayette-in-Indiana for the period of January 1, 2018 through December 31, 2018. In addition to reading our audited financials, you may want to read the accountability report for the Diocese of Lafayette-in-Indiana.

The 2018 year was financially challenging for the Diocese largely due to three events. The audited financial statements and notes show that these three events increased our loss to $9.2 million and caused us to use $7.3 million to fund operations. First, like most entities in 2018, we had a drop in our return on investments due to negative market activity. 2017 was a very positive year for returns while 2018 was a very negative year. Second, we recorded an impairment loss of $5,029,147 for the St. Joseph Retreat & Conference Center to reflect the market value of the center which is less than the acquisition costs and renovations made over three years. Recording this large decrease in value increased expenses and decreased assets. And third, as recommended over three years ago by our finance council, we transferred $5 million to our lay employee pension plan to make significant improvements to its funded status. The Office of Administration views this as a very positive transfer although it impacted our loss this year. In 2019 we plan to transfer up to another $5 million for lay retirement with the goal of getting the lay pension plan to nearly 100% funded and secure for the future.

The fairly new team in the finance department and the administration of the Diocese of Lafayette-in-Indiana are striving to be more proactive, transparent, standardized and accountable. While we are pleased with our progress, we know more work is to be done. Going forward we will have tighter controls, policies and accountability to prevent deep losses and will examine methods to make the St. Joseph Retreat & Conference Center a more efficient organization. Projects are underway to address these two priorities.

Sincerely,

+Timothy L. Doherty

Timothy L. Doherty, Bishop

Very Rev. Theodore Dudzinski

Theodore Dudzinski, Vicar General

Matt McKillip

Matt McKillip, Chief Financial Officer

Robin Caldanaro

Robin Caldanaro, Controller

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CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2018 AND 2017

GREENWALT CPAs

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CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Diocesan Finance Council of
Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc.:

We have audited the accompanying financial statements of Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditors' 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 auditors' 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 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 Administration as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Greenwalt CPAs, Inc.

May 28, 2019

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash	$ 3,962,211	$ 3,627,963
Contributions receivable, net of allowance	7,450,400	2,434,101
Amounts due from parishes	188,566	160,331
Accounts receivable	844	1,041
Amounts due from former seminarians, net of allowance	115,799	127,221
Investments	16,379,196	24,396,208
Prepaid expenses	380,174	3,008
Beneficial interests in charitable trusts	144,759	690,426
Note receivable from St. John Vianney	724,962	697,078
Amount due from St. Alphonsus	480,000	600,000
Amount due from Our Lady of Grace	1,936,161	2,156,380
Amount due from St. Elizabeth Seton	3,044,393	3,112,638
Amount due from St. Thomas Aquinas, net of allowance	311,404	561,225
Amount due from All Saints	52,485	64,485
Overfunded status of Priests' Retirement Plan	374,882	299,623
Land, buildings and equipment, net	13,585,029	19,252,341
Total assets	$ 49,131,265	$ 58,184,069

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 499,371	$ 2,154,814
Grants payable	542,000	262,000
Deferred revenue	260,541	210,433
Amounts due to parishes	4,316,506	2,372,542
Term note payable - St. Alphonsus	480,000	600,000
Mortgage note payable - Our Lady of Grace	1,936,161	2,156,380
Term note payable - St. Elizabeth Seton	3,044,393	3,112,638
Accrued post-retirement benefit obligation	3,644,631	3,771,326
Total liabilities	14,723,603	14,640,133
COMMITMENTS AND CONTINGENCIES (NOTES 12, 14, 15, 17)		
NET ASSETS		
Without donor restrictions	26,402,301	37,455,919
With donor restrictions		
Time and purpose	7,841,928	5,924,584
Perpetual	163,433	163,433
Total net assets	34,407,662	43,543,936
Total liabilities and net assets	$ 49,131,265	$ 58,184,069

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

		With Donor Restrictions			
	Without Donor Restrictions	Time and Purpose	Perpetual	2018 Total	2017 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 4,637,430	$ 4,658,146	$ -	$ 9,295,576	$ 795,366
Investment return, net	(755,490)	(147,661)	-	(903,151)	3,879,757
Rent revenue	260,062	-	-	260,062	224,105
Subscription revenue	658,837	-	-	658,837	660,310
Program service revenue	68,063	-	-	68,063	301,897
Insurance program assessments	9,792,375	-	-	9,792,375	8,730,401
Gain on sale of property and equipment	85,639	-	-	85,639	67,414
Other income	25,269	-	-	25,269	2,567
Saint Joseph retreat and conference center	276,115	-	-	276,115	35,495
Change in value of charitable trusts	17,469	-	-	17,469	82,991
Net assets released from restrictions	2,593,141	(2,593,141)	-	-	-
Total revenues, gains and other support	17,658,910	1,917,344	-	19,576,254	14,780,303
EXPENSES					
Program services					
Office for divine worship and liturgical formation	123,392	-	-	123,392	36,107
Tribunal	368,538	-	-	368,538	364,596
Office for communication	704,095	-	-	704,095	720,297
Vocations office	742,747	-	-	742,747	911,092
Office of catechesis	261,673	-	-	261,673	468,739
Office for family life	402,587	-	-	402,587	384,606
Office of Catholic schools	302,171	-	-	302,171	278,043
Permanent Diaconate	60,981	-	-	60,981	41,388
Vicar for the clergy	208,633	-	-	208,633	201,567
Bishop's office organization	6,029,807	-	-	6,029,807	603,052
Office of pastoral ministries	153,934	-	-	153,934	165,161
Saint Joseph retreat and conference center	5,733,238	-	-	5,733,238	1,190,499
Property and health insurance program	9,569,330	-	-	9,569,330	9,221,556
Parish revenue sharing	178,952	-	-	178,952	45,892
Other program expenses	953,582	-	-	953,582	257,021
Total program services	25,793,660	-	-	25,793,660	14,889,616
Supporting services					
Fundraising	478,034	-	-	478,034	376,286
General and administrative	2,743,180	-	-	2,743,180	2,201,867
Total expenses	29,014,874	-	-	29,014,874	17,467,769
CHANGE IN NET ASSETS FROM OPERATING ACTIVITES	(11,355,964)	1,917,344	-	(9,438,620)	(2,687,466)
NONOPERATING					
Pension-related changes other than net periodic pension cost	302,346	-	-	302,346	(10,799)
CHANGE IN NET ASSETS	(11,053,618)	1,917,344	-	(9,136,274)	(2,698,265)
NET ASSETS, BEGINNING OF YEAR	37,455,919	5,924,584	163,433	43,543,936	46,242,201
NET ASSETS, END OF YEAR	$ 26,402,301	$ 7,841,928	$ 163,433	$ 34,407,662	$ 43,543,936

