



# DIOCESE *of* BAKER

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FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
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**YEAR ENDED DECEMBER 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Most Reverend Bishop Liam Cary and  
The Board of Directors of the  
Roman Catholic Diocese of Baker

We have audited the accompanying financial statements of The Roman Catholic Diocese of Baker (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Diocese of Baker as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

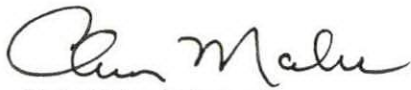
## INDEPENDENT AUDITOR'S REPORT - continued

### **Emphasis of Matters**

As discussed in Note 1 to the financial statements, during 2018, The Roman Catholic Diocese of Baker adopted new accounting guidance Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

As discussed in Note 14, the financial statements for the year ended December 31, 2017 for The Roman Catholic Diocese of Baker reported Net Assets with Restrictions and without Restrictions had not been properly classified.

Our opinion is not modified with respect to these matters.



Chris Mahr, Principal  
Bend, Oregon

July 16, 2019

# THE ROMAN CATHOLIC DIOCESE OF BAKER

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 1,317,526
Investments	5,307,322
Accounts receivable	694,375
Accrued Interest receivable	5,925
Prepaid expenses	70,713

<b>Total current assets</b>	<b>7,395,861</b>
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PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,767,308	8,453,460
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#### OTHER ASSETS

Notes receivable	2,553,737
Finance issuance costs, net of amortization of \$30,440	167,494
Restricted cash equivalents	3,000,000

<b>Total other assets</b>	<b>5,721,231</b>
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<b>Total Assets</b>	<b>\$ 21,570,552</b>
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### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable	\$ 8,420
Accrued expenses	63,046
Deferred revenue	10,637
Current portion of long-term debt	453,775

<b>Total current liabilities</b>	<b>535,878</b>
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#### LONG TERM LIABILITIES

Long-term portion of notes payable	9,452,464
Amounts held for annuities	83,522
Amounts due parishes	7,514,411

<b>Total current long-term liabilities</b>	<b>17,050,397</b>
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<b>Total liabilities</b>	<b>17,586,275</b>
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#### NET ASSETS

Without donor restrictions	3,091,339
With donor restrictions	892,938

<b>Total net assets</b>	<b>3,984,277</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 21,570,552</b>
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See notes to financial statements.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>OPERATING REVENUE</b>			
Contributions	\$ 597,267	\$ 193,845	\$ 791,112
Grant income		244,455	244,455
Health insurance premiums	1,412,575		1,412,575
Insurance proceeds	62,570		62,570
Parish assessments	698,691		698,691
Parish insurance premiums	450,183		450,183
Rent income	66,640		66,640
Royalty and commission income	106,548		106,548
Reimbursements and rebates	124,668		124,668
Other revenue	118,124	7,962	126,086
Total operating revenue	<u>3,637,266</u>	<u>446,262</u>	<u>4,083,528</u>
<b>OPERATING EXPENSES</b>			
Clergy form and development programs	203,601	49,591	253,192
Ministries	3,840,037	499,495	4,339,532
Fundraising	139,583		139,583
General and administrative	220,246		220,246
Total operating expenses	<u>4,403,467</u>	<u>549,086</u>	<u>4,952,553</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(766,201)</u>	<u>(102,824)</u>	<u>(869,025)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Net loss on sale of property	(76,330)		(76,330)
Net investment loss	(44,412)	(20,818)	(65,230)
Total non-operating revenue (expenses)	<u>(120,742)</u>	<u>(20,818)</u>	<u>(141,560)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(886,943)</u>	<u>(123,642)</u>	<u>(1,010,585)</u>
<b>NET ASSETS - Beginning of year, as originally stated</b>	2,799,627	2,195,235	4,994,862
Restatement for release of restrictions from prior years	1,178,655	(1,178,655)	
<b>NET ASSETS - Beginning of year, as restated</b>	<u>3,978,282</u>	<u>1,016,580</u>	<u>4,994,862</u>
<b>NET ASSETS - End of year</b>	<u>\$ 3,091,339</u>	<u>\$ 892,938</u>	<u>\$ 3,984,277</u>

