



Financial Statements

December 31, 2019 and 2018



Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

Diocesan Fiscal Management Conference

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December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Diocesan Fiscal Management Conference

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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018 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.

Wallace, Plese + Dreher, C.P.A.

Scottsdale, Arizona
August 10, 2020

Diocesan Fiscal Management Conference

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash	\$ 81,720	\$ 203,562
Accounts receivable	-	206
Investments	562,707	467,903
Prepaid expenses	<u>3,889</u>	<u>2,549</u>
Total assets	<u><u>\$ 648,316</u></u>	<u><u>\$ 674,220</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 11,819	\$ 14,230
Deferred income	<u>525</u>	<u>-</u>
Total liabilities	12,344	14,230
Commitments and contingencies <i>(Note 7)</i>		
Net assets		
Without donor restrictions	<u>635,972</u>	<u>659,990</u>
Total liabilities and net assets	<u><u>\$ 648,316</u></u>	<u><u>\$ 674,220</u></u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019 Without Donor Restrictions	2018 Without Donor Restrictions
Revenues and other support		
Membership dues	\$ 139,150	\$ 136,060
Conference and programs	226,185	209,760
Conference sponsors and exhibitors	443,300	411,813
Contributions	2,800	5,125
Investment return, net	94,912	(18,157)
	<u>906,347</u>	<u>744,601</u>
Total revenues and other support		
Expenses		
Program services	672,125	527,591
General and administrative	258,240	236,030
	<u>930,365</u>	<u>763,621</u>
Total expenses		
Change in net assets	(24,018)	(19,020)
Net assets - beginning of year	<u>659,990</u>	<u>679,010</u>
Net assets - end of year	<u>\$ 635,972</u>	<u>\$ 659,990</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program services</u>	<u>General and administrative</u>	<u>Total expenses</u>
Conference meals	\$ 343,831	\$ -	\$ 343,831
Conference gifts	4,669	-	4,669
Speaker expenses	21,887	1,500	23,387
Audio and visual	115,823	-	115,823
Exhibitor services	16,978	-	16,978
Liturgies	9,653	144	9,797
Awards and scholarships	8,337	-	8,337
Continuing education and certification	12,889	-	12,889
Brochures and program mailings	35,505	13,506	49,011
Travel	5,853	63,844	69,697
Staff salaries and benefits	68,300	120,036	188,336
Contract labor	9,320	-	9,320
Accounting services	-	9,076	9,076
Banking and credit card fees	5,267	2,034	7,301
Insurance and legal	2,551	6,347	8,898
Office rent	-	10,735	10,735
Office supplies	2,624	2,135	4,759
Shipping and postage	2,623	550	3,173
Utilities	-	5,564	5,564
Website and IT support	6,015	22,769	28,784
	<u>\$ 672,125</u>	<u>\$ 258,240</u>	<u>\$ 930,365</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Program services</u>	<u>General and administrative</u>	<u>Total expenses</u>
Conference meals	\$ 256,189	\$ -	\$ 256,189
Conference gifts	12,910	-	12,910
Speaker expenses	19,958	-	19,958
Audio and visual	54,893	-	54,893
Exhibitor services	14,984	-	14,984
Liturgies	2,900	-	2,900
Awards and scholarships	13,731	-	13,731
Continuing education and certification	13,140	-	13,140
Brochures and program mailings	33,903	13,520	47,423
Travel	4,235	60,428	64,663
Staff salaries and benefits	67,804	109,711	177,515
Contract labor	20,987	-	20,987
Accounting services	-	7,805	7,805
Banking and credit card fees	5,493	1,545	7,038
Insurance and legal	2,192	6,174	8,366
Office rent	-	10,538	10,538
Office supplies	128	5,065	5,193
Shipping and postage	484	549	1,033
Utilities	-	5,591	5,591
Website and IT support	3,660	15,104	18,764
	<u>\$ 527,591</u>	<u>\$ 236,030</u>	<u>\$ 763,621</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (24,018)	\$ (19,020)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(94,804)	23,861
Changes in assets and liabilities:		
Accounts receivable	206	(206)
Prepaid expenses	(1,340)	(50)
Accounts payable	(2,411)	7,512
Deferred income	525	-
	<u>(121,842)</u>	<u>12,097</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Proceeds from sales of investments	-	490,329
Purchase of investments	-	(495,942)
	<u>-</u>	<u>(5,613)</u>
Net cash used in investing activities		
Net increase (decrease) in cash	(121,842)	6,484
Cash, beginning of year	<u>203,562</u>	<u>197,078</u>
Cash, end of year	<u>\$ 81,720</u>	<u>\$ 203,562</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2019 and 2018

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of operations:

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:

The financial statements of DFMC have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) which require DFMC to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of DFMC’s management and the board of directors.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of DFMC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted explicitly by donor stipulation or by law.

Cash:

Cash includes amounts on hand and on deposit at financial institutions.

Investments:

Investments are carried at fair value. Fair values are based on quoted market prices. Realized and unrealized gains and losses are included in investment return, along with interest and dividends, in the statements of activities. Investment return is presented net of investment fees. 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 recognition:

Membership dues are on a calendar year basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general membership benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Unearned membership revenue is reflected as deferred income on the statements of financial position.