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	Perpetual	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 18,338	$ 777,028	$ -	$ 795,366
Investment return, net	3,394,197	485,560	-	3,879,757
Rent revenue	224,105	-	-	224,105
Subscription revenue	660,310	-	-	660,310
Program service revenue	301,897	-	-	301,897
Insurance program assessments	8,730,401	-	-	8,730,401
Gain on sale of property and equipment	67,414	-	-	67,414
Other income	2,567	-	-	2,567
Saint Joseph retreat and conference center	35,495	-	-	35,495
Change in value of charitable trusts	82,991	-	-	82,991
Net assets released from restrictions	5,548,107	(5,548,107)	-	-
Total revenues, gains and other support	19,065,822	(4,285,519)	-	14,780,303
EXPENSES				
Program services				
Office for worship and RCIA	36,107	-	-	36,107
Tribunal	364,596	-	-	364,596
Office for communication	720,297	-	-	720,297
Vocations office	911,092	-	-	911,092
Office for adult catechesis	468,739	-	-	468,739
Office for family life	384,606	-	-	384,606
Office for education and youth catechesis	278,043	-	-	278,043
Permanent Diaconate	41,388	-	-	41,388
Vicar for the clergy	201,567	-	-	201,567
Bishop's office organization	603,052	-	-	603,052
Office of pastoral ministries	165,161	-	-	165,161
Saint Joseph retreat and conference center	1,190,499	-	-	1,190,499
Property and health insurance program	9,221,556	-	-	9,221,556
Parish revenue sharing	45,892	-	-	45,892
Other program expenses	257,021	-	-	257,021
Total program services	14,889,616	-	-	14,889,616
Supporting services				
Fundraising	376,286	-	-	376,286
General and administrative	2,201,867	-	-	2,201,867
Total expenses	17,467,769	-	-	17,467,769
CHANGE IN NET ASSETS FROM OPERATING ACTIVITES	1,598,053	(4,285,519)	-	(2,687,466)
NONOPERATING				
Pension-related changes other than net periodic pension cost	(10,799)	-	-	(10,799)
CHANGE IN NET ASSETS	1,587,254	(4,285,519)	-	(2,698,265)
NET ASSETS, BEGINNING OF YEAR	35,868,665	10,210,103	163,433	46,242,201
NET ASSETS, END OF YEAR	$ 37,455,919	$ 5,924,584	$ 163,433	$ 43,543,936

See accompanying notes to financial statements.

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CHANGE IN CASH

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from parishes, contributors, and program services	$ 15,050,967	$ 15,436,210
Cash paid to vendors and employees	(22,634,826)	(17,176,561)
Investment income	291,085	135,224
Net cash used in operating activities	(7,292,774)	(1,605,127)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to St. Thomas Aquinas	-	(561,225)
Purchases of investments	(2,076,018)	(2,264,773)
Proceeds from sale of investments	9,417,464	7,226,266
Redemptions and other decreases in charitable trust	545,667	-
Proceeds from sale of property and equipment	1,467,016	67,414
Purchases of property and equipment	(1,727,107)	(5,103,476)
Net cash provided by (used in) investing activities	7,627,022	(635,794)
CHANGE IN CASH	334,248	(2,240,921)
CASH, BEGINNING OF YEAR	3,627,963	5,868,884
CASH, END OF YEAR	$ 3,962,211	$ 3,627,963
SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Donated investments	$ 210,116	$ 150,936
Property and equipment included in accounts payable	$ -	$ 601,695
SCHEDULE OF NON-CASH FINANCING ACTIVITIES		
St. Alphonsus principal payments on term note payable	$ 120,000	$ 120,000
Our Lady of Grace principal payments on mortgage note payable	$ 220,219	$ 251,203
St. Elizabeth Seton principal payments on term note	$ 68,245	$ 3,112,638

See accompanying notes to financial statements.

NET CASH USED IN OPERATING ACTIVITIES

	2018	**2017**
CHANGE IN NET ASSETS	$ (9,136,274)	$(2,698,265)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	382,200	263,446
Gain on sale of property and equipment	(85,639)	(67,414)
Impairment loss on land and buildings	5,029,147	-
Realized and unrealized (gains) losses on investments, net	903,151	(3,802,709)
Change in allowance for doubtful accounts	(1,822)	66,921
Change in value of charitable trusts	(17,469)	(82,991)
Donated investments	(210,116)	(150,936)
(Increase) decrease in operating assets:		
Contributions receivable, net of allowance	(5,014,477)	5,076,758
Amounts due from parishes	205,702	(24,668)
Accounts receivable	197	3,939
Amounts due from former seminarians, net of allowance	11,422	(127,221)
Prepaid expenses	(377,166)	239,867
Overfunded/underfunded status of Priests' Retirement Plan	(75,259)	(122,143)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,053,748)	424,744
Grants payable	280,000	(262,000)
Deferred revenue	50,108	21,595
Amounts due to parishes	1,943,964	(570,893)
Accrued post-retirement benefit obligation	(126,695)	206,843
Total adjustments	1,843,500	1,093,138
NET CASH USED IN OPERATING ACTIVITIES	$ (7,292,774)	$(1,605,127)

1. NATURE OF ACTIVITIES

Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration) was formed in coordination with the establishment of the Roman Catholic Diocese of Lafayette-in-Indiana in 1945, and subsequently incorporated in 1958. The Administration is a nonprofit organization located in Lafayette, Indiana, which provides services at the Diocesan level of administration of the Roman Catholic Church.

