



DIOCESE *of* BAKER

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

THE ROMAN CATHOLIC DIOCESE OF BAKER
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS.....	7-18

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, 2020, 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, 2020, 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.



Chris Mahr, Principal
Chris Mahr + Associates | CPAs

Bend, Oregon

July 15, 2021

THE ROMAN CATHOLIC DIOCESE OF BAKER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,328,633
Investments	7,405,317
Accounts receivable	470,455
Accrued interest receivable	26
Prepaid expenses	53,412

Total current assets	<u>9,257,843</u>
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PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$2,191,737	<u>7,803,518</u>
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OTHER ASSETS

Notes receivable	2,345,720
Finance issuance costs, net of accumulated amortization of \$50,734	147,200
Restricted cash equivalents	3,000,000

Total other assets	<u>5,492,920</u>
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Total Assets	<u><u>\$ 22,554,281</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 18,510
Accrued expenses	57,496
Deferred revenue	18,051
Payroll protection program loan	227,998
Current portion of long-term debt	420,452

Total current liabilities	<u>742,507</u>
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LONG TERM LIABILITIES

Long-term portion of notes payable	7,744,467
Amounts held for annuities	85,496
Amounts due parishes	8,311,645

Total long-term liabilities	<u>16,141,608</u>
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Total liabilities	<u>16,884,115</u>
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NET ASSETS

Without donor restrictions	4,148,023
With donor restrictions	1,522,143

Total net assets	<u>5,670,166</u>
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Total Liabilities and Net Assets	<u><u>\$ 22,554,281</u></u>
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See notes to financial statements.

THE ROMAN CATHOLIC DIOCESE OF BAKER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
OPERATING REVENUE			
Contributions	\$ 801,414	\$ 114,874	\$ 916,288
Grant income	25,306	308,750	334,056
Health insurance premiums	1,660,335		1,660,335
Parish assessments	719,720		719,720
Parish insurance premiums	491,292		491,292
Rent income	25,753		25,753
Royalty and commission income	102,819		102,819
Reimbursements and rebates	488,988		488,988
Other revenue	65,052	7,145	72,197
Net assets released from restrictions	551,284	(551,284)	
Total operating revenue	4,931,963	(120,515)	4,811,448
OPERATING EXPENSES			
Clergy form and development programs	133,211		133,211
Ministries	4,817,955		4,817,955
Fundraising	222,822		222,822
General and administrative	222,278		222,278
Total operating expenses	5,396,266		5,396,266
OPERATING (LOSS)	(464,303)	(120,515)	(584,818)
NON-OPERATING REVENUES			
Net gain on from sale of assets	259,479		259,479
Net investment gain	773,352	330,360	1,103,712
Total non-operating revenue	1,032,831	330,360	1,363,191
CHANGE IN NET ASSETS	568,528	209,845	778,373
NET ASSETS - Beginning of year	3,579,495	1,312,298	4,891,793
NET ASSETS - End of year	\$ 4,148,023	\$ 1,522,143	\$ 5,670,166

See notes to financial statements.

THE ROMAN CATHOLIC DIOCESE OF BAKER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Activities			Supporting Activities			Totals
	Clergy Form & Dev Programs	Ministries	Programs Subtotal	General & Administrative	Fundraising	Supporting Subtotal	
Functional expenses							
Salaries and benefits	\$ 85,179	\$ 866,745	\$ 951,924	\$ 108,818	\$ 193,646	\$ 302,464	\$ 1,254,388
Staff development	4,022	94,881	98,903	210	917	1,127	100,030
Advertising		4,642	4,642				4,642
Assessments		22,864	22,864				22,864
Charitable Donations		2,700	2,700				2,700
Dues and subscriptions		5,874	5,874	1,213	1,300	2,513	8,387
Rent/Lease	500	14,961	15,461	4,595		4,595	20,056
Immigration/Legal/Licenses	21,989	32,539	54,528	15,911	3,853	19,764	74,292
Printing and postage	848	22,712	23,560	7,256	19,898	27,154	50,714
Supplies	3,837	35,564	39,401	2,044	2,565	4,609	44,010
Contract Services/Stipends	16,685	50,037	66,722	8,200	150	8,350	75,072
Amortization and depreciation expense		172,860	172,860	57,620		57,620	230,480
Taxes and insurance		38,810	38,810	4,375		4,375	43,185
Repair and maintenance		11,853	11,853	1,654		1,654	13,507
Telephone/Internet	151	6,746	6,897	1,852	493	2,345	9,242
Utilities		45,153	45,153	2,771		2,771	47,924
Health plan expenses		1,971,752	1,971,752				1,971,752
Parish insurance premiums		483,493	483,493				483,493
Grant and support disbursements		351,577	351,577				351,577
Interest & investment expense		582,192	582,192	5,759		5,759	587,951
Total	\$ 133,211	\$ 4,817,955	\$ 4,951,166	\$ 222,278	\$ 222,822	\$ 445,100	\$ 5,396,266