See notes to financial statements.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2018**

	Program Activities			Supporting Activities			Totals
	Clergy Form & Dev Programs	Ministries	Programs Subtotal	General & Administrative	Fundraising	Supporting Subtotal	
<b>Functional expenses</b>							
Salaries and benefits	\$ 57,902	\$ 812,751	\$ 870,653	\$ 88,694	\$ 98,144	\$ 186,838	\$ 1,057,491
Staff development	99,554	60,300	159,854	1,765	4,836	6,601	166,455
Advertising		2,230	2,230		504	504	2,734
Assessments		19,013	19,013				19,013
Charitable Donations		4,181	4,181				4,181
Dues and subscriptions		4,769	4,769	983	1,200	2,183	6,952
Rent/Lease		17,082	17,082	4,861		4,861	21,943
Immigration/Legal/Licenses	13,659	36,055	49,714	21,902		21,902	71,616
Printing and postage	434	51,169	51,603	16,748	31,712	48,460	100,063
Supplies	3,790	73,409	77,199	4,093	3,187	7,280	84,479
Contract Services/Stipends	14,103	65,907	80,010	8,948		8,948	88,958
Amortization and depreciation expense		173,599	173,599	57,866		57,866	231,465
Taxes and insurance		40,536	40,536	5,434		5,434	45,970
Repair and maintenance		20,031	20,031	2,664		2,664	22,695
Telephone/Internet		8,101	8,101	2,405		2,405	10,506
Utilities		47,718	47,718	3,883		3,883	51,601
Health plan expenses		1,281,480	1,281,480				1,281,480
Parish insurance premiums		435,675	435,675				435,675
Grant and support disbursements	63,750	545,278	609,028				609,028
Interest and investment expenses		640,248	640,248				640,248
<b>Total</b>	<b>\$ 253,192</b>	<b>\$ 4,339,532</b>	<b>\$ 4,592,724</b>	<b>\$ 220,246</b>	<b>\$ 139,583</b>	<b>\$ 359,829</b>	<b>\$ 4,952,553</b>

See notes to financial statements.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,010,585)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Amortization and depreciation expense	231,465
Vehicle donation to the Diocese	(6,000)
Investment loss (including gains and losses on investments)	65,230
Net loss on disposal of fixed assets	76,330
Change in assets and liabilities	
Accounts receivable	(221,053)
Prepaid expenses and other assets	(59,879)
Accounts payable and accrued expenses	(56,151)
Deferred revenue	254
Amounts due parishes	635,267
NET CASH USED BY OPERATING ACTIVITIES	<u>(345,122)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from disposition of equipment	52,732
Purchases of equipment	(29,156)
Investment earnings net of fees	293,673
Net proceeds over purchases from investments	559,207
Unrealized gain (loss) on investments	(650,466)
Issuance of notes receivable	(172,529)
Collections on notes receivable	1,027,920
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,081,381</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Refund of finance issuance costs	5,000
Principal payments on long-term borrowing	<u>(1,074,300)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,069,300)</u>

**NET DECREASE IN CASH** (333,041)

**CASH - Beginning of year** 1,650,567

**CASH - End of year** \$ 1,317,526

See notes to financial statements.



**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization and Nature of Activities***

The Roman Catholic Diocese (the Diocese) of Baker is a religious corporation incorporated under the laws of Oregon. The Diocese has ultimate responsibility and oversight of all Roman Catholic Church entities in Eastern Oregon. The Diocese is governed by the Bishop of Baker and aims to teach, govern and sanctify the catholic households of the parishes, missions and schools in the geographic location of the Diocese. The Diocese accomplishes its purpose largely through parish fee assessments and insurance reimbursements, public support received through the annual appeal, and support from Catholic based foundations.