The accompanying financial statements include the assets, liabilities, net assets and operations of the Central Administration Office only. The activities of the parishes, religious orders, lay societies, and religious organizations which operate within the Administration and their related assets and liabilities have not been included in the accompanying financial statements, but are assets and liabilities which would ultimately come under the umbrella of the Administration. The accompanying financial statements also do not include the activities of the Lafayette Diocesan Foundation, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

During 2018, the Administration changed the useful life estimate for certain building and building improvements. The impact of this change was an increase in net assets of approximately $243,000.

CASH AND CASH EQUIVALENTS

The Administration considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2018 and 2017. The Administration maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2018 and 2017, the Administration maintained cash and cash equivalents in excess of the FDIC coverage limits of approximately $5.5 million and $3.0 million, respectively.

CONTRIBUTIONS RECEIVABLE

A primary source of support for the Administration is the receipt of contributions under the *Fruitful Harvest Campaign*, which is a biennial parish level campaign. The previous *Fruitful Harvest Campaign*, which began in August 2016, came to a close in August 2018. At that time, a new *Fruitful Harvest Campaign* commenced, which will run through 2020.

For each *Fruitful Harvest Campaign*, every parish is assessed a campaign goal. The goal is the amount that each parish must raise and is retained by the Administration. Amounts collected in excess of the respective goals are returned to the parish. The amount returned is based on several factors including whether or not a parish adds a dovetail campaign (100% returned), if the parish operates a school (92% is returned), or if neither, 50% of the collected amounts in excess of the goal is returned to the parish. Additionally, once the parish meets its goal amount, the Administration issues a 10% rebate for parishes not participating in the dovetail campaign program.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS RECEIVABLE, CONTINUED

The total amount pledged under the *Fruitful Harvest Campaign* is reported as contributions receivable. Amounts pledged in excess of the respective parish's goal, plus any rebates, less the amounts expected to be retained by the Administration, are recorded as amounts due to parishes and are not recorded as support of the Administration.

Pledges (contributions receivable) are unconditional promises to give that are recognized as contributions when the promise or pledge is received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor.

Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year.

Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows.

Conditional promises, such as matching gifts, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Management estimates an allowance for doubtful contributions receivable based on current economic conditions, historical trends, and current and past experience with the Administration's donor base. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. Management has determined that an allowance of $1,154,952 and $1,156,774 is necessary at December 31, 2018 and 2017, respectively.

AMOUNTS DUE FROM PARISHES, FORMER SEMINARIANS, AND ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount due the Administration for services provided or under a reimbursable arrangement. Management estimates an allowance for uncollectible accounts receivable based on an evaluation of current economic conditions, historical trends, and past experience. Management has determined that an allowance of $536,165 and $383,291 is necessary at December 31, 2018 and 2017, respectively, for seminarian loans not expected to be paid back should the seminarians become a priest.

INVESTMENTS AND INVESTMENT RETURN

Investments are carried at fair value for financial reporting purposes. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Changes in unrealized appreciation or depreciation of investments are reflected in the statement of activities in the period in which such changes occur. Interest and dividend income is recorded when earned. The Administration’s investment policy aligns completely with the U.S. Conference of Catholic Bishops’ Socially Responsible Investment Guidelines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NOTE RECEIVABLE FROM ST. JOHN VIANNEY

During 2009, the Administration transferred land to the St. John Vianney Parish in exchange for a note receivable in the amount of $954,000. The note receivable bears no interest and the maturity date is not yet finalized. The note receivable is unsecured. Management has determined that an allowance is not necessary at December 31, 2018 and 2017. At December 31, 2018 and 2017, the note receivable has been recorded at its net present value of $724,962 and $697,078, respectively, using a discount rate of 4.0% and an expectation of collection by 2025.

DUE FROM ST. ALPHONSUS AND DUE FROM OUR LADY OF GRACE

During 2012, the Administration obtained loans from two banks on behalf of St. Alphonsus Liguori Catholic Church and Our Lady of Grace Catholic Church. St. Alphonsus has signed an unconditional guarantee with the bank (Note 10) and both parishes are expected to make all payments of principal and interest directly to the banks. As the Administration does not anticipate paying on the bank loans, receivables from the parishes have been established to offset the amount of the loans that are recorded. The balance for St. Alphonsus was $480,000 and $600,000 at December 31, 2018 and 2017, respectively. The balance for Our Lady of Grace was $1,936,161 and $2,156,380 at December 31, 2018 and 2017, respectively. These receivables bear no interest and are unsecured. Management has determined that an allowance is not necessary at December 31, 2018 and 2017.

DUE FROM ST. ELIZABETH SETON

During 2015, the Administration obtained a loan on the behalf of St. Elizabeth Seton Catholic Church. The parish is expected to make all payments of principal and interest directly to the bank. As the Administration does not anticipate paying on the loan, a receivable from the Parish has been established to offset the amount of loan recorded. The balance was $3,044,393 and $3,112,638 at December 31, 2018 and 2017 respectively. Management has determined that an allowance is not necessary at December 31, 2018 and 2017.

DUE FROM ST. THOMAS AQUINAS

During 2017, the Administration provided funding to the Campus Ministry at St. Thomas Aquinas – The Catholic Center at Purdue University to help build a Catholic dormitory on campus. The project did not obtain enough funding to move forward. During 2019, the Administration and St. Thomas Aquinas agreed to repayment terms. The note receivable bears no interest and the maturity date is December 2026. The note receivable requires a one-time payment of $70,037 in 2019 and monthly payments of $4,443 starting in January 2020. The balance due of $311,404 at December 31, 2018 has been recorded at net present value using a discount rate of 4.0% through the term of the note. Management also determined a $130,000 allowance is necessary at December 31, 2018. At December 31, 2017, the note had a balance due of $561,225.

