

DIOCESE OF DAVENPORT
FINANCIAL STATEMENTS
JUNE 30, 2022

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HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

Independent Auditors' Report

To the Board of Directors
Diocese of Davenport
Davenport, Iowa

Report On The Audit Of The Financial Statements

Opinion

We have audited the financial statements of Diocese of Davenport (the Diocese), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Diocese of Davenport as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Honkamp Krueger & Co., P.C.

Honkamp Krueger & Co., P.C.

Dubuque, Iowa
November 9, 2022

DIOCESE OF DAVENPORT

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 744,194	\$ 654,190
Accounts receivable – related parties – parishes	108,457	87,772
Accounts receivable – related party – Catholic Foundation	161,550	151,321
Accounts receivable – other	38,000	—
Other assets	141,200	232,778
Investments		
Operating	5,596,963	7,033,052
Endowment	273,375	273,375
Property and equipment	2,417,514	2,552,417
	\$ 9,481,253	\$ 10,984,905
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 40,116	\$ 67,512
Accounts payable – special collections	369,109	184,467
Accrued expenses	309,779	411,959
Total Liabilities	719,004	663,938
Net Assets		
Without donor restrictions	8,174,481	9,650,214
With donor restrictions	587,768	670,753
Total Net Assets	8,762,249	10,320,967
	\$ 9,481,253	\$ 10,984,905

DIOCESE OF DAVENPORT

STATEMENTS OF ACTIVITIES

	For The Year Ended June 30, 2022			For The Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support And Revenue						
Annual diocesan appeal	\$ 3,100,000	\$ —	\$ 3,100,000	\$ 2,962,553	\$ —	\$ 2,962,553
Support revenue for special collections	—	28,180	28,180	—	27,171	27,171
Contributions and bequests	767,358	—	767,358	709,538	272,208	981,746
Insurance revenue	53,581	—	53,581	117,235	—	117,235
Net Investment income (loss)	(1,357,355)	—	(1,357,355)	2,112,719	—	2,112,719
Other income – including primarily education receipts	438,322	—	438,322	219,522	—	219,522
Net assets released from restrictions	111,165	(111,165)	—	7,948	(7,948)	—
Total Support And Revenue	3,113,071	(82,985)	3,030,086	6,129,515	291,431	6,420,946
Expenses						
Program Services						
Chancery operations and parish services	1,358,315	—	1,358,315	1,240,816	—	1,240,816
Charity and service	796,423	—	796,423	750,240	—	750,240
Evangelization and faith formation	760,960	—	760,960	695,729	—	695,729
Ministry preparation and clergy support	882,685	—	882,685	736,224	—	736,224
Supporting Services						
Management and general	790,421	—	790,421	763,774	—	763,774
Total Expenses	4,588,804	—	4,588,804	4,186,783	—	4,186,783
Change In Net Assets	(1,475,733)	(82,985)	(1,558,718)	1,942,732	291,431	2,234,163
Net Assets – Beginning Of Year	9,650,214	670,753	10,320,967	7,707,482	379,322	8,086,804
Net Assets – End Of Year	\$ 8,174,481	\$ 587,768	\$ 8,762,249	\$ 9,650,214	\$ 670,753	\$ 10,320,967

See the accompanying notes to financial statements

DIOCESE OF DAVENPORT
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Program Services				Supporting Services		
	Chancery Operations And Parish Services	Charity And Service	Evangelization And Faith Formation	Ministry Preparation And Clergy Support	Total	Management And General	Total
Salaries and benefits	\$ 827,566	\$ 627,632	\$ 606,290	\$ 299,922	\$ 2,361,410	\$ 586,317	\$ 2,947,727
Clergy and seminary support	15,964	25,543	1,389	399,764	442,660	2,386	445,046
Charitable activities and scholarships	92,350	27,011	448	53	119,862	526	120,388
Travel	13,166	863	8,878	12,852	35,759	2,360	38,119
Program materials and supplies	5,745	1,141	19,561	28,154	54,601	1,599	56,200
Dues and memberships	127,668	4,659	1,804	2,027	136,158	2,264	138,422
Staff development	4,571	711	6,675	61,732	73,689	1,019	74,708
Office supplies and printing	30,639	15,065	10,464	9,419	65,587	55,969	121,556
Miscellaneous	598	2,362	5,686	1,862	10,508	9,251	19,759
Occupancy	199,186	22,176	34,066	46,453	301,881	28,462	330,343
Professional fees	5,141	42,169	39,529	7,501	94,340	74,961	169,301
Depreciation	35,721	27,091	26,170	12,946	101,928	25,307	127,235
	\$ 1,358,315	\$ 796,423	\$ 760,960	\$ 882,685	\$ 3,798,383	\$ 790,421	\$ 4,588,804

