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

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2019 AND 2018

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, 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.

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, 2019 and 2018, 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.

August 17, 2020

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Cash	$ 4,505,498	$ 3,962,211
Contributions receivable, net of allowance	2,178,031	7,450,400
Amounts due from parishes	259,939	188,566
Accounts receivable	-	844
Amounts due from former seminarians, net of allowance	105,364	115,799
Investments	16,933,839	16,379,196
Prepaid expenses	428,761	380,174
Beneficial interests in charitable trust	164,435	144,759
Note receivable from St. John Vianney	357,679	724,962
Amount due from St. Alphonsus	360,000	480,000
Amount due from Our Lady of Grace	1,693,987	1,936,161
Amount due from St. Elizabeth Seton	2,473,721	3,044,393
Amount due from St. Thomas Aquinas, net of allowance	301,053	311,404
Amount due from All Saints	40,485	52,485
Overfunded status of Priests' Retirement Plan	1,542,906	374,882
Land, buildings and equipment, net	11,332,113	13,585,029
Total assets	$ 42,677,811	$ 49,131,265

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable and accrued expenses	$ 622,787	$ 499,371
Grants payable	270,503	542,000
Deferred revenue	352,019	260,541
Amounts due to parishes	4,412,416	4,316,506
Term note payable - St. Alphonsus	360,000	480,000
Mortgage note payable - Our Lady of Grace	1,693,987	1,936,161
Term note payable - St. Elizabeth Seton	2,473,721	3,044,393
Accrued post-retirement benefit obligation	4,345,949	3,644,631
Total liabilities	14,531,382	14,723,603
COMMITMENTS AND CONTINGENCIES (NOTES 12, 14, 15, 18)		
NET ASSETS		
Without donor restrictions	22,885,450	26,402,301
With donor restrictions		
Time and purpose	5,097,546	7,841,928
Perpetual	163,433	163,433
Total net assets	28,146,429	34,407,662
Total liabilities and net assets	$ 42,677,811	$ 49,131,265

See accompanying notes to financial statements.

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF LAFAYETTE-IN-INDIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: Perpetual	2019 Total	2018 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 16,497	$ 1,842,630	$ -	$ 1,859,127	$ 9,273,176
Investment return, net	2,023,701	433,614	-	2,457,315	(903,151)
Rent revenue	231,671	-	-	231,671	257,849
Subscription revenue	575,533	-	-	575,533	658,837
Program service revenue	414,917	-	-	414,917	92,503
Insurance program assessments	10,818,770	-	-	10,818,770	9,792,375
Gain on sale of property and equipment	443,225	-	-	443,225	85,639
Other income	42,107	-	-	42,107	25,269
Saint Joseph retreat and conference center	291,838	82,950	-	374,788	300,728
Change in value of charitable trusts	19,976	-	-	19,976	17,469
Net assets released from restrictions	5,103,576	(5,103,576)	-	-	-
Total revenues, gains and other support	19,981,811	(2,744,382)	-	17,237,429	19,600,694
EXPENSES					
Program services					
Office for divine worship and liturgical formation	133,161	-	-	133,161	123,392
Tribunal	448,645	-	-	448,645	435,671
Office for communication	627,891	-	-	627,891	704,095
Vocations office	590,467	-	-	590,467	776,161
Office of catechesis	403,286	-	-	403,286	261,673
Office for family life	362,138	-	-	362,138	402,587
Office of Catholic schools	317,630	-	-	317,630	317,471
Permanent Diaconate	46,433	-	-	46,433	70,121
Vicar for the clergy	400,360	-	-	400,360	280,397
Bishop's office organization	5,287,400	-	-	5,287,400	6,028,764
Office of pastoral ministries	136,897	-	-	136,897	153,934
Saint Joseph retreat and conference center	698,651	-	-	698,651	5,754,072
Property and health insurance program	10,563,252	-	-	10,563,252	9,569,465
Parish revenue sharing	103,774	-	-	103,774	178,952
Other program expenses	1,339,310	-	-	1,339,310	1,323,011
Total program services	21,459,295	-	-	21,459,295	26,379,766
Supporting services					
Fundraising	407,240	-	-	407,240	465,454
General and administrative	1,734,989	-	-	1,734,989	2,194,094
Total expenses	23,601,524	-	-	23,601,524	29,039,314
CHANGE IN NET ASSETS FROM OPERATING ACTIVITES	(3,619,713)	(2,744,382)	-	(6,364,095)	(9,438,620)
NONOPERATING					
Pension-related changes other than net periodic pension cost	102,862	-	-	102,862	302,346
CHANGE IN NET ASSETS	(3,516,851)	(2,744,382)	-	(6,261,233)	(9,136,274)
NET ASSETS, BEGINNING OF YEAR	26,402,301	7,841,928	163,433	34,407,662	43,543,936
NET ASSETS, END OF YEAR	$ 22,885,450	$ 5,097,546	$ 163,433	$ 28,146,429	$ 34,407,662