DUE FROM ALL SAINTS

During 2014, the Administration made an advance to All Saints Catholic Church of $113,516. This advance is unsecured and bears no interest. Subject to an informal agreement, the advance will be repaid by August 31, 2024. The balance was $52,485 and $64,485 at December 31, 2018 and 2017, respectively. Management has determined that an allowance is not necessary at December 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

LAND, BUILDINGS AND EQUIPMENT

The Administration capitalizes all significant transactions greater than $1,000 related to land, buildings and equipment at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Costs of ordinary maintenance and repairs are expensed as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the assets which range from three to seventy-five years.

Gifts of land, buildings, and equipment are reported as net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent donor restrictions on use and how long those donated assets must be maintained, the Administration reports expirations of donor restrictions when the donated or acquired assets are placed in service.

GRANTS PAYABLE

At December 31, 2018 and 2017, grants payable consist of grants made to two parishes requiring monthly payments through December 2019 and 2020, respectively. The grants are awarded on a biannual basis and are payable monthly during that time. At December 31, 2018, $271,000 is due in each of the years 2019 and 2020.

DEFERRED REVENUE

Deferred revenue is comprised of advance insurance assessments billed to participants. Revenue from these assessments is recognized ratably over the policy period.

NET ASSETS

The financial statements report net assets and changes in net assets in the following classes that are based upon the existence or absence of restrictions on use that are placed by the Administration's donors:

Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Administration, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Administration has designated $4,380,604 and $7,879,340 at December 31, 2018 and 2017, respectively, of net assets for the benefit of the parishes.

With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Administration's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets with donor restrictions for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

Administration, unless the donor provides more specific directions about the period of its use. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

REVENUE RECOGNITION

Revenue is recognized when earned. The primary source of revenue (other than investment return) is assessments related to the various insurance programs. Assessments are billed to the parishes and/or participants based on the premiums that are billed from the insurance carriers. Revenue is recognized ratably over the policy period.

DONATED SERVICES

Contributions of services are recognized as revenue at their estimated fair value when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

The Administration receives a substantial amount of services donated by individuals in carrying out its programs. Values have not been assigned to these services as the criteria for recognition has not been met and, accordingly, they are not reflected in the accompanying financial statements.

RENT REVENUE

The Administration rents land and property to various third parties pursuant to operating lease agreements, generally for twelve month periods with varying expiration dates, at which point the lease agreements are subject to renewal. At December 31, 2018 and 2017, the Administration's land lease agreements were on an annual basis and all other property leases were on a month to month basis.

Rent revenue is recognized when earned and was $260,062 and $224,105 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the cost of leased land was $10,066,484 and $11,418,100, respectively. At December 31, 2018, the cost and accumulated depreciation of leased property was $188,085 and $123,431, respectively. At December 31, 2017, the cost and accumulated depreciation of leased property was $185,576 and $115,160, respectively.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the programs and services of the Administration have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods of allocation are deemed appropriate, other methods could produce different results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2018

	Program services	Fundraising	General and administrative	Total
Personnel cost	$ 7,148,777	$ 239,565	$ 1,174,725	$ 8,563,067
Religious programming	2,216,809	14,854	610,861	2,842,524
Professional services	532,077	46,789	479,313	1,058,179
Property and health insurance	9,507,370	-	31,332	9,538,702
Depreciation and amortization	270,779	3,618	107,804	382,201
Other	6,117,848	173,208	339,145	6,630,201
Total	$ 25,793,660	$ 478,034	$ 2,743,180	$ 29,014,874

2017

	Program services	Fundraising	General and administrative	Total
Personnel cost	$ 1,996,559	$ 257,643	$ 1,123,210	$ 3,377,412
Religious programming	1,642,219	17,394	195,621	1,855,234
Professional services	146,937	4,1462	407,833	596,232
Property and health insurance	9,150,298	-	19,401	9,169,699
Depreciation and amortization	154,293	3,234	105,919	263,446
Other	1,799,310	56,553	349,883	2,205,746
Total	$ 14,889,616	$ 376,286	$ 2,201,867	$ 17,467,769

INCOME TAXES

The Administration is organized as a not-for-profit corporation other than a private foundation, and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and similar state law.

The Administration is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. As a religious organization, the Administration is not required to file annual Federal or state information returns.

SUBSEQUENT EVENTS

The Administration evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 28, 2019, which is the date the financial statements are available to be issued. See Notes 12 and 17.

IMPAIRMENT OF LONG-LIVED ASSETS

The Administration evaluates long-lived assets for impairment using a discounted cash flows method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NEW ACCOUNTING PRONOUNCEMENT

The Administration has adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted and permanently restricted to two, net assets with and without donor restrictions. The update requires all not-for-profit entities to present the statement of functional expenses as a part of the basic financial statements or in the footnotes. In addition, the update requires a new disclosure regarding the availability of resources and liquidity. Also, the new update required investment expenses to be netted with revenue. With the exception of Note 3, the Administration has adjusted the presentation of these statements retrospectively. The update had no impact on total net assets as of December 31, 2017.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The general operations of the Diocese are mainly funded by the bi-annual Fruitful Harvest campaign. Because of the significant reliance on the Fruitful Harvest Campaign, the Diocese maintains a line of credit and also may sell property not suitable for church construction to meet short-term cash flow needs.

As of December 31, 2018, the following table shows the total financial assets held by the Administration and the amounts of those financial assets available within one year of the statement of financial position date to meet general expenditures.