DIOCESE OF DAVENPORT
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021

	Program Services					Supporting Services	
	Chancery Operations And Parish Services	Charity And Service	Evangelization And Faith Formation	Ministry Preparation And Clergy Support	Total	Management And General	Total
Salaries and benefits	\$ 806,415	\$ 598,803	\$ 594,671	\$ 298,324	\$ 2,298,213	\$ 553,970	\$ 2,852,183
Clergy and seminary support	24,812	31,357	—	358,185	414,354	724	415,078
Charitable activities and scholarships	14,740	20,479	838	—	36,057	—	36,057
Travel	6,609	—	173	2,994	9,776	104	9,880
Program materials and supplies	2,827	969	5,914	4,249	13,959	1,765	15,724
Dues and memberships	122,416	3,500	3,099	2,101	131,116	2,209	133,325
Staff development	1,654	1,220	1,291	1,020	5,185	2,577	7,762
Office supplies and printing	29,367	11,144	29,718	4,806	75,035	49,679	124,714
Miscellaneous	7,830	1,941	9,545	1,920	21,236	2,408	23,644
Occupancy	172,053	18,821	18,357	47,537	256,768	31,317	288,085
Professional fees	13,741	33,528	3,841	900	52,010	92,676	144,686
Depreciation	38,352	28,478	28,282	14,188	109,300	26,345	135,645
	<u>\$ 1,240,816</u>	<u>\$ 750,240</u>	<u>\$ 695,729</u>	<u>\$ 736,224</u>	<u>\$ 3,423,009</u>	<u>\$ 763,774</u>	<u>\$ 4,186,783</u>

DIOCESE OF DAVENPORT

STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (1,558,718)	\$ 2,234,163
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,235	135,645
Gain on sale of property and equipment	(15,333)	—
Realized and unrealized (gain) loss on investments	1,394,892	(2,077,198)
Changes in assets and liabilities:		
Accounts receivable – related parties – parishes	(20,685)	66,167
Accounts receivable – related party – Catholic Foundation	(10,229)	593,245
Accounts receivable – other	(38,000)	—
Other assets	91,578	(94,504)
Accounts payable	(27,396)	51,230
Accounts payable – special collections	184,642	(6,539)
Accrued expenses	(102,180)	110,507
Net Cash Provided By Operating Activities	25,806	1,012,716
Cash Flows From Investing Activities		
Purchase of investments	(628,803)	(1,216,058)
Proceeds from sales of investments	670,000	—
Proceeds from sales of property and equipment	23,001	—
Net Cash Provided By (Used In) Investing Activities	64,198	(1,216,058)
Change In Cash And Cash Equivalents	90,004	(203,342)
Cash And Cash Equivalents – Beginning Of Year	654,190	857,532
Cash And Cash Equivalents – End Of Year	\$ 744,194	\$ 654,190

DIOCESE OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

1. Nature Of Business And Significant Accounting Policies

The Diocese of Davenport (the Diocese) is an Iowa nonprofit corporation. This financial report includes all known funds and major assets and liabilities of the Diocese.

The Diocese is affiliated with numerous other Iowa nonprofit corporations because the Bishop of the Diocese, as Ordinary of the Catholic Church activities in southeast Iowa, serves as president of this and the following affiliated organizations:

- Approximately 90 parish and school corporations
- The Catholic Messenger
- St. Ambrose University Board of Trustees
- St. Vincent's Home
- Newman Catholic Student Center of Iowa City, Iowa
- Catholic Foundation for the Diocese of Davenport

None of the assets or liabilities of these affiliated organizations, or any other related organizations, are included in this financial report.

