

DIOCESAN FINANCIAL MANAGEMENT  
CONFERENCE

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



**Wallace Plese + Dreher**  
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Diocesan Fiscal Management Conference  
Phoenix, Arizona

We have audited the accompanying financial statements of Diocesan Fiscal Management Conference (a nonprofit corporation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *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 Diocesan Fiscal Management Conference as of December 31, 2015 and 2014, 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.

*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wallace, Plese + Dreher, G. G. P.*

Chandler, Arizona  
August 4, 2016

# DIOCESAN FISCAL MANAGEMENT CONFERENCE

## STATEMENTS OF FINANCIAL POSITION December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 210,309	\$ 245,450
Accounts receivable	8,800	38,958
Investments	383,664	213,184
Prepaid expenses	1,515	1,401
	<u>604,288</u>	<u>498,993</u>
Total assets	<u>\$ 604,288</u>	<u>\$ 498,993</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 241	\$ 8,519
Deferred revenue	8,800	20,550
	<u>9,041</u>	<u>29,069</u>
Total liabilities	9,041	29,069
NET ASSETS - UNRESTRICTED		
Board designated unrestricted net assets	62,662	-
Unrestricted net assets	532,585	469,924
	<u>595,247</u>	<u>469,924</u>
Total liabilities and net assets	<u>\$ 604,288</u>	<u>\$ 498,993</u>

See Notes to Financial Statements

# DIOCESAN FISCAL MANAGEMENT CONFERENCE

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES AND SUPPORT		
Membership dues and assessments	\$ 135,150	\$ 120,900
Conference and programs	226,200	197,945
Conference sponsors and exhibitors	383,250	336,509
Unrealized gain (loss) on investments	(13,690)	3,237
Interest and dividend income	4,205	849
	<u>735,115</u>	<u>659,440</u>
Total revenues and support		
EXPENSES		
Program services	432,583	463,435
General and administrative	177,209	170,371
	<u>609,792</u>	<u>633,806</u>
Total expenses		
Change in net assets	125,323	25,634
NET ASSETS - BEGINNING OF YEAR	<u>469,924</u>	<u>444,290</u>
NET ASSETS - END OF YEAR	<u>\$ 595,247</u>	<u>\$ 469,924</u>

*See Notes to Financial Statements*

# DIOCESAN FISCAL MANAGEMENT CONFERENCE

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 125,323	\$ 25,634
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on investments	13,690	(3,237)
Changes in assets and liabilities:		
Accounts receivable	30,158	(29,520)
Prepaid expenses	(114)	143
Accounts payable	(8,278)	4,936
Deferred revenue	(11,750)	20,550
Accrued expenses	-	(2,573)
Net cash provided by operating activities	<b>149,029</b>	15,933
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of investments	<b>(184,170)</b>	(150,428)
Net decrease in cash and cash equivalents	<b>(35,141)</b>	(134,495)
Cash and cash equivalents, beginning of year	<b>245,450</b>	379,945
Cash and cash equivalents, end of year	<b>\$ 210,309</b>	\$ 245,450

*See Notes to Financial Statements*

**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of business:**

The Diocesan Fiscal Management Conference (DFMC) is a nonprofit corporation that promotes the spiritual growth of its members, provides financial and administrative expertise and professional services to the local and national Church, encourages the development of professional relationships among its members, and facilitates the free exchange of ideas and information. These goals are principally achieved through a quarterly newsletter and an annual conference.

**A summary of significant accounting policies follows:**

**Basis of presentation:**

DFMC reports information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

**Unrestricted net assets:**

Unrestricted net assets are not subject to donor-imposed stipulations and are those currently available at the discretion of the Board for use in DFMC's operations, in accordance with its bylaws.

**Temporarily restricted net assets:**

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by DFMC and/or the passage of time. As of December 31, 2015 and 2014, DFMC had no temporarily restricted net assets.

**Permanently restricted net assets:**

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements. As of December 31, 2015 and 2014, DFMC had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or time restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law.

**Cash and cash equivalents:**

For purposes of the statement of cash flows, DFMC considers all cash accounts with original or purchased maturities of 90 days or less to be cash equivalents.



**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 (continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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**Accounts receivable:**

Receivables are stated at the amount management expects to collect under the terms of service contracts. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual contracts. Account balances with invoices over one year old are considered delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to receivables. Receivables are considered by management to be collectible in full and accordingly an allowance for doubtful accounts was not provided at December 31, 2015 and 2014.

**Investments:**

DFMC holds certain funds in money market and mutual fund investments held by Christian Brothers, which are recorded at fair market value. Realized gains and losses are included in investment income, along with interest and dividends, in the statements of activities. See *Note 2* regarding fair value measurements. Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statements of financial position and the statements of activities.

**Revenue:**

Membership dues are recognized on the first day of the year in which the membership is applicable. Other revenues are related primarily to the DFMC's annual fiscal management conference and are recognized when earned.

**Contributions:**

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions are recognized as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions other than cash are recorded at their estimated fair value.

**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 (continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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**Functional expenses:**

The costs of providing program, administrative expenses, and fundraising are reported on a functional basis. Costs are allocated between the annual conference program and support services on an actual basis, where available or based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income tax status:**

DFMC qualifies as a tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for federal or state corporate income taxes in the accompanying financial statements. Income determined to be unrelated business taxable income (UBTI) would be taxable. DFMC is exempt from filing income tax returns.

**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 and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Reclassification:**

A reclassification has been made to the 2014 statement of financial position to conform to the 2015 presentation. This reclassification has no effect on previously reported changes in net assets or activities.

**Subsequent events:**

Management has evaluated subsequent events through August 4, 2016, which is the date the financial statements were available to be issued.