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: Perpetual	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 4,615,030	$ 4,658,146	$ -	$ 9,273,176
Investment return, net	(755,490)	(147,661)	-	(903,151)
Rent revenue	257,849	-	-	257,849
Subscription revenue	658,837	-	-	658,837
Program service revenue	92,503	-	-	92,503
Insurance program assessments	9,792,375	-	-	9,792,375
Gain on sale of property and equipment	85,639	-	-	85,639
Other income	25,269	-	-	25,269
Saint Joseph retreat and conference center	300,728	-	-	300,728
Change in value of charitable trusts	17,469	-	-	17,469
Net assets released from restrictions	2,593,141	(2,593,141)	-	-
Total revenues, gains and other support	17,683,350	1,917,344	-	19,600,694
EXPENSES				
Program services				
Office for divine worship and liturgical formation	123,392	-	-	123,392
Tribunal	435,671	-	-	435,671
Office for communication	704,095	-	-	704,095
Vocations office	776,161	-	-	776,161
Office for adult catechesis	261,673	-	-	261,673
Office for family life	402,587	-	-	402,587
Office of Catholic schools	317,471	-	-	317,471
Permanent Diaconate	70,121	-	-	70,121
Vicar for the clergy	280,397	-	-	280,397
Bishop's office organization	6,028,764	-	-	6,028,764
Office of pastoral ministries	153,934	-	-	153,934
Saint Joseph retreat and conference center	5,754,072	-	-	5,754,072
Property and health insurance program	9,569,465	-	-	9,569,465
Parish revenue sharing	178,952	-	-	178,952
Other program expenses	1,323,011	-	-	1,323,011
Total program services	26,379,766	-	-	26,379,766
Supporting services				
Fundraising	465,454	-	-	465,454
General and administrative	2,194,094	-	-	2,194,094
Total expenses	29,039,314	-	-	29,039,314
CHANGE IN NET ASSETS FROM OPERATING ACTIVITES	(11,355,964)	1,917,344	-	(9,438,620)
NONOPERATING				
Pension-related changes other than net periodic pension cost	302,346	-	-	302,346
CHANGE IN NET ASSETS	(11,053,618)	1,917,344	-	(9,136,274)
NET ASSETS, BEGINNING OF YEAR	37,455,919	5,924,584	163,433	43,543,936
NET ASSETS, END OF YEAR	$ 26,402,301	$ 7,841,928	$ 163,433	$ 34,407,662

CHANGE IN CASH

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from parishes, contributors, and program services	$ 18,476,917	$ 15,193,689
Cash paid to vendors and employees	(22,639,222)	(22,659,266)
Investment income	159,324	172,803
Net cash used in operating activities	(4,002,981)	(7,292,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,784,460)	(2,076,018)
Proceeds from sale of investments	7,878,735	9,417,464
Payments received on note receivable	14,732	-
Redemptions and other decreases in charitable trust	-	545,667
Proceeds from sale of property and equipment	2,486,541	1,467,016
Purchases of property and equipment	(49,280)	(1,727,107)
Net cash provided by investing activities	4,546,268	7,627,022
CHANGE IN CASH	543,287	334,248
CASH, BEGINNING OF YEAR	3,962,211	3,627,963
CASH, END OF YEAR	$ 4,505,498	$ 3,962,211
SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Donated investments	$ 421,613	$ 210,116
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	$ 242,174	$ 220,219
St. Elizabeth Seton principal payments on term note	$ 570,672	$ 68,245