See notes to financial statements.

THE ROMAN CATHOLIC DIOCESE OF BAKER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 778,373
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Amortization and depreciation expense	230,480
Investment gain	(830,112)
Net gain on disposal of fixed assets	(259,479)
Change in assets and liabilities	
Accounts receivable	9,517
Prepaid expenses and other assets	43,829
Accounts payable and accrued expenses	(6,415)
Deferred revenue	17,651
Amounts due parishes & held for annuities	400,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>384,489</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of vehicles, equipment & improvements	(45,950)
Net proceeds from sale of land, buildings & vehicles	537,313
Net proceeds over purchases from investments	(245,144)
Issuance of notes receivable	(85,769)
Collections on notes receivable	132,084
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>292,535</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Payroll Protection Program	227,998
Principal payments on long-term borrowing	(787,545)
NET CASH USED BY FINANCING ACTIVITIES	<u>(559,547)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 117,476

CASH - Beginning of year 1,211,157

CASH - End of year \$ 1,328,633

See notes to financial statements.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Roman Catholic Diocese of Baker (the Diocese) 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. 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.

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, 2020. Management of the Diocese considers accounts receivable at December 31, 2020 to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$2,500 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.

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.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$4,642 during 2020.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2020:

Deposit accounts	\$ 1,172,314
Cash in investment accounts	143,969
Short-term U.S. Treasury & Government Obligations	12,165
Cash on hand	185
	<u>\$ 1,328,633</u>

At year end, the Organization's bank accounts and cash in investment accounts exceeded FDIC insurance limits by \$1,106,647. Amounts reported as short-term US Treasury 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 on the Statement of Financial Position, the Diocese's debt agreement requires a \$3,000,000 balance in investments accounts.

NOTE 3 - INVESTMENTS

For the year ended December 31, 2020, investment activity consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Totals
Interest and dividends	\$ 166,756	\$ 71,235	\$ 237,991
Realized gains on investments	208,070	88,883	296,953
Unrealized losses on investments	434,672	185,683	620,355
Investment expenses	(36,146)	(15,441)	(51,587)
Totals	<u>\$ 773,352</u>	<u>\$ 330,360</u>	<u>\$ 1,103,712</u>

Investments at December 31, 2020 consisted of the following:

U.S. stocks	6,092,625
International stocks	1,001,870
Real estate investment trusts	225,326
Funds held by Legacy of Faith	85,496
Total investments	<u>\$ 7,405,317</u>

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 3 - INVESTMENTS – CONTINUED

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 following shows the Diocese investments by level as of 12/31/20:

	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 7,094,495	\$	\$	\$ 7,094,495
Real Estate Investment Trusts	225,326			225,326
Funds held by Legacy of Faith		85,496		85,496
Total Investments	<u>\$ 7,319,821</u>	<u>\$ 85,496</u>	<u>\$</u>	<u>\$ 7,405,317</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.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2020, property and equipment are as follows:

Non-depreciable:	
Land	1,127,003
Depreciable:	
Buildings	8,396,681
Equipment	403,593
Vehicles	<u>67,978</u>
	9,995,255
Accumulated depreciation	<u>(2,191,737)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 7,803,518</u></u>

Depreciation expense for the year ended December 31, 2020 totaled \$220,333.