**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 2**  
**FAIR VALUE OF SHORT-TERM INVESTMENTS**

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (FASB ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015:

*Mutual and money market funds:* Valued at the net asset value ("NAV") of shares held by the corporation at year end.

*Balance Fund:* Valued based on the NAV of units held by the corporation at year-end. Although the balance fund is not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

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

**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 2 (continued)**  
**FAIR VALUE OF SHORT-TERM INVESTMENTS**

The following table sets forth by level within the fair value hierarchy, the corporation's assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual and money market funds</b>	\$ -	\$ -	\$ -	\$ -
<b>Balance fund</b>	-	<b>383,664</b>	-	<b>383,664</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ 383,664</b>	<b>\$ -</b>	<b>\$ 383,664</b>

The following table sets forth by level within the fair value hierarchy, the corporation's assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual and money market funds	\$ 59,552	\$ -	\$ -	\$ 59,552
Balance fund	-	153,632	-	153,632
Total	<u>\$ 59,552</u>	<u>\$ 153,632</u>	<u>\$ -</u>	<u>\$ 213,184</u>

**NOTE 3**  
**CONCENTRATIONS AND CREDIT RISK**

The corporation places its temporary cash investments with financial institutions. At times, such investments may be in excess of the FDIC insured limits.

The corporation receives substantially all revenue from members of the local and national Church.

**NOTE 4**  
**COMMITMENTS AND CONTINGENCIES**

The DFMC has contractual agreements with various hotels to secure facilities for future annual fiscal management conferences. These agreements contain cancellation penalties should the DFMC decide to cancel the event. Generally, these cancellation fees escalate as the conference date nears. However, each annual agreement is mutually exclusive of one another and cancellation of one annual fiscal management conference does not necessarily mean cancellation of another. The DFMC currently has no intention of canceling any of the conferences scheduled as of December 31, 2015. Thus, no liability has been recorded in the accompanying financial statements.

The approximate cancellation penalty for each contract at December 31 is as follows:

2016	\$ 389,798
2017	439,291
2018	558,077

**DIOCESAN FISCAL MANAGEMENT CONFERENCE**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 5**  
**LEASE COMMITMENTS**

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The Organization leases a building under the terms of an operating lease from an unrelated third party, which expires in 2016. The minimum lease payments required under this operating lease for 2016 is \$5,604. The total lease expense charged to operations was approximately \$5,887 and \$3,864 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 6**  
**RETIREMENT PLAN**

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The Organization adopted an IRA SEP SIMPLE plan effective November 1, 2013, covering employees who meet certain service and age requirements. The Organization contributed \$3,958 and \$3,750 during the years ended December 31, 2015 and 2014, respectively.

**NOTE**  
**UNRESTRICTED NET ASSETS-BOARD DESIGNATED**

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During the year ended December 31, 2015, the organization's board of directors voted to designate 50% of the 2015 annual increase in net assets to its strategic initiatives as a result of its strategic plan.

## SUPPLEMENTAL INFORMATION

# DIOCESAN FISCAL MANAGEMENT CONFERENCE

## STATEMENT OF FUNCTIONAL EXPENSES Year ending December 31, 2015

	Program Services	General and Administrative	Totals
Conference meals	\$ 131,024	\$ -	\$ 131,024
Awards	4,190	-	4,190
Liturgies	3,898	-	3,898
Staff salaries and benefits	-	119,640	119,640
Brochures and program mailings	48,245	13,578	61,823
Board expenses	27,850	-	27,850
Opening reception	34,141	-	34,141
Speaker expenses	22,061	-	22,061
Grand banquet	24,870	-	24,870
Closing reception	14,428	-	14,428
Audio and visual	34,626	-	34,626
Travel and tours	4,908	4,487	9,395
Exhibitor services	30,429	-	30,429
Registration desk	11,935	-	11,935
Insurance and legal	3,724	6,370	10,094
Office rent	-	5,887	5,887
Shipping and postage	1,735	768	2,503
Office supplies	847	4,236	5,083
Website and IT support	-	8,307	8,307
Utilities	-	6,458	6,458
Conference expense	6,849	-	6,849
Accounting services	-	4,852	4,852
Banking and credit card fees	5,366	2,626	7,992
CDFM	21,457	-	21,457
	<u>\$ 432,583</u>	<u>\$ 177,209</u>	<u>\$ 609,792</u>

*See Notes to Financial Statements*

## DIOCESAN FISCAL MANAGEMENT CONFERENCE

### STATEMENT OF FUNCTIONAL EXPENSES Year ending December 31, 2014

	Program Services	General and Administrative	Totals
Conference meals	\$ 159,287	\$ -	\$ 159,287
Awards	4,443	-	4,443
Liturgies	12,836	-	12,836
Staff salaries and benefits	-	110,715	110,715
Brochures and program mailings	50,241	12,806	63,047
Board expenses	29,605	-	29,605
Opening reception	27,017	-	27,017
Speaker expenses	23,904	-	23,904
Grand banquet	26,483	-	26,483
Closing reception	15,266	-	15,266
Audio and visual	34,580	-	34,580
Travel and tours	9,389	8,679	18,068
Exhibitor services	41,711	-	41,711
Registration desk	11,473	-	11,473
Insurance and legal	2,080	6,370	8,450
Office rent	-	3,864	3,864
Shipping and postage	2,420	339	2,759
Office supplies	1,320	3,143	4,463
Website and IT support	-	10,720	10,720
National office relocation	-	(117)	(117)
Utilities	-	6,309	6,309
Conference expense	3,785	-	3,785
Accounting services	-	6,739	6,739
Banking and credit card fees	5,510	804	6,314
CDFM	2,085	-	2,085
	<u>\$ 463,435</u>	<u>\$ 170,371</u>	<u>\$ 633,806</u>

*See Notes to Financial Statements*