***Basis of Accounting***

The financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. For the year ending December 31, 2018, the Diocese adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit (NFP) organizations. The changes in presentation include the use of two net asset classifications as described below, disclosure of both quantitative and qualitative information about the *availability of* and *how* the NFP manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet data (see Note 12) and a requirement to provide information about their operating expenses by both nature and function.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

*Net Assets without donor restrictions* represent net assets that are not subject to donor-imposed stipulations.

*Net Assets with donor restrictions* are net assets subject to donor-imposed stipulations or grant restrictions that may, or will be met, either by actions of the Diocese and/or the passage of time.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Cash and Cash Equivalents***

For purposes of the statements of financial position, activities, functional expenses and cash flows, the Diocese considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

***Accounts Receivables***

Accounts receivable are comprised of amounts due from parishes throughout the Diocese as of December 31, 2018. Management of the Diocese considers accounts receivable at December 31, 2018 to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

***Fair Value Measurements***

The Dioceses has various financial instruments that must be measured at fair value on a recurring basis, including certain marketable securities and investments. The Diocese also applies the provisions of fair value measurement to various non-recurring measurements for our financial and non-financial assets and liabilities. With the exception of investments and amounts held for annuities as discussed in Note 3, the Diocese has determined that book value approximates fair value for all other assets and liabilities.

***Investments***

The Diocese carries investments at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

***Property and Equipment***

The Diocese capitalizes all depreciable property with a cost, or fair market value at contribution date for donated asset, over \$1,000 to which it has title or other evidence of ownership. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

Property and equipment are stated at cost or, if donated, at approximate fair market value at the date of donation.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Contributions***

Contributions, including unconditional promises to give, are recorded as made and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions and increase that net asset class. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

***Donated Services and Equipment***

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would typically be purchased by the Diocese, if not donated.

The Diocese receives donated services from a variety of unpaid volunteers assisting the Diocese with their various programs and administrative and fundraising functions. The services provided by these volunteers are not recognized as contributions in the financial statements since the recognition criteria above were not met.

***Income Taxes***

The Diocese qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, no provision for federal or state income taxes has been included in these financial statements. The Diocese did not conduct unrelated business activities for the current year ended.

***Functional Allocation of Expense***

The cost of providing programs has been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, general/administrative or program services based on evaluations of the related benefits in accordance with accounting principles generally accepted in the United States of America for non-profit organizations.

The Diocese utilizes a simplified cost allocation method, whereby specifically identifiable costs are charged directly to the program services and fundraising categories. General and administrative costs are allocated based on an analysis of administrative staff time.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Program expenses consist of all expenses paid for ministries and clergy formation and development throughout the Diocese. General and administrative expenses include oversight, business management, general recordkeeping, budgeting and other such management and administrative activities that support the primary services and the Organization overall. Fundraising expenses include the cost of conducting activities to solicit contributions from individuals and other organizations.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at December 31, 2018:

Deposit accounts	\$ 828,066
Cash in investment accounts	251,761
U.S. Treasuries and Government Obligations	3,237,243
Cash on hand	456
	<u>\$ 4,317,526</u>

At year end, the Organization's bank accounts and cash in investment accounts exceeded FDIC insurance limits by \$572,199. Amounts reported as US Treasuries and Government Obligations are direct obligations of the federal government and are considered collateralized. As discussed in Note 6 and shown as Restricted Cash Equivalents in Other Assets, the Diocese's debt agreement requires a \$3,000,000 balance in investments accounts.

**NOTE 3 – INVESTMENTS**

For the year ended December 31, 2018, investment activity consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Totals
Interest and dividends	\$ 236,168	\$ 110,705	\$ 346,873
Realized gains on investments	198,510	93,053	291,563
Unrealized losses on investments	(442,869)	(207,597)	(650,466)
Investment expenses	(36,221)	(16,979)	(53,200)
Totals	<u>\$ (44,412)</u>	<u>\$ (20,818)</u>	<u>\$ (65,230)</u>

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 – INVESTMENTS – Continued**

Investments at December 31, 2018 consisted of the following:

U.S. stocks	4,149,528
International stocks	634,197
International mutual funds	103,609
Real estate investment trusts	336,466
Funds held by Legacy of Faith	<u>83,522</u>
Total investments	<u><u>\$ 5,307,322</u></u>

***Fair Value Reporting***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Assets and liabilities are measured using inputs from the following three levels of the fair value hierarchy:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments the Organization included in Level 1 are listed equities.