Financial assets at year-end:	
Cash, net of amounts due to parishes	$ 655,608
Contributions receivable, net of allowance and amounts due to parishes	3,660,898
Amounts due from parishes	188,566
Accounts receivable	844
Amounts due from former seminarians, net of allowance	115,799
Investments	16,379,196
Beneficial interests in charitable trusts	144,759
Total financial assets	21,145,670
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(8,005,361)
Net assets designated for the benefit of the parishes	(4,380,604)
Total amounts not available to be used within one year	(12,385,965)
Financial assets available to meet general expenditures within one year	$ 8,759,705

4. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31:

	2018	2017
Fruitful Harvest Campaign	$ 8,605,352	$ 3,545,875
Grants Receivable	-	45,000
Less allowance for doubtful accounts	(1,154,952)	(1,156,774)
Net contributions receivable	$ 7,450,400	$ 2,434,101

Fruitful Harvest Campaign contributions receivable at December 31, 2018 and 2017 are due by August 2020 and August 2018, respectively.

5. INVESTMENTS

Investments include the following at December 31:

	2018	2017
Cash	$ 2,142,685	$ 654,155
Common stocks (U.S. and international)	79,949	13,797
Mutual funds	6,509,651	9,612,856
Common trust funds	7,646,911	14,115,400
	$ 16,379,196	$ 24,396,208

The following schedule summarizes investment return for the years ended December 31:

	2018	2017
Interest and dividend income	$ 61,134	$ 247,980
Realized and unrealized gains (loss) on investments	(896,102)	3,802,709
Investment fees	(68,183)	(170,932)
Investment return, net	$ (903,151)	$ 3,879,757

6. INTEREST IN CHARITABLE TRUSTS

The Administration is the primary beneficiary under one charitable trust at December 31, 2018 and was the primary beneficiary under two charitable trusts at December 31, 2017. The trust's assets are held by the Administration, as trustee, and are held in bank custodial accounts. Under one of the trusts, the trust assets may be expended for the benefit of those in financial need. Upon the death of the donor, the expenditures will be solely at the discretion of the Administration. The second trust's assets are available for use to support impoverished children, as well as the care and education of children. The beneficial interest in the trusts is

6. INTEREST IN CHARITABLE TRUSTS, CONTINUED

reported at fair value, which is estimated as the fair value of the underlying trust assets. The Administration's interest in the trusts is reflected as an asset in the amount of $144,759 and $690,426, at December 31, 2018 and 2017, respectively. During 2018, one trust was moved to the investment portfolio.

7. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Administration has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission.

  These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- *Common Trust Funds*: Valued at the NAV reported by the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Administration believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Administration follows Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share,* which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. As such, investments in common trust funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy.

7. FAIR VALUE MEASUREMENTS, CONTINUED

The following table sets forth by level, within the hierarchy, the Administration's assets measured at fair value on a recurring basis as of December 31:

2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
PIMCO Total Return III	$ 6,501,651	$ 6,501,651	$ -	$ -
Common trust funds:				
MSCI ACWI screened index fund	3,829,623			
Russell 3000 screened index fund	3,817,288			
Common stock	79,949			
Charitable trusts	144,759	144,759		

2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
PIMCO Total Return III	$ 9,612,856	$ 9,612,856	$ -	$ -
Common trust funds:				
MSCI ACWI screened index fund	7,130,326			
Russell 3000 screened index fund	6,985,074			
Common Stock	13,797			
Charitable trusts	690,426	690,426		

7. FAIR VALUE MEASUREMENTS, CONTINUED

The Administration's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels during 2018 or 2017.

The Administration's investments and amounts held within the charitable trusts are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

8. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings and equipment include the following at December 31:

	2018	2017
Land	$ 10,390,999	$ 11,609,642
Buildings and building improvements	7,078,488	10,997,092
Furniture, fixtures and equipment	732,618	695,946
Vehicles	30,095	30,095
	18,232,200	23,332,775
Accumulated depreciation	(4,647,171)	(4,396,964)
Capital projects in process	-	316,530
	$ 13,585,029	$ 19,252,341

In early 2019, the Administration obtained a market and insurance appraisal for the land, building, and related assets of the Saint Joseph Retreat and Conference Center. The independent appraisal of the property indicated that the land and buildings' net realizable value was less than its current carrying amount. Accordingly, the Administration recognized an impairment loss of $4,802,805, which was included in the Saint Joseph retreat and conference center expenses in the Administration's statement of activities.

9. LINE OF CREDIT

In 2018, the Administration obtained a $2,000,000 unsecured line of credit that was available for its short-term borrowings needs through August 2019. Borrowings under this line of credit bear interest at the Wall Street Journal prime lending rate (5.5% at December 20, 2018). There were no borrowings outstanding on this line of credit at December 31, 2018.

10. NOTES PAYABLE

TERM NOTE PAYABLE – ST. ALPHONSUS

During 2012, the Administration obtained a $1,200,000 convertible line of credit note with a bank on behalf of St. Alphonsus Liguori Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of interest and principal are to be made by the parish directly to the bank. The parish entered into an agreement with the bank as guarantor of this loan. The loan is unsecured.

10. NOTES PAYABLE, CONTINUED

TERM NOTE PAYABLE – ST. ALPHONSUS, CONTINUED

The line of credit was converted to an amortizing term loan in February 2013, requiring quarterly principal installments of $30,000, plus interest, through November 1, 2022. The note bears interest at the three month LIBOR rate plus one hundred fifty basis points (4.24% at December 31, 2018).

The Administration utilizes an interest rate swap agreement related to the above debt to manage interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. The agreement effectively converts the variable rate cost of the related debt to a fixed rate of 1.69%. The agreement has a notional principal amount outstanding of $480,000 and $600,000 at December 31, 2018 and 2017, respectively. The interest rate swap agreement matures at the time the related debt matures on November 1, 2022. The Administration is exposed to credit loss in the event of nonperformance by counter parties to the agreement, but nonperformance is not anticipated. The fair value of the interest rate swap is immaterial at December 31, 2018 and 2017, and has not been included in the accompanying financial statements.

MORTGAGE NOTES PAYABLE – OUR LADY OF GRACE

The Administration is the obligor of debt financing under two term notes for the benefit of Our Lady of Grace Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of principal and interest are made by the parish directly to the bank.