Chancery operations and parish services – The Diocese provides an operational center for all diocesan office and retired priests. The program is also used as an outreach center for parishes when they are unable to provide the services themselves.

Charity and service – The Diocese provides various charitable services to the community which includes supervising diocesan programs on immigration, writing grants for parishes, overseeing the Pacem In Terris Peace and Freedom Award and coordinating diocesan activities.

Evangelization and faith formation – The Diocese provides administrative support and guidance for programs that are being run by parishes and schools. These would include marriage preparation, ministry formation, youth ministry, baptism and confirmation preparation.

Ministry preparation and clergy support – The Diocese assists with the cost of seminarians, deacon formation, ongoing education for members and the organization and provision of funding for annual retreats.

A summary of the Diocese's significant accounting policies follows:

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of reporting cash flows, the Diocese considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statements of financial position. The Diocese places its cash with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Cash and cash equivalents for operations totaled \$196,105 and \$171,027 as of June 30, 2022 and 2021, respectively. Cash and cash equivalents for insurance purposes totaled \$548,089 and \$483,163 as of June 30, 2022 and 2021, respectively.

Accounts Receivable – Related Parties – Parishes

Accounts receivable are carried at the original amount invoiced for services provided by the Diocese. Management believes accounts receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established as of the years ended June 30, 2022 and 2021. If accounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable-related parties - parishes as of June 30, 2022, 2021 and 2020 were \$108,457, \$87,772 and \$153,939, respectively.

Investments And Investment Income

Investments in equity securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gain and loss on investments, interest and dividends, less investment management and custodial fees) are recorded as changes in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit stipulations or law.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation. Major expenditures for improvements and those which substantially increase useful lives are capitalized if the associated costs are in excess of the capitalization policy threshold of \$5,000. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the statements of activities. Property and equipment are depreciated using the straight-line method over the assets' estimated useful lives.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Net Assets

The Diocese's resources are classified into two separate classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets which are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Diocese. The Diocese's board may designate net assets without restrictions for specific operational purposes from time to time. Net assets without donor restrictions consists of the following:

	2022	2021
Undesignated	\$ 7,492,630	\$ 8,831,683
Board designated Woltering trust (A)	667,724	804,404
Board designated Coughlin trust (B)	14,127	14,127
	\$ 8,174,481	\$ 9,650,214

(A) An annual withdrawal can be made from these funds of up to \$50,000 to be spent on priest sabbaticals, education of priests and deacons, seminarian education, pastoral care of students at St. Ambrose University, vocations or respect for human life.

(B) These funds are to be used for the installation or ordination of a new bishop.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Diocese reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

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

	2022	2021
Restricted For Specific Purposes		
Seminary scholarships	\$ 12,799	\$ 22,799
Special collections – volunteer program	40,753	42,619
Special collections – works of charity	74,825	55,208
Prison ministry	294	294
Deacon ordination	4,250	4,250
Seminarian training	181,472	272,208
	314,393	397,378
Endowments Held In Perpetuity		
Woltering trust (A)	273,375	273,375
	\$ 587,768	\$ 670,753

(A) Funds are permanently endowed and investment income (loss) earned is classified as board designated net assets.

Revenue Recognition

Revenue from annual diocesan appeal

The Diocese recognizes revenue from the annual appeal over time during the fiscal year in which the related services are provided to the parishes. The performance obligations of providing clergy staffing and other diocesan services such as back-office accounting services and payroll processing are simultaneously received and consumed by the parishes; therefore, the revenue is recognized ratably over the course of the fiscal year as services are performed for each performance obligation. Payment received from the parishes to the Diocese that are in excess of the annual amount due are recorded as accounts payable and payments received that are less than the annual amount due are recorded as accounts receivable. Payments are due by the end of the fiscal year and there is no significant financing available to the parishes.

Revenue from education

Revenue from education is recognized at a point in time upon transfer of control. Revenue from education is recorded at the point in time the course takes place, which coincides with payment for attendance of the course.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Revenue from contributions

The Diocese records support revenue, contributions and bequests when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barriers and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Diocese does not have any conditional contributions, grants or promises to give as of June 30, 2022 and 2021.