Level 2 - Pricing inputs for these investments are other than the quoted market prices described for Level 1, but are observable either directly or indirectly.

Level 3 - Pricing inputs for these investments are unobservable and require significant management judgment or estimation. The Organization primarily used the net asset values (NAV) as provided by the investment portfolio manager to evaluate the fair value of Level 3 instruments. In addition, where no NAV is available for specific investments, the market approach or income approach is used to evaluate the fair value of such Level 3 instruments. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of net present value of estimated cash flows, adjusted as appropriate for market and/or other risk factors. Investments in this category include perpetual trust, a charitable remainder trust, and share in a privately held corporation.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 – INVESTMENTS – Continued**

The following shows the Diocese investments by level as of 12/31/18:

	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 4,783,725	\$	\$	\$ 4,783,725
Mutual Funds	103,609			103,609
Real Estate Investment Trusts	336,466			336,466
Funds held by Legacy of Faith		83,522		83,522
Total Investments	<u>\$ 5,223,800</u>	<u>83,522</u>	<u>\$</u>	<u>\$ 5,307,322</u>

Funds held by Legacy of Faith Foundation are based on initial investment cost less annuities paid out and annual adjustments for allocation of investment income and/or losses.

**NOTE 4 – PROPERTY AND EQUIPMENT**

At December 31, 2018, property and equipment are as follows:

Non-depreciable:	
Land	1,388,292
Depreciable:	
Buildings	8,397,092
Equipment	374,480
Vehicles	60,904
	<u>10,220,768</u>
Accumulated depreciation	<u>(1,767,308)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 8,453,460</u>

Depreciation expense for the year ended December 31, 2018 totaled \$221,318.

**NOTE 5 – NOTES RECEIVABLE**

The Diocese has notes receivable from various parishes and clergy of \$2,553,737 as of December 31, 2018. Management makes assessment of the ultimate realization of notes receivable on an annual basis based upon the financial condition of the parishes and clergy. The notes have interest rates ranging from 0% to 7% and terms ranging from three to thirty years. Interest received from parishes for notes receivable in 2018 was \$176,747.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 6 - DEBT**

***Knights of Columbus Note Payable***

The Diocese holds a note payable with the Knights of Columbus. The loan required monthly payments of \$89,096 through April 1, 2019. Beginning May 1, 2019, the required monthly payment is \$65,633 through January 1, 2036 at an interest rate of 4.58%. There were finance issue costs related to this debt of \$202,934 which are being amortized over the 20-year loan life at an annual rate of \$10,147. As part of the loan agreement, the Diocese is required to maintain a minimum \$3,000,000 balance in an investment account. The loan is secured by Diocesan property. Interest expense reported for the year ended December 31, 2018 was \$485,025. Future maturities of long-term debt are as follows:

<b>Year ending December 31,</b>	
2019	\$ 453,775
2020	385,606
2021	403,642
2022	422,521
2023	442,285
Thereafter	7,798,410
	<u><u>\$ 9,906,239</u></u>

**NOTE 7 - AMOUNTS HELD FOR OTHERS**

***Amounts Held for Annuities***

The Legacy of Faith Foundation holds investments for the Diocese of \$83,522 which represent contracts between individuals/trusts and the Diocese to pay out a portion of the funds over the life of the individual/trust.