NET CASH USED IN OPERATING ACTIVITIES

	2019	2018
CHANGE IN NET ASSETS	$ (6,261,233)	$ (9,136,274)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	258,880	382,200
Gain on sale of property and equipment	(443,225)	(85,639)
Impairment loss on land and buildings	-	5,029,147
Realized and unrealized (gains) losses on investments, net	(2,227,005)	903,151
Change in allowance for doubtful accounts	128,514	(1,822)
Change in value of charitable trusts	(19,976)	(17,469)
Donated investments	(421,613)	(210,116)
(Increase) decrease in operating assets		
Contributions receivable, net of allowance	5,143,855	(5,014,477)
Amounts due from parishes	303,529	205,702
Accounts receivable	844	197
Amounts due from former seminarians, net of allowance	10,435	11,422
Prepaid expenses	(48,587)	(377,166)
Overfunded status of Priests' Retirement Plan	(1,168,024)	(75,259)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	123,416	(1,053,748)
Grants payable	(271,497)	280,000
Deferred revenue	91,478	50,108
Amounts due to parishes	95,910	1,943,964
Accrued post-retirement benefit obligation	701,318	(126,695)
Total adjustments	2,258,252	1,843,500
NET CASH USED IN OPERATING ACTIVITIES	$ (4,002,981)	$ (7,292,774)

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, 2019 and 2018. 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, 2019 and 2018, the Administration maintained cash and cash equivalents in excess of the FDIC coverage limits of approximately $4.1 million and $5.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS RECEIVABLE, CONTINUED

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.

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 $1,283,466 and $1,154,952 is necessary at December 31, 2019 and 2018, 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 $665,573 and $651,964 is necessary at December 31, 2019 and 2018, respectively, for seminarian loans not expected to be paid back should the seminarians become a priest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTES 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. In 2019, the terms of the note were confirmed, bearing no interest, and an adjustment of the maturity date of December 2044. At December 31, 2019, the note receivable has been recorded at its net present value of $344,098 using a discount rate of 4.0%. At December 31, 2018, the note receivable was recorded at its net present value of $724,962, using a discount rate of 4.0% and an expectation of collection by 2025. An additional note was signed with St. John Vianney Parish in 2019 for the sale of another plot of land. The second note carries the same terms and has been recorded at its net present value of $13,581 using a discount rate of 4.0%. The notes receivable are unsecured. Management has determined that an allowance is not necessary at December 31, 2019 and 2018.

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 $360,000 and $480,000 at December 31, 2019 and 2018, respectively. The balance for Our Lady of Grace was $1,693,987 and $1,936,161 at December 31, 2019 and 2018, respectively. These receivables bear no interest and are unsecured. Management has determined that an allowance is not necessary at December 31, 2019 and 2018.

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 $2,473,721 and $3,044,393 at December 31, 2019 and 2018 respectively. Management has determined that an allowance is not necessary at December 31, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 monthly payments of $4,443 starting in January 2020. The balance due of $301,053 and $311,404 at December 31, 2019 and 2018, respectively, 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 was necessary at December 31, 2019 and 2018.

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 $40,485 and $52,485 at December 31, 2019 and 2018, respectively. Management has determined that an allowance is not necessary at December 31, 2019 and 2018.

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.

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, 2019 and 2018, 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, 2019, approximately $271,000 is due in 2020.

DEFERRED REVENUE

Deferred revenue is comprised of advance insurance assessments paid by participants. Revenue from these assessments is recognized ratably over the policy period which represents the calendar year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 $2,034,312 and $4,380,604 at December 31, 2019 and 2018, respectively, of net assets for the benefit of the parishes and victims of incidents of priest misconduct.

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 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.

RECOGNITION OF SUPPORT AND REVENUE

Subscription revenue is related to purchase of the monthly Catholic Moment publication by parishioners and other Administration affiliates. This fee is earned on a per subscriber per publication basis.