One note payable requires monthly interest payments at the one month ICE LIBOR plus 2.10% (4.60% at December 31, 2018) and one balloon payment of $1,548,908 in August 2022. At December 31, 2018 and 2017, borrowings outstanding under the note were $1,548,908 and $1,703,104, respectively. The second note has a principal amount of $500,000. The note requires monthly payments of $5,201 and one balloon payment of $283,408 in August 2022. At December 31, 2018 and 2017, borrowings outstanding under the note were $387,253 and $453,276, respectively and bear interest at 4.55%. The mortgage note payable placed certain restrictive covenants on the Administration and Our Lady of Grace. These covenants have been waived by the bank.

TERM NOTE PAYABLE – ST. ELIZABETH SETON

During 2015, the Administration obtained a line of credit on the behalf of St. Elizabeth Seton Catholic Church with a maximum borrowing amount of $3,200,000. In August 2016, the line of credit converted to a note payable requiring monthly payments of $15,410 for principal and interest at 3.75%. The note is secured by all property and equipment of the parish and expires July 2045. The balance was $3,044,393 and $3,112,638 at December 31, 2018 and 2017 respectively.

10. NOTES PAYABLE, CONTINUED

Annual principal maturities under all notes payable as of December 31 are as follows:

2019	$	232,608
2020		237,262
2021		242,110
2022		1,998,651
2023		80,771
Thereafter		2,669,152
	$	5,460,554

The administration does not record interest income or expense related to these notes in the statements of activities.

11. NET ASSETS

WITH DONOR RESTRICTIONS – TIME AND PURPOSE

Net assets with donor restrictions consist of the following as of December 31:

		2018		2017
Time restrictions:				
Contributions receivable in future periods	$	3,789,502	$	678,054
Purpose restrictions:				
Future parishes		314,275		314,275
Seminarians' education		1,471,010		1,662,139
Rice bowl collections		-		19,998
Human development (local)		95,961		82,443
Poor of the Diocese		915,846		1,662,153
Long term funds for the poor		145,049		161,628
Catholic education		70,789		85,668
Clergy funeral expenses		111,962		113,452
National Initiative - Pastoral Leaders Project		736,218		963,188
Other		191,316		211,586
	$	7,841,928	$	5,924,584

11. NET ASSETS, CONTINUED

WITH DONOR RESTRICTIONS - PERPETUAL

Net assets with donor restrictions in perpetuity consist of the following as of December 31:

	2018	2017
Seminarians	$ 80,044	$ 80,044
Scholarships	23,612	23,612
Priests' sabbaticals	40,438	40,438
Camp fund	19,339	19,339
	$ 163,433	$ 163,433

RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions as follows during the years ended December 31:

	2018	2017
Purpose restrictions accomplished	$ 1,915,086	$ 794,400
Time restrictions expired	678,055	4,753,707
	$ 2,593,141	$ 5,548,107

12. EMPLOYEE BENEFIT PLANS

PRIESTS' HEALTH AND WELFARE PLAN

The Administration sponsors a group insurance defined benefit plan for Diocesan priests. The plan provides for medical, dental and life insurance benefits for the duration of the priests' life. The plan is not funded.

The measurement dates used in determining the benefit measurement of the plan's benefit obligations for the years ended December 31, 2018 and 2017, is January 1, 2018 and 2017, respectively, with results projected to December 31, 2018 and 2017, respectively, with an unrecognized actuarial loss.

The following table sets forth the plan's funded status as included in accrued postretirement benefit obligation in the Administration's statements of financial position at December 31:

	2018	2017
Benefit obligation	$ (3,644,631)	$ (3,771,326)
Less: fair value of plan assets	-	-
Funding deficit	$ (3,644,631)	$ (3,771,326)

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' HEALTH AND WELFARE PLAN, CONTINUED

The plan paid benefits of $138,722 and $122,606 during the years ended December 31, 2018 and 2017, respectively.

Net periodic postretirement benefit cost includes the following components at December 31:

	2018	2017
Service cost	$ 141,741	$ 129,177
Interest cost on accumulated postretirement benefit obligation	140,699	148,912
Amortization of prior service cost	(74,743)	(74,743)
Recognition of net loss	1,837	235
Net periodic postretirement benefit cost	$ 209,534	$ 203,581

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial loss of ($139,787) and ($412,037) at December 31, 2018 and 2017, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31 is combined with that of the Priests' Retirement Plan and is included in the statements of activities.

A 8.5% and 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for pre-65 and post-65 participants, respectively, for 2018. An 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2017; the rate was assumed to decrease gradually to 5.0% in 2025 and remain at that level thereafter. The post-65 participants were assumed to remain at the 5.0% level from now into the future. A 4.0% and a 5.0% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2018 and 2017, respectively; the rate was assumed to decrease gradually to 3.5% in 2021 and remain at that level thereafter.

Increasing the assumed health care and dental trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2018 by $205,174 and would increase the total service and interest cost components by $15,235 in 2018. Decreasing the assumed health care and dental trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2018 by $170,361 and would decrease the total service and interest cost components by $12,093 in 2018.

Effective January 1, 2016, 100% of the retired priests are assumed to elect the AARP Medicare Supplement Plan with PDP, with premium rates varying by person. The annual Medicare Supplement Plan and PDP premium rates are assumed to be $2,935 and $450 per person.

For Medicare eligible priests enrolled in the PDP plan, the Diocese is assumed to reimburse $433 annually for co-pays, and this reimbursement is assumed to increase by 3% annually. There is no longer a tax subsidy since Diocese participation in the Retiree Drug Subsidy program was discontinued effective on January 1, 2016. Pre-Medicare eligible priests will be provided medical coverage through the RETA Trust. Post-Medicare eligible priests can also enroll in the RETA Trust Plan as a secondary insurance. Post-Medicare eligible priests have the option to elect a different prescription drug plan offered through Anthem as well.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

Annual dental cost is assumed to be $419 per person for 2018 and 2017, and is assumed to increase with the dental trend rate described above.