***Amounts Due Parishes***

The Diocese offers the Parishes an opportunity to invest their available cash with the Diocese. Those funds are invested as part of the Diocese total investment program. The Diocese adjusts the rate of return to the Parishes periodically. Currently the Diocese is applying a rate of return to the Parishes on their investments of 2%. The parishes may withdraw their investments anytime. The intent of the parishes is to keep the funds with the Diocese on a long term basis. Accordingly, the Diocese has reported the amount as a long term liability. As of December 31, 2018, the Diocese held \$7,514,411 of the Parishes funds in its investment accounts.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 8 – STATEMENT OF CASH FLOWS**

Supplemental cash flow statement information and noncash transactions are as follows for the year ending December 31, 2018:

Noncash Transactions:

Donated vehicle	\$ 6,000
Fully depreciated fixed asset disposals	\$ 40,880

Supplemental Cash Flow Information:

Interest paid	\$ 494,850
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**NOTE 9 - EMPLOYEE RETIREMENT PLAN UNDER IRC § 403(b)**

The Diocese maintains a 403(b) Employee Benefit Plan (the Plan) which allows employees to defer certain amounts of compensation for income tax purposes under section 403(b) of the Internal Revenue Code. The 403(b) plan allows for employees to make pre-tax contributions as a salary deferral, or on an after-tax basis as designated Roth deferrals. All employees are eligible to make contributions to the plan and may elect to contribute up to the statutory limits upon their date of hire. All contributions immediately vest at 100%. The Diocese also makes employer contributions to the plan equal to 6% of annual employee compensation for eligible employees. In order to be eligible for employer contributions, employees must complete 1,000 hours and twelve months of employment. The amount of the employer retirement contribution recognized as pension expense for the year ended December 31, 2018 was \$27,078.

**NOTE 10 – PRIEST AND CLERGY HEALTH AND RETIREMENT PLAN**

Clergy members are provided health and retirement benefits through The Health and Retirement Organization of the Diocese of Baker (the HRO), a separate organization. The retirement plan is a defined benefit plan. The HRO is primarily funded directly with parish assessments. The Diocese has no obligation to fund the plan. The HRO provides benefits to all of its members which include the Bishop, all Priests and permanent deacons. The members must pay dues to the HRO annually. The Diocese contributes the payment of the annual membership dues on behalf of the members. In 2018, the Diocese paid \$5,400 in membership dues to the HRO.



**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11 - CREDIT RISKS, COMMITMENTS AND CONCENTRATIONS**

The Diocese receives grants from various private sources that require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although a possibility, the Board and management deem the contingency remote.

***Credit Risks, Concentrations***

The Diocese has credit risk arising from accounts receivables. The maximum amount of loss at December 31, 2018 equals the accounts receivable balance of \$694,375. However, management considers accounts receivable at December 31, 2018, to be fully collectible.

The Diocese has credit risk arising from notes receivable. The maximum amount of loss at December 31, 2018 equals the notes receivable balance of \$2,553,737. Notes Receivable from two parishes constitute approximately 86% of the total balance.

***Commitments***

The Diocese leases copiers and a postage meter from Pacific Office Automation. Both leases are considered operating leases and have terms of five years beginning January 1, 2017 and January 17, 2017 respectively. The minimum monthly payment under these agreements are \$1,247 and \$164, respectively.

The Diocese entered into an Administrative Services Agreement with The Legacy of Faith Catholic Community Foundation of Oregon (the Foundation) on August 1, 2014. The Roman Catholic Bishop of the Diocese is the sole member of the Foundation. The agreement states that the Diocese will provide basic administrative support services to the Foundation. The Diocese receives \$1,250 each month in exchange for these services. As of October 1, 2018, the agreement was updated to include shared services of the Diocese's Director of Stewardship. The Diocese receives \$5,400 each month from the Foundation in accordance with the new agreement.