The majority of program service revenue is made up of youth events, workshops, and catechism class income. Upon enrollment in the event, workshop, or class, fees are assessed and collected. These fees are recognized upon the completion of the course or program.

Insurance program 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.

Revenue from the Saint Joseph retreat and conference center primarily relates to group housing and conference/gathering event sales. Revenue is earned upon the completion of the hotel stay or event.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

RECOGNITION OF SUPPORT AND REVENUE, CONTINUED

The following table disaggregates the Administration's earned revenue based on the timing for satisfaction of performance obligations for the years ended December 31:

	2019	2018
Over time	$ 11,394,303	$ 10,451,212
Point in time	706,755	367,347
Total	$ 12,101,058	$ 10,818,559

Contributions include unconditional promises to give. Revenue is recognized in the period the promise is made. Amounts that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor-restricted support, or support where payment is expected in a future period, is reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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, 2019 and 2018, 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 $231,671 and $257,849 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the cost of leased land was $8,021,618 and $10,066,484, respectively. At December 31, 2019, the cost and accumulated depreciation of leased property was $188,085 and $131,971, respectively. At December 31, 2018, the cost and accumulated depreciation of leased property was $188,085 and $123,431, 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

FUNCTIONAL EXPENSE ALLOCATION, CONTINUED

	2019			
	Program services	Fundraising	General and administrative	Total
Personnel cost	$ 7,449,845	$ 278,766	$ 465,843	$ 8,194,454
Religious services	1,936,735	1,595	-	1,938,330
Professional services	754,808	58,642	279,494	1,092,944
Property and health insurance	10,557,813	-	34,604	10,592,417
Depreciation and amortization	143,682	3,345	111,853	258,880
Other	616,412	64,892	843,195	1,524,499
Total	$ 21,459,295	$ 407,240	$ 1,734,989	$ 23,601,524

	2018			
	Program services	Fundraising	General and administrative	Total
Personnel cost	$ 7,398,771	$ 239,565	$ 1,174,725	$ 8,813,061
Religious services	2,216,809	14,854	610,861	2,842,524
Professional services	832,077	46,789	179,313	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	6,153,960	160,628	90,059	6,404,647
Total	$ 26,379,766	$ 465,454	$ 2,194,094	$ 29,039,314

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 August 17, 2020, which is the date the financial statements are available to be issued. See Note 18.

NEW ACCOUNTING PRONOUNCEMENT

The Administration has adopted FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Administration applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of January 1, 2019.

The Administration has adopted ASU 2017-07, *Compensation-Retirement Benefits (Topic 715)*, that requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. Service costs of $231,494 have been reclassified in 2018 to conform with this presentation. The application had no impact on net assets as of January 1, 2019.

The Administration has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as of and for the year ended December 31, 2019. The update provides organizations with a single revenue recognition model for recognizing revenue with customers; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Analysis of various provisions of this standard resulted in no significant changes in the way the Administration recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. The application had no impact on net assets as of January 1, 2019.

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.

3. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

As of December 31, 2019 and 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.

	2019	2018
Financial assets at year-end		
Cash, net of amounts due to parishes	$ 3,711,174	$ 3,306,603
Contributions receivable, net of allowance and amounts due to parishes	-	3,789,502
Amounts due from parishes	259,939	188,566
Accounts receivable	-	844
Amounts due from former seminarians, net of allowance	105,364	115,799
Investments	16,933,839	16,379,196
Beneficial interests in charitable trusts	164,435	144,759
Total financial assets	21,174,751	23,925,269
Less amounts not available to be used within one year		
Net assets with donor restrictions	(5,260,979)	(8,005,361)
Net assets designated for the benefit of the parishes	(2,034,312)	(4,380,604)
Total amounts not available to be used within one year	(7,295,291)	(12,385,965)
Financial assets available to meet general expenditures within one year	$ 13,879,460	$ 11,539,304

4. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consists of the following at December 31:

	2019	2018
Fruitful Harvest Campaign	$ 3,461,497	$ 8,605,352
Less allowance for doubtful accounts	(1,283,466)	(1,154,952)
Net contributions receivable	$ 2,178,031	$ 7,450,400

Fruitful Harvest Campaign contributions receivable at December 31, 2019 and 2018 are due by August 2020.