The weighted average discount rate used in determining the benefit obligation was 4.19% and 3.80% as of December 31, 2018 and 2017, respectively.

The following benefits are expected to be paid for the years ending December 31:

2019	$ 143,153
2020	149,935
2021	147,011
2022	144,219
2023	146,009
Years 2024 – 2028	847,829
	$ 1,578,156

PRIESTS' RETIREMENT PLAN

The Administration has a defined benefit pension plan for Diocesan priests. Each eligible priest electing to participate in the plan contributes $50 annually. Each parish and the Administration is responsible for making a contribution to the Priests' Retirement Plan equal to 10% of the gross salary of each of its participating priests.

The measurement date used in determining the benefit measurements for plan assets and benefit obligations for the years ended December 31, 2018 and 2017 was December 31, 2018 and 2017, respectively.

The following sets forth the funded status of the plan and amounts shown in the accompanying statements of financial position at December 31:

	2018	2017
Benefit obligation	$ (7,926,675)	$ (8,920,929)
Fair value of plan assets	8,301,557	9,220,552
Funded status	$ 374,882	$ 299,623

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

Net pension cost for the defined benefit plan included the following components for the years ended December 31:

	2018	2017
Service costs	$ 231,494	$ 192,229
Interest costs	329,339	337,732
Return on assets	(540,986)	(463,958)
Net benefit cost	$ 19,847	$ 66,003

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial loss of ($594,797) and ($489,958) at December 31, 2018 and 2017, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31, 2018 and 2017 is combined with that of the Priests' Health and Welfare Plan and is included in the statements of activities as follows:

	2018	2017
Priests' Health and Welfare Plan	$ 197,507	$ (125,868)
Priests' Retirement Plan	104,839	115,069
Pension-related changes other than net periodic postretirement benefit cost	$ 302,346	$ (10,799)

The following table summarizes the assumptions used to determine the projected benefit obligation for the years ended December 31:

	2018	2017
Weighted average used to determine benefit obligations		
Discount rate	4.19%	3.80%
Rate of compensation increase	0.00%	0.00%
Weighted average used to determine net periodic benefit cost for the year		
Discount rate	3.80%	4.50%
Expected long-term rate of return	6.00%	6.00%
Rate of compensation increase	0.00%	0.00%

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

The Administration's contribution to the plan was $199,945 and $303,215 for the years ended December 31, 2018 and 2017, respectively. Distributions from the plan were $457,101 and $444,703 during the years ended December 31, 2018 and 2017, respectively.

The amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) are as follows for the years ending December 31:

2019	$ 474,027
2020	480,671
2021	468,926
2022	439,390
2023	428,119
Years 2024-2028	2,327,669
	$ 4,618,802

The Priests' Retirement Plan weighted-average asset allocations at December 31, by asset category are as follows:

	2018	2017
Equity securities	70%	74%
Debt securities	28%	24%
Other	2%	2%
	100%	100%

The target allocation for the Administration's plan assets is broadly characterized as a 75%/25% allocation between equity and debt securities. This strategy utilizes fixed income securities, which generally consist of government backed securities and cash, and equity securities which consist of common stocks and mutual funds shares. Investments are purchased with the intent to hold the asset for a long-term period.

The Administration attempts to mitigate investment risk by rebalancing between equity and debt classes as the Administration's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

The fair value of the major classes of plan assets is as follows as of December 31:

	2018	2017
Cash and Money Market	$ 143,464	$ -
Mutual Funds		
PIMCO Total Return III Fund	-	2,359,242
PIMCO Total Return ESG Fund CL	2,354,780	-
Common trust fund		
MSCI ACWI Screened Index Fund	2,904,626	3,438,794
Russell 3000 Screened Index Fund	2,898,687	3,422,516
	$ 8,301,557	$ 9,220,552

The fair value of the Priests' Retirement Plan assets is determined on the basis of Level 1 inputs. Investments in common trust funds are valued at their respective net asset value and are not classified within the fair value hierarchy. See Note 7 for further explanation of fair value.

LAY EMPLOYEES' RETIREMENT PLAN

The Administration participates in a multi-employer contributory defined benefit pension plan. The Roman Catholic Diocese of Lafayette-In-Indiana, Inc. Lay Employees' Retirement Plan (Plan) covers substantially all lay employees of the Administration, individual parishes and other related organizations.

The risks of participating in a multiemployer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if an employer chooses to stop participating in a multiemployer plan, participating organizations may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew or if there was a mass withdrawal, the Administration may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities. At January 1, 2019, the Plan was funded between 65% and 80% at 79%. At January 1, 2018, the Plan was at least 80% funded. In May 2019, the Administration approved a transfer of $2.5 million into the Plan to improve the funded position of the Plan.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

LAY EMPLOYEES' RETIREMENT PLAN

The following Plan information is as of January 1:

	2019	2018
Assets	$ 33,565,358	$ 32,096,745
Accumulated benefit obligation	42,752,175	35,983,699
Total Plan contributions	$ 5,846,202	$ 1,801,827
Contributions greater than 5% of total?	Yes	Yes

Each eligible employee electing to participate in the Plan contributes $50 annually. Each parish and the Administration is also responsible for making a contribution to the Plan equal to 6.0% of the gross salary of each of its participating employees. The Administration collects all contributions, which are remitted to a third party for custody and administration. Pension contributions made by the Administration for its participating employees were $5,143,906 and $146,029 in 2018 and 2017, respectively. Benefits are paid to plan participants based on a percentage of the average earnings prior to retirement multiplied by years of service. Effective January 1, 2019, the parishes and Administration will make contributions to the Plan equal to 6.5% of all gross salary of each of its participating employees.

Effective January 1, 2019, the Administration amended and reinstated a 403(b) retirement plan (403(b)). All new employees will be enrolled in the 403(b), if they so choose, and can no longer participate in the Plan. The Administration will match employees at 6% of employee wages. Employees must be at least 21 years of age and work 1,000 hours of minimum service. Employees currently enrolled in the Plan may choose to remain in the Plan and contribute to the Plan, but the Administration will no longer match or make contributions to the Plan.

