



FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses 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, L.L.P.

Scottsdale, Arizona
July 3, 2018

DIOCESAN FISCAL MANAGEMENT CONFERENCE

STATEMENTS OF FINANCIAL POSITION December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 197,078	\$ 242,378
Investments	486,151	429,933
Prepaid expenses	<u>2,499</u>	<u>1,515</u>
Total assets	<u>\$ 685,728</u>	<u>\$ 673,826</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,718	\$ 1,591
COMMITMENTS AND CONTINGENCIES (<i>Note 5</i>)		
NET ASSETS - UNRESTRICTED		
Undesignated	632,219	593,312
Board designated	<u>46,791</u>	<u>78,923</u>
Total net assets	<u>679,010</u>	<u>672,235</u>
Total liabilities and net assets	<u>\$ 685,728</u>	<u>\$ 673,826</u>

See Notes to Financial Statements

DIOCESAN FISCAL MANAGEMENT CONFERENCE

STATEMENTS OF ACTIVITIES Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES AND SUPPORT		
Membership dues and assessments	\$ 138,885	\$ 136,325
Conference and programs	214,135	206,035
Conference sponsors and exhibitors	401,350	401,140
Investment income	<u>56,372</u>	<u>46,425</u>
Total revenues and support	<u>810,742</u>	<u>789,925</u>
EXPENSES		
Program services	553,560	537,110
General and administrative	<u>250,407</u>	<u>175,827</u>
Total expenses	<u>803,967</u>	<u>712,937</u>
Change in net assets	6,775	76,988
NET ASSETS - BEGINNING OF YEAR	<u>672,235</u>	<u>595,247</u>
NET ASSETS - END OF YEAR	<u>\$ 679,010</u>	<u>\$ 672,235</u>

See Notes to Financial Statements

DIOCESAN FISCAL MANAGEMENT CONFERENCE

STATEMENTS OF CASH FLOWS Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,775	\$ 76,988
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(49,914)	(40,449)
Changes in assets and liabilities:		
Accounts receivable	-	8,800
Prepaid expenses	(984)	-
Accounts payable	5,127	1,350
Deferred revenue	-	(8,800)
Net cash provided by (used in) operating activities	<u>(38,996)</u>	37,889
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	<u>(6,304)</u>	<u>(5,820)</u>
Net increase (decrease) in cash and cash equivalents	(45,300)	32,069
Cash and cash equivalents, beginning of year	<u>242,378</u>	<u>210,309</u>
Cash and cash equivalents, end of year	<u>\$ 197,078</u>	<u>\$ 242,378</u>

See Notes to Financial Statements

DIOCESAN FISCAL MANAGEMENT CONFERENCE
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1
NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business:

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 Roman Catholic 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, website 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016

NOTE 1 (Continued)
NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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. DFMC did not have receivables at December 31, 2017 and 2016 and accordingly an allowance for doubtful accounts was not provided.

Investments:

DFMC holds certain funds in money market and the Catholic United Investment Trust (CUIT) Balanced Fund, held by Christian Brothers Investment Services, Inc., 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 over the term of the membership. Other revenues are related primarily to the DFMC's annual fiscal management conference and are recognized when earned. Payments required in advance are deferred and recognized in the period they are 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.

Functional expenses:

The costs of providing program and administrative expenses 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.

DIOCESAN FISCAL MANAGEMENT CONFERENCE
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 (Continued)
NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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.

Reclassifications:

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of activities or net assets.

Date of management's review:

Management has evaluated subsequent events through July 3, 2018, which is the date the financial statements were available to be issued.

NOTE 2
FAIR VALUE OF 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 DFMC 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;

DIOCESAN FISCAL MANAGEMENT CONFERENCE
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 (Continued)
FAIR VALUE OF INVESTMENTS

- 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, 2017 and 2016:

CUIT Balanced Fund: Valued based on the net asset value (NAV) of units held by DFMC at year-end. Although the Balanced 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.

The following table sets forth by level within the fair value hierarchy, the corporation's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CUIT Balanced fund (1)	\$ -	\$ 486,151	\$ -	\$ 486,151
Total	\$ -	\$ 486,151	\$ -	\$ 486,151

The following table sets forth by level within the fair value hierarchy, the corporation's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CUIT Balanced fund (1)	\$ -	\$ 429,933	\$ -	\$ 429,933
Total	\$ -	\$ 429,933	\$ -	\$ 429,933

(1) The Fund seeks long-term appreciation and current income through assets generally allocated at 60% equity securities and 40% fixed income securities. Equity securities are primarily issued by companies with large market capitalization in various industry sectors. Fixed income securities include U.S. government and other fixed income securities. The investment in the fund can be redeemed daily with no redemption notice period.