5. INVESTMENTS

Investments include the following at December 31:

	2019	2018
Cash	$ 191,474	$ 2,142,685
Common stocks (U.S. and international)	60,287	79,949
Mutual funds	6,580,801	6,509,651
Common trust funds	10,101,277	7,646,911
	$ 16,933,839	$ 16,379,196

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

	2019	2018
Interest and dividend income	$ 230,310	$ 61,134
Realized and unrealized gains (loss) on investments	2,274,727	(896,102)
Investment fees	(47,722)	(68,183)
Investment return, net	$ 2,457,315	$ (903,151)

6. INTEREST IN CHARITABLE TRUST

The Administration is the primary beneficiary under one charitable trust at December 31, 2019 and 2018. The trust's assets are held by the Administration, as trustee, and are held in bank custodial accounts. Under the trust, assets are available for use to support impoverished children, as well as the care and education of children. The beneficial interest in the trust is reported at fair value, which is estimated as the fair value of the underlying trust assets. The Administration's interest in the trust is reflected as an asset in the amount of $164,435 and $144,759, at December 31, 2019 and 2018, respectively.

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.

7. FAIR VALUE MEASUREMENTS, CONTINUED

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, 2019 and 2018.

- *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:

2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds		
PIMCO Total Return III	$ 6,580,801	$ 6,580,801
Common stocks	60,287	60,287
Charitable trust	164,435	164,435
Common trust funds		
*MSCI ACWI screened index fund	5,021,735	
*Russell 3000 screened index fund	5,079,542	

2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds		
PIMCO Total Return III	$ 6,509,651	$ 6,509,651
Common stocks	79,949	79,949
Charitable trust	144,759	144,759
Common trust funds		
*MSCI ACWI screened index fund	3,829,623	
*Russell 3000 screened index fund	3,817,288	

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 2019 or 2018.

The Administration's investments and amounts held within the charitable trust 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.

7. LAND, BUILDINGS, AND EQUIPMENT

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

	2019	2018
Land	$ 8,346,133	$ 10,390,999
Buildings and building improvements	6,895,409	7,078,488
Furniture, fixtures and equipment	691,154	691,868
Vehicles	70,845	70,845
	16,003,541	18,232,200
Accumulated depreciation	(4,671,428)	(4,647,171)
	$ 11,332,113	$ 13,585,029

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 approximately $5 million in 2018, which was included in the Saint Joseph retreat and conference center expenses in the Administration's statement of activities.

8. LINE OF CREDIT

The Administration maintains a $2,000,000 unsecured line of credit that was available for its short-term borrowings needs through August 2020. Borrowings under this line of credit bear interest at the Wall Street Journal prime lending rate (4.75% at December 31, 2019). There were no borrowings outstanding on this line of credit at December 31, 2019 and 2018.

9. 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.

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 (2.4% at December 31, 2019).

9. NOTES PAYABLE, CONTINUED

TERM NOTE PAYABLE – ST. ALPHONSUS, CONTINUED

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 $360,000 and $480,000 at December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019) and one balloon payment of $1,548,908 in August 2022. At December 31, 2019 and 2018, borrowings outstanding under the note were $1,548,908. The second note has a principal amount of $500,000. The note requires monthly payments of $5,201 and one balloon payment of $52,839 in August 2022. At December 31, 2019 and 2018, borrowings outstanding under the note were $145,079 and $387,253, 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 $2,473,721 and $3,044,393 at December 31, 2019 and 2018 respectively.