Principal vs. agent

The Diocese acts as an agent to collect funds from parishes for youth to attend the bi-annual National Catholic Youth Conference. Accordingly, the associated revenue is reported net of the cost of the underlying service in the statement of activities. The Diocese recorded net expense of \$7,609 and \$0 within the Other income – including primarily education receipts caption in the statements of activities for the years ended June 30, 2022 and 2021, respectively. The amount presented on the statement of activities was revenues net of associated costs of \$229,645 and \$0 for the years ended June 30, 2022 and 2021, respectively.

For the Diocese's remaining revenue, the Diocese is recording revenue on a gross basis as they are acting as a principal.

Functional Allocation Of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, costs have been allocated between program and support service classifications by management for certain functions, including salaries and benefits and depreciation. These expenses are allocated on the basis of time records or estimates of time and effort.

Income Tax Matters

The Diocese is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and a similar section of state tax law, which provides tax exemption for entities organized and operated exclusively for religious, charitable or educational purposes.

Reclassification

Certain 2021 amounts have been reclassified where appropriate, to conform to the presentation in the 2022 financial statements. The reclassification has no effect on the previously reported net assets or changes in net assets.

Subsequent Events

Management has evaluated subsequent events through November 9, 2022, the date which the financial statements were available to be issued.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

2. Availability And Liquidity

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following:

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 744,194	\$ 654,190
Accounts receivable – related party – parishes	108,457	87,772
Accounts receivable – related party – Catholic Foundation	161,550	151,321
Other assets	141,200	232,778
Investments – operating	5,596,963	7,033,052
	6,752,364	8,159,113
Less: Those unavailable for general expenditures within one year		
Prepaid expenses	35,800	124,815
Net assets with donor restrictions - purpose restriction	314,393	397,378
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	\$ 6,402,171	\$ 7,636,920

The board designated endowment of \$681,851 and \$818,531 as of June 30, 2022 and 2021, respectively, is subject to an annual spending rate of 4%. Although the Diocese does not intend to spend funds included in these board designated trusts, these amounts could be made available, if necessary, through approval of the Board of Directors. As part of the Diocese's liquidity management, the Diocese structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Diocese maintains excess cash in investments. The Diocese also has \$500,000 available on a line of credit to use for operations, as described in Note 5.

3. Fair Value Measurements And Disclosures

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

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices unadjusted in active markets for identical assets or liabilities that the Diocese can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to the assessment of the quality, risk or liquidity profile of the asset or liability.

The Diocese's investments are open-ended mutual funds with readily determinable fair values based on daily redemption values and are categorized as Level 1 investments.

Net Investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of fees	\$ 37,537	\$ 35,521
Realized and unrealized gains (losses)	(1,394,892)	2,077,198
	<u>\$ (1,357,355)</u>	<u>\$ 2,112,719</u>

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

4. Property And Equipment

Property and equipment consists of:

	<u>2022</u>	<u>2021</u>
Land	\$ 275,000	\$ 275,000
Land improvements	382,899	382,899
Automobiles	178,038	206,788
Buildings and improvements	2,973,158	2,973,158
Equipment and furniture	434,012	434,012
	<u>4,243,107</u>	<u>4,271,857</u>
Less: Accumulated depreciation	1,825,593	1,719,440
	<u>\$ 2,417,514</u>	<u>\$ 2,552,417</u>

5. Line Of Credit And Subsequent Event

The Diocese has a line of credit agreement with a bank with borrowing capacity of up to \$500,000 and a maturity date of September 2022. The Diocese had \$500,000 available on the line of credit as of June 30, 2022. Interest is payable monthly at the Wall Street Journal Prime Rate plus 0.50%, with a floor of 3.75% (effective rate of 5.25% as of June 30, 2022). The line is collateralized by substantially all the Diocese's assets. Subsequent to year-end, the line of credit agreement was renewed extending the term to September 2023 and adjusting the interest rate to the Wall Street Journal Prime Rate plus 0.25%, with a floor of 5.00%.

6. Retirement Plan

The Diocese has adopted a Church retirement plan which covers substantially all of its employees. The Diocese will match 100% of the employee's contributions up to 2% of the employee compensation. The Diocese also has the option to make discretionary contributions to the plan. The Diocese's matching and discretionary contributions totaled \$125,990 and \$128,558 for the years ended June 30, 2022 and 2021, respectively.