13. RELATED PARTY TRANSACTIONS

In addition to other related party transactions disclosed elsewhere in these notes, the Administration has the following related party activities:

AMOUNTS DUE FROM/TO PARISHES

At December 31, 2018 and 2017, the Administration had amounts due from parishes of $188,566 and $160,331, respectively. Additionally, $4,316,506 and $2,372,542 were due to parishes at December 31, 2018 and 2017, respectively.

NOTE RECEIVABLE FROM PARISH ST. JOHN VIANNEY

During 2009, the Administration transferred land to the St. John Vianney Parish in exchange for a note receivable in the amount of $954,000. The note receivable bears no interest and the maturity date is not yet determined. The note receivable has been recorded at its net present value of $724,962 and $697,078 at December 31, 2018 and 2017, respectively. The note receivable represents 1.4% and 1.2% of the Administration's total assets at December 31, 2018 and 2017, respectively, and is unsecured.

The credit quality indicator of the note receivable is considered to be the ability of the borrower to perform on the note, determined by the borrower's overall financial performance. The overall financial performance is reviewed quarterly.

13. RELATED PARTY TRANSACTIONS, CONTINUED

NOTE RECEIVABLE FROM PARISH ST. JOHN VIANNEY, CONTINUED

An allowance for estimated loss is considered based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of the recipient to repay the amount. Any uncollectible amount would be written off only when the amount was deemed to be permanently uncollectible. There has been no allowance amount established against the note receivable and no amounts have been charged off since the note was issued.

DUE FROM ST. ALPHONSUS AND DUE FROM OUR LADY OF GRACE

During 2012, the Administration obtained loans from two banks on behalf of St. Alphonsus Liguori Catholic Church and Our Lady of Grace Catholic Church. St. Alphonsus has signed an unconditional guarantee with the bank (Note 10) and both parishes are expected to make all payments of principal and interest directly to the banks. As the Administration does not anticipate paying on the bank loans, receivables from the parishes have been established to offset the amount of the loans that are recorded. The balance for St. Alphonsus was $480,000 and $600,000 at December 31, 2018 and 2017, respectively. The balance for Our Lady of Grace was $1,936,161 and $2,156,380 at December 31, 2018 and 2017, respectively. These receivables bear no interest and are unsecured.

DUE FROM ST. ELIZABETH SETON

During 2015, the Administration obtained a loan on the behalf of St. Elizabeth Seton Catholic Church. The parish is expected to make all payments of principal and interest directly to the bank. As the Administration does not anticipate paying on the loan, a receivable from the Parish has been established of offset the amount of loan recorded. The balance was $3,044,393 and $3,112,638 at December 31, 2018 and 2017 respectively. Management has determined that an allowance is not necessary at December 31, 2018 and 2017.

DUE FROM ST. THOMAS AQUINAS

During 2017, the Administration provided funding to the Campus Ministry at St. Thomas Aquinas – The Catholic Center at Purdue University to help build a Catholic dormitory on campus. The project did not obtain enough funding to move forward. During 2019, the Administration and St. Thomas Aquinas agreed to repayment terms. The note receivable bears no interest and the maturity date is December 2026. The note receivable requires a one-time payment of $70,037 in 2019 and monthly payments of $4,443 starting in January 2020. The balance due at December 31, 2018 and 2017 was $311,404 and $567,225, respectively.

DUE FROM ALL SAINTS

During 2014, the Administration made an advance to All Saints Catholic Church of $113,516. This advance is unsecured and bears no interest. Subject to an informal agreement, the advance will be repaid by August 31, 2024. The balance was $52,485 and $64,485 at December 31, 2018 and 2017, respectively.

OTHER TRANSACTIONS

The Administration purchases group medical and liability insurance for all participating parishes. The related costs are assessed to the parishes. Total amounts assessed for liability insurance for the years ended December 31, 2018 and 2017 were $1,316,613 and $1,144,070, respectively. Total amounts assessed for group medical insurance for the years ended December 31, 2018 and 2017 were $8,475,762 and $7,586,331, respectively.

14. GUARANTEES

The Administration is a guarantor of notes payable issued by its parishes to various banking institutions. At December 31, 2018 and 2017, the Administration had guaranteed $272,656 and $787,556, respectively, of the parishes' debt, with maturities through December 2021. These debt obligations are maintained on the books of the respective parishes along with the related property purchased with the proceeds of the debt.

Should the Administration be required to pay any portion of notes payable it has guaranteed, the Administration could attempt to recover some or all of the amounts from the guaranteed parties. However, the Administration holds no collateral with respect to the guarantees.

15. LITIGATION

The Administration is subject to claims and lawsuits in the normal course of business. Liability insurance is maintained by the Administration to provide protection against such claims. Management believes the ultimate resolution of these matters will not have a material adverse impact on the Administration's financial position, changes in net assets, or cash flows.

Among the pending or potential legal claims against the Administration are some related to allegations of past sexual misconduct by priests. The potential impact of these matters is unknown as of the date of this report. The ultimate liability will change in the future and is sensitive to precedents established by pending court cases, possible legislative action, particularly related to the statutes of limitation and additional claims that may be asserted in the future.

16. CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

The Administration's investments (Notes 5 and 7) are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

At December 31, 2018 and 2017, approximately 39.7% and 39.4%, respectively, of the Administration's investment holdings are comprised of the PIMCO Total Return III fund. At December 31, 2018 and 2017, respectively, approximately 46.7% and 57.9% of the Administrations holdings are comprised of the MSCI ACWI screened index common trust fund and Russell 3000 screened index common trust fund.

17. SUBSEQUENT EVENT

During April 2019, the Administration entered into a purchase agreement for the sale of land located in Fishers, Indiana. The transaction is expected to be finalized during summer of 2019.