***Income Tax***

The Diocese is exempt from federal and state income taxes and qualifies for exemption from filing an information return as it is considered a church or church-affiliated organization.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 12 – NET ASSETS**

Net Assets with Donor Restrictions are restricted by external sources such as a grant or donor agreement. Balances for net assets with donor restrictions as of December 31, 2018 are as follows:

Diocese Programs	\$	74,652
Black & Indian Missions		20,000
Catholic Home Missions		31,004
Custodial Funds		193,196
Endowment Earnings		139,096
Seminary		2,980
Priest Programs		14,011
Mass Stipend Endowment		5,000
Parish Travel Endowment		264,000
Seminary Fund Endowment		148,999
Total Net Assets with Restrictions	\$	<u>892,938</u>

The Diocese is required to permanently maintain the corpus investment amounts for each of the three endowment funds (Mass Stipend, Parish Travel and Seminary) based on donor stipulations. There were no changes to the corpus investment amounts during 2018. Endowment earnings include the income from these funds, which is also restricted and may only be spent for purposes specified by the donors. The Diocese does not have an investment policy specific to its endowment funds, however, these funds are invested in the same manner as all other funds maintained by the Diocese. The Diocese follows donor stipulations when spending from these restricted funds.

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**NOTE 13 – MANAGEMENT OF LIQUIDITY**

The following is a summary of the Organization's financial assets, as of December 31, 2018, available to meet cash needs for general expenditures within one year. These assets are reduced by amounts *not* available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 4,317,526
Investments	5,307,322
Accounts Receivable	<u>694,375</u>
Total financial assets as of December 31, 2018	10,319,223
Less those unavailable for general expenditures within one year due to Contractual or Donor Imposed Restrictions	
Restricted investment balance for debt covenant	(3,000,000)
Investments held for endowments	(417,999)
Investments held for annuities	(83,522)
Current portion of long term debt	(453,775)
Accounts receivable which will be converted to notes	<u>(275,772)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 6,088,155</u>

The Diocese is substantially supported by parish assessments, donations and grant funding. The Diocese maintains investments on behalf of the Parishes. Parishes elect to invest funds with the Diocese to gain advantages of investing with a larger group. The Parishes may withdraw funds at any time, however the intent is to invest them long term. As a result, the amounts due to Parishes are *included* as available for general expenditures within one year. The amount invested by parishes as of December 31, 2018 was \$7,514,411.

There is a debt covenant with the Knights of Columbus note payable to maintain a \$3,000,000 balance at all times in Diocese investment accounts. If the Parishes withdrew their investments, the Dioceses investment accounts would be below the \$3,000,000 requirement of the note payable and the loan would be considered in default.

The Diocese intends to convert \$275,772 from accounts receivable to notes receivable and as such the amount will not be available for general expenditures within the next year.

As of December 31, 2018, the Diocese maintained charitable gift annuities for individuals of \$83,522 and donor restricted endowments of \$417,999.

**THE ROMAN CATHOLIC DIOCESE OF BAKER**  
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**NOTE 14 – RESTATEMENT**

Subsequent to the issuance of the 2017 financial statements, management became aware of clarifications regarding the classification of net assets. The Diocese had received a donation for the specific purpose of creating and maintaining a retreat center. This donation was to be permanently maintained with the income designated for retreat center expenses. Subsequent to the original donation, the donor agreed to allow the Diocese to use the \$1,000,000 corpus amount to purchase land and a building for a Diocesan retreat center. After this purchase in 2007, the donor had no further stipulations regarding the retreat center property. This amount has been reclassified from *Net Asset with restrictions* to *Net Assets without restrictions*. Additionally, management had previously classified \$178,655 of internally designated net assets as *Net Assets with restrictions*. As these amounts do not have external donor stipulations, they have been reclassified to *Net Assets without restrictions*.

The effect of this restatement and reclassification on the financial statements as of December 31, 2017 is as follows:

	<b>As Previously Reported</b>	<b>Restatement</b>	<b>As Restated</b>
Net Assets without Restrictions	\$ 2,799,627	\$ 1,178,655	\$ 3,978,282
Net Assets with Restrictions	2,195,235	(1,178,655)	1,016,580
Total Net Assets	<u>\$ 4,994,862</u>	<u>\$</u>	<u>\$ 4,994,862</u>

**NOTE 15 - SUBSEQUENT EVENTS**

Management is not aware of any subsequent events that require recognition or disclosure in the financial statements. Subsequent events have been evaluated through July 16, 2019, the date the financial statements were available to be issued.