7. Related-Party Transactions

The Diocese has a receivable from the Catholic Foundation for the Diocese of Davenport (the Foundation) of \$161,550 and \$151,321 as of June 30, 2022 and 2021, respectively. The Diocese recorded contributions from the Foundation totaling \$600,788 and \$563,399 for the years ended June 30, 2022 and 2021, respectively.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

The Diocese has an agreement with the Foundation to provide the services of the Finance Department including the processing of pledges, pledge payments, pledge reminders, preparing financial reports for board meetings and assistance with the financial statement review. The Foundation pays the Diocese once a year for the percentage of the time the Finance employees spend on the Foundation work valued at salary plus estimated benefits. Revenue recorded by the Diocese for the years ended June 30, 2022 and 2021 totaled \$65,715 and \$63,188, respectively.

The Diocese has receivables outstanding with parishes of \$108,457 and \$87,772 as of June 30, 2022 and 2021, respectively. The Diocese recorded revenues from parishes for the annual appeal of \$3,100,000 and \$2,962,553 for the years ended June 30, 2022 and 2021, respectively.

8. Endowment

The Diocese has established an endowment fund consisting of donor-restricted funds to be held in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors designed to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation Of Relevant Law

The Board of Directors of the Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with donor restriction – endowments held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Diocese and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Diocese
- 7) The investment policies of the Diocese

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Return Objectives And Risk Parameters

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity.

The Diocese's endowment assets are commingled with its other investments. Under its investment policy, as approved by the Board of Directors, the assets are invested in a manner that will help to ensure that the assets are managed in the best interest of the Diocese and at the most economical cost. The primary goal of the Diocese's investment assets is to achieve long-term real rate-of-return growth. According to the investment policy, at a minimum, over rolling three-to-five-year periods, the total expected return of the investment portfolio should meet or exceed 5%. Actual returns in any given year may vary from this amount. The Diocese can assume an above-average degree of fluctuation in the return to maintain the purchasing power of the investments. Specifically relating to endowments, the investment policy states that principal in restricted endowment funds to be held in perpetuity shall not be invaded for any reason other than to satisfy the requirements of applicable law, which would otherwise deprive the Diocese of its tax-exempt and/or public charity status.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The risk profile will be re-evaluated on an annual basis and adjusted, if necessary, to reflect subsequent changes in the investments, earnings or capital market conditions.

Changes in endowment net assets were as follows:

	2022	2021
Endowment net assets – beginning of year	\$ 273,375	\$ 273,375
Investment gain (loss)	(56,391)	129,409
Transfers (to) from board designated	56,391	(129,409)
Endowment net assets – end of year	\$ 273,375	\$ 273,375

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Notes To Financial Statements (Continued)

9. Insurance Funds

The Diocese established an insurance fund to provide uniform property and casualty, worker's compensation and blanket liability coverage under one comprehensive plan for all parishes and affiliates of the Diocese. The fund collects fees from subscribers and remits premiums to the insurance carriers during the policy year. The various insurance policies have deductibles ranging from none to \$25,000. Any potential deductibles incurred are the responsibility of the Diocese and would be paid from accumulated cash.

The Diocese also established a medical insurance fund to provide medical and dental insurance for parishes and affiliates of the Diocese. The Diocese is fully insured for medical and is self-insured for dental insurance. The fund collected fees from subscribers and remitted premiums to the insurance carrier during the policy year.

Activity in these funds consists of:

	For The Year Ended June 30, 2022		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,278,811	\$ 1,132,097	\$ 2,410,908
Premiums paid	(1,223,723)	(1,099,567)	(2,323,290)
Recoveries	382,682	—	382,682
Claims expense	(384,182)	(32,537)	(416,719)
	\$ 53,588	\$ (7)	\$ 53,581

	For The Year Ended June 30, 2021		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,269,503	\$ 1,029,948	\$ 2,299,451
Premiums paid	(1,157,759)	(993,651)	(2,151,410)
Recoveries	408,646	—	408,646
Claims expense	(413,146)	(26,306)	(439,452)
	\$ 107,244	\$ 9,991	\$ 117,235

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

10. Risks And Uncertainties

The Diocese invests in a variety of investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statements of financial position and statements of activities.