DIOCESAN FISCAL MANAGEMENT CONFERENCE
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 3
UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Board designated unrestricted net assets consisted of the following as of December 31:

	2017	2016
Strategic plan	\$ 40,308	\$ 62,662
Scholarships	6,483	16,261
	\$ 46,791	\$ 78,923

NOTE 4
CONCENTRATIONS AND CREDIT RISK

DFMC maintains cash and cash equivalents at various financial institutions, which, at times, may exceed federally insured amounts. DFMC has not incurred any losses on such accounts.

DFMC receives substantially all revenue from members of the local and national Roman Catholic Church located in the United States, in addition to some members located in Canada, the Caribbean and Pacific.

NOTE 5
COMMITMENTS AND CONTINGENCIES

Hotel Contracts:

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. In May 2018, DFMC obtained insurance coverage for approximately half of the 2018 hotel cancellation penalty. The insurance policy contains certain cancellation exclusions. DFMC currently has no intention of canceling any of the conferences scheduled as of December 31, 2017. Thus, no liability has been recorded in the accompanying financial statements.

The approximate cancellation penalty for outstanding contractual commitments at December 31, 2017 are:

2018	\$ 1,206,723
2019	811,998
2020	439,838
	\$ 2,458,559

DIOCESAN FISCAL MANAGEMENT CONFERENCE
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 5 (Continued)
COMMITMENTS AND CONTINGENCIES

Operating lease:

DFMC leases an office space under the terms of an operating lease from an unrelated third party, which expires in 2019. The minimum lease payments required under this operating lease at December 31, 2017 are:

2018	\$ 10,538
2019	<u>5,347</u>
	<u>\$ 15,885</u>

Total lease expense was \$10,231 and \$7,988 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6
RETIREMENT PLAN

DFMC has a SEP IRA plan covering employees who meet certain service and age requirements. DFMC contributed \$4,375 and \$4,097 to the plan during the years ended December 31, 2017 and 2016, respectively.

SUPPLEMENTAL INFORMATION

DIOCESAN FISCAL MANAGEMENT CONFERENCE

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2017

	Program Services	General and Administrative	Totals
Conference meals	\$ 199,553	\$ -	\$ 199,553
Awards and scholarships	13,861	-	13,861
Liturgies	11,794	-	11,794
Staff salaries and benefits	63,000	97,247	160,247
Brochures and program mailings	37,474	13,762	51,236
Board expenses	-	64,918	64,918
Opening reception	15,676	-	15,676
Speaker expenses	24,402	-	24,402
Grand banquet	45,065	-	45,065
Closing reception	26,053	-	26,053
Audio and visual	46,474	-	46,474
Travel	5,966	6,106	12,072
Exhibitor services	19,548	-	19,548
Registration desk	19,067	-	19,067
Insurance and legal	2,065	7,149	9,214
Office rent	-	10,231	10,231
Shipping and postage	5,048	711	5,759
Office supplies	-	8,039	8,039
Website and IT support	-	26,241	26,241
Utilities	-	6,229	6,229
Conference expense	2,569	-	2,569
Accounting services	-	7,679	7,679
Banking and credit card fees	5,560	2,095	7,655
Continuing education and certification	10,385	-	10,385
	<u>\$ 553,560</u>	<u>\$ 250,407</u>	<u>\$ 803,967</u>

DIOCESAN FISCAL MANAGEMENT CONFERENCE

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2016

	Program Services	General and Administrative	Totals
Conference meals	\$ 151,512	\$ -	\$ 151,512
Awards	12,848	-	12,848
Liturgies	18,165	-	18,165
Staff salaries and benefits	58,995	68,745	127,740
Brochures and program mailings	44,849	12,981	57,830
Board expenses	-	45,245	45,245
Opening reception	28,461	-	28,461
Speaker expenses	32,918	-	32,918
Grand banquet	41,991	-	41,991
Closing reception	15,677	-	15,677
Audio and visual	40,267	-	40,267
Travel	7,614	8,017	15,631
Exhibitor services	36,956	-	36,956
Registration desk	13,244	-	13,244
Insurance and legal	3,012	6,926	9,938
Office rent	-	7,988	7,988
Shipping and postage	1,573	646	2,219
Office supplies	240	2,419	2,659
Website and IT support	-	8,046	8,046
Utilities	-	5,727	5,727
Conference expense	14,024	-	14,024
Accounting services	-	6,733	6,733
Banking and credit card fees	5,618	2,354	7,972
Continuing education and certification	9,146	-	9,146
	<u>\$ 537,110</u>	<u>\$ 175,827</u>	<u>\$ 712,937</u>