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

2020	$	237,262
2021		242,110
2022		1,799,549
2023		80,771
2024		83,852
Thereafter		2,084,164
	$	4,527,708

9. NOTES PAYABLE, CONTINUED

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

10. NET ASSETS

WITH DONOR RESTRICTIONS – TIME AND PURPOSE

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

	2019	2018
Time restrictions		
Contributions receivable in future periods	$ -	$ 3,789,502
Purpose restrictions		
Future parishes	314,275	314,275
Seminarians' education	1,560,432	1,471,010
Human development (local)	33,543	96,689
Poor of the Diocese	980,623	915,846
Long term funds for the poor	162,812	145,049
Catholic education	88,605	70,789
Clergy funeral expenses	111,962	111,962
National Initiative - Pastoral Leaders Project	1,464,964	736,218
Saint Joseph retreat and conference center	116,000	45,000
Other	264,330	145,588
	$ 5,097,546	$ 7,841,928

WITH DONOR RESTRICTIONS – PERPETUAL

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

	2019	2018
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

10. NET ASSETS, CONTINUED

RELEASED FROM RESTRICTIONS

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

	2019	2018
Purpose restrictions accomplished	$ 1,203,250	$ 1,915,086
Time restrictions expired	3,900,326	678,055
	$ 5,103,576	$ 2,593,141

11. 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 date used for determining the measurement of the plan's benefit obligation as of December 31, 2019 is December 31, 2019. The measurement dates used in determining the benefit measurement of the plan's benefit obligation as of December 31, 2018 is December 31,2016, with results projected to December 31, 2018.

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:

	2019	2018
Benefit obligation	$ (4,345,949)	$ (3,644,631)
Less: fair value of plan assets	-	-
Funding deficit	$ (4,345,949)	$ (3,644,631)

The plan paid benefits of $138,690 and $138,722 during the years ended December 31, 2019 and 2018, respectively.

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

	2019	2018
Service cost	$ 130,244	$ 141,741
Interest cost on accumulated postretirement benefit obligation	149,742	140,699
Amortization of prior service cost	(74,743)	(74,743)
Recognition of net loss	-	1,837
Net periodic postretirement benefit cost	$ 205,243	$ 209,534

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' HEALTH AND WELFARE PLAN, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial loss of ($699,809) and ($139,787) at December 31, 2019 and 2018, 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 8.0% 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 2019. An 8.5% and 5.0% annual rate of increase for pre-65 and post-65 participants in the per capita cost of covered health care benefits was assumed for 2018; 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 5.0% and a 4.0% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2019 and 2018, respectively; the rate was assumed to decrease gradually to 4.0% in 2024 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, 2019 by $255,103 and would increase the total service and interest cost components by $14,502 in 2019. 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, 2019 by $205,973 and would decrease the total service and interest cost components by $11,419 in 2019.

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 $3,235 and $392 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 through December 31, 2019. Beginning in 2020, the reimbursement will be $539 annually for co-pays. 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.

Annual dental cost is assumed to be $554 and $419 per person for 2019 and 2018 respectively and is assumed to increase with the dental trend rate described above.

The weighted average discount rate used in determining the benefit obligation was 3.16% and 4.19% as of December 31, 2019 and 2018, respectively.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' HEALTH AND WELFARE PLAN, CONTINUED

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

2020	$ 137,915
2021	125,730
2022	122,580
2023	124,693
2024	137,677
Years 2025 – 2029	802,372
	$ 1,450,967

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, 2019 and 2018 was December 31, 2019 and 2018, respectively.

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

	2019	2018
Benefit obligation	$ (8,522,176)	$ (7,926,675)
Fair value of plan assets	10,065,082	8,301,557
Funded status	$ 1,542,906	$ 374,882

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

	2019	2018
Service costs	$ 187,021	$ 231,494
Interest costs	322,299	329,339
Return on assets	(487,036)	(540,986)
Net benefit cost	$ 22,284	$ 19,847

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial gain (loss) of 142,830 and ($594,797) at December 31, 2019 and 2018, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31, 2019 and 2018 is combined with that of the Priests' Health and Welfare Plan and is included in the statements of activities as follows:

	2019	2018
Priests' Health and Welfare Plan	$ (634,765)	$ 197,507
Priests' Retirement Plan	737,627	104,839
Pension-related changes other than net periodic postretirement benefit cost	$ 102,862	$ 302,346