NOTE 5 - NOTES RECEIVABLE

The Diocese holds note receivables from various parishes and clergy of \$2,345,720 as of December 31, 2020. 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 2020 was \$115,569.

NOTE 6 - DEBT

Payroll Protection Program Loan

On May 18, 2020, the Diocese received loan proceeds in the amount of \$227,998 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses, including religious organizations, for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees and is unable to hire back the employees by December 31, 2020.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Diocese has used the proceeds for purposes consistent with the PPP and expects for the loan to be forgiven in 2021.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 6 - DEBT – CONTINUED

Knights of Columbus Note Payable

The Diocese holds a note payable with the Knights of Columbus. The loan requires monthly payments of \$65,633 through February, 2035 at an interest rate of 4.58%. There were finance issue costs related to this debt of \$197,934 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 relating to this loan and reported for the year ended December 31, 2020 was \$403,114. Future maturities of long-term debt are as follows:

Year ending December 31,	
2021	\$ 420,452
2022	442,108
2023	462,787
2024	484,434
2025	507,092
Thereafter	5,848,046
	<u>\$ 8,164,919</u>

NOTE 7 - AMOUNTS HELD FOR OTHERS

Amounts Held for Annuities

The Legacy of Faith Foundation holds investments for the Diocese of \$85,496, 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's total investment program. The Diocese adjusts the rate of return to the Parishes periodically. During 2020, the Diocese applied a rate of return to the Parishes on their investments of 2.25%. 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, 2020, the Diocese held \$8,311,645 of the Parishes funds in its investment accounts.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 8 - STATEMENT OF CASH FLOWS

Supplemental cash flow statement information and noncash transactions are as follows for the year ending December 31, 2020:

Noncash Transactions:

Property and equipment disposed of, net book value	\$ 9,534
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Supplemental Cash Flow Information:

Interest paid	\$ 404,211
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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, 2020 was \$31,637.

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 2020, the Diocese paid \$14,400 in membership dues to the HRO.

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.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 11 - CREDIT RISKS, COMMITMENTS AND CONCENTRATIONS – CONTINUED

Credit Risks, Concentrations

The Diocese has credit risk arising from accounts receivables. The maximum amount of loss at December 31, 2020 equals the accounts receivable balance of \$470,455. However, management considers accounts receivable at December 31, 2020 to be fully collectible.

The Diocese has credit risk arising from notes receivable. The maximum amount of loss at December 31, 2020 equals the notes receivable balance of \$2,345,720. Notes Receivable from two parishes constitute approximately 87% 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 and amended October 1, 2018. The Roman Catholic Bishop of the Diocese is the sole member of the Foundation. The amended agreement states that the Diocese will provide basic administrative support services to the Foundation and will be \$5,400 each month in exchange for these services.

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, 2020

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, 2020 are as follows:

Diocese Programs	\$	123,102
Black & Indian Missions		18,039
Catholic Home Missions		22,762
Extension Grant		2,378
Custodial Funds		305,261
Endowment Earnings		337,806
Seminary		76,525
Priest Programs		218,271
Priest Care Endowment		5,000
Parish Travel Endowment		264,000
Seminary Fund Endowment		<u>148,999</u>
Total Net Assets with Restrictions	\$	<u>1,522,143</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 2020. 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.

THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 13 - MANAGEMENT OF LIQUIDITY

The following is a summary of the Organization's financial assets, as of December 31, 2020, 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	\$ 4,328,633
Investments	7,405,317
Accounts Receivable	470,481
Total financial assets as of December 31, 2020	<u>12,204,431</u>
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	(85,496)
Current portion of long term debt	<u>(420,452)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,280,484</u></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, 2020 was \$8,311,645.

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.

As of December 31, 2020, the Diocese maintained charitable gift annuities for individuals of \$85,496 and donor restricted endowments of \$417,999.

**THE ROMAN CATHOLIC DIOCESE OF BAKER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 14 - 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 15, 2021, the date the financial statements were available to be issued.