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

	2019	2018
Weighted average used to determine benefit obligations		
Discount rate	3.16%	4.19%
Rate of compensation increase	0.00%	0.00%
Weighted average used to determine net periodic benefit cost for the year		
Discount rate	4.19%	3.80%
Expected long-term rate of return	6.00%	6.00%
Rate of compensation increase	0.00%	0.00%

The Administration's contribution to the plan was $452,681 and $199,945 for the years ended December 31, 2019 and 2018, respectively. Distributions from the plan were $387,127 and $457,101 during the years ended December 31, 2019 and 2018, respectively.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

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:

2020	$ 419,762
2021	412,601
2022	386,977
2023	379,969
2024	418,190
Years 2025-2029	2,201,288
	$ 4,218,787

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

	2019	2018
Equity securities	72%	70%
Debt securities	26%	28%
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:

	2019	2018
Cash and Money Market	$ 149,264	$ 143,464
Mutual Funds		
PIMCO Total Return ESG Fund CL	2,655,576	2,354,780
Common trust fund		
MSCI ACWI Screened Index Fund	3,608,073	2,904,626
Russell 3000 Screened Index Fund	3,652,169	2,898,687
	$ 10,065,082	$ 8,301,557

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, 2020, the Plan was 95.7% funded. At January 1, 2019, the Plan was at least 72.9% funded.

12. EMPLOYEE BENEFIT PLANS, CONTINUED

LAY EMPLOYEES' RETIREMENT PLAN

The following Plan information is as of January 1:

	2020	2019
Assets	$ 44,255,512	$ 33,565,358
Accumulated benefit obligation	$ 46,231,714	$ 46,041,691
Total Plan contributions	$ 5,737,033	$ 5,846,202
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 $5,080,897 and $5,143,906 in 2019 and 2018, 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 note receivable transactions disclosed in Note 2, the Administration has the following related party activities:

AMOUNTS DUE FROM/TO PARISHES

At December 31, 2019 and 2018, the Administration had amounts due from parishes of $259,939 and $188,566, respectively. Additionally, $3,900,797 and $4,316,506 were due to parishes at December 31, 2019 and 2018, 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, 2019 and 2018 were $1,437,531 and $1,316,613, respectively. Total amounts assessed for group medical insurance for the years ended December 31, 2019 and 2018 were $9,381,239 and $8,475,762, respectively.

14. GUARANTEES

The Administration is a guarantor of notes payable issued by its parishes to various banking institutions. At December 31, 2019, the notes payable issued by its parishes and guaranteed by the Administration had been paid off. At December 31, 2018, the Administration had guaranteed $272,656 of the parishes' debt. These debt obligations are maintained on the books of the respective parishes along with the related property purchased with the proceeds of the debt.

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. During 2019, the Administration designated funds to support and assist adult and minor victims of priests' misconduct with care and abuse resolution costs. The amount is included in the board designated net assets at December 31, 2019.

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, 2019 and 2018, approximately 38.8% and 39.7%, respectively, of the Administration's investment holdings are comprised of the PIMCO Total Return III fund. At December 31, 2019 and 2018, respectively, approximately 59.7% and 46.7% of the Administrations holdings are comprised of the MSCI ACWI screened index common trust fund and Russell 3000 screened index common trust fund.

17. RECLASSIFICATIONS

Certain items on the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on previously reported net assets.

18. SUBSEQUENT EVENT

In recent days, the COVID-19 pandemic has resulted in a statewide stay at home order. Economic uncertainties are a consequence of the pandemic which are expected to negatively impact the Administration's investment portfolio and related investment income. As of the date of this report, the fair market value of the investment portfolio had decreased by approximately 4%. Other financial impact could occur though such potential impact is unknown at this time.

18. SUBSEQUENT EVENT, CONTINUED

In response to the COVID-19 pandemic, the United States federal government adopted the Cornonavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, the Administration borrowed approximately $650,000 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years and the principal and interest payments are due monthly. To the extent the funds are used for qualifying expense under the program the Administration may apply for loan forgiveness. The Administration expects to receive 100% loan forgiveness.