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2019 and 2018

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Revenue recognition (continued):

Conference and programs revenue and conference sponsors and exhibitor revenue are recognized at a point in time when the conference occurs. Unearned revenue related to conferences is reflected as deferred income on the statements of financial position.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Functional expenses:

DFMC's activities are focused primarily in fiscal management program service activities for the benefit of its members. Supporting services include general and administrative activities. Staff salaries and benefits and certain office related expenses are allocated to program service activities and general and administrative activities based on management's estimates of time spent and the nature of activity.

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. Although DFMC is exempt from filing income tax returns, income determined to be unrelated business taxable income (UBTI) would be taxable.

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.

Recently adopted accounting pronouncement:

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard related to revenue recognition. Under Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration of the entity expects to receive in exchange for these goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On January 1, 2019, the Association adopted ASU No. 2014-09 using the modified retrospective transition method.

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2019 and 2018

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Recently adopted accounting pronouncement (continued):

Prior to January 1, 2019, the Organization's policy was to recognize revenue from member dues over the term of the membership. Payments received in advance for member dues and annual fiscal management conference are deferred and recognized in the period they are earned. The adoption of this ASU did not significantly impact the Organization's financial statements. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Upcoming accounting standards update:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the new guidance and has not determined the precise impact this standard may have on its financial statements.

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;
- 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.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 – Fair Value of Investments (Continued)

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, 2019 and 2018:

Pooled Investment Funds: Pooled investment funds represent investments in pooled investment funds valued using the net asset value (NAV) of units based on observable market prices for the underlying assets, which are principally marketable equity and fixed income securities. NAV is a readily determinable fair value and is the basis for current transactions.

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 DFMC 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, DFMC's assets at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment fund: Balanced fund	\$ _____ -	\$ 562,707	\$ _____ -	\$ 562,707
Total	<u>\$ _____ -</u>	<u>\$ 562,707</u>	<u>\$ _____ -</u>	<u>\$ 562,707</u>

The following table sets forth by level within the fair value hierarchy, DFMC's assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment fund: Balanced fund	\$ _____ -	\$ 467,903	\$ _____ -	\$ 467,903
Total	<u>\$ _____ -</u>	<u>\$ 467,903</u>	<u>\$ _____ -</u>	<u>\$ 467,903</u>

Note 3 – Investment Return, Net

Net investment return consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 108	\$ 5,704
Net realized and unrealized gains (losses)	<u>94,804</u>	<u>(23,861)</u>
Investment return, net	<u>\$ 94,912</u>	<u>\$ (18,157)</u>

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2019 and 2018

Note 4 – Net Assets

Net assets without donor restrictions are board-designated as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Strategic plan	\$ 12,607	\$ 26,808
Scholarships	<u>2,050</u>	<u>2,375</u>
	<u>\$ 14,657</u>	<u>\$ 29,183</u>

Note 5 – Liquidity and Availability

DFMC manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of its liquidity management plan, DFMC maintains investment funds to cover the cost of its annual conference. The investment funds are accessible for operations, if needed.

In addition to financial assets available to meet general expenditures over the next 12 months, DFMC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2019 and 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Cash	\$ 81,720	\$ 203,562
Accounts receivable	-	206
Investments	<u>562,707</u>	<u>467,903</u>
Total financial assets	644,427	671,671
Less: Board designated funds	<u>14,657</u>	<u>29,183</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 629,770</u>	<u>\$ 642,488</u>

Note 6 – Concentrations and Credit Risk

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

DFMC received approximately 38% and 46% of its total revenue and other support for the years ended December 31, 2019 and 2018, respectively, 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 for annual dues and for attendance at the annual conference.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2019 and 2018

Note 7 – 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 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 approximate cancellation penalties for outstanding contractual commitments at December 31, 2019 are:

2020	\$ 1,111,315
2021	\$ 1,107,215
2022	\$ 595,350

In June 2020, the DFMC 2020 annual meeting was changed from an in-person meeting to virtual event due to the Covid-19 pandemic. Management was able to amend the hotel contract without a penalty, however, anticipates to incur a penalty to the event planner of \$48,530. As per the amendment, DFMC will hold its 2023 annual meeting at the hotel that was contracted to host the 2020 event. The amendment to the 2020 hotel contract resulted in a reduction of the 2020 contractual commitments of \$229,920, an increase in the 2021 commitments of \$209,919, an increase in the 2022 commitments of \$374,859, and an increase in the 2023 commitment of \$417,349.

Operating lease:

DFMC leases an office space under the terms of an operating lease from an unrelated third party, which expires in 2022. Total lease expense was \$10,735 and \$10,538 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the future minimum lease payments required under this operating lease are:

2020	\$ 10,938
2021	11,268
2022	<u>5,718</u>
	<u>\$ 27,924</u>

Note 8 – Retirement Plan

DFMC has a SEP IRA plan covering employees who meet certain service and age requirements. DFMC contributed \$7,523 and \$4,594 to the plan during the years ended December 31, 2019 and 2018, respectively.

Note 9 – Subsequent Events

Management has evaluated subsequent events through August 10, 2020, which is the date the financial statements were available to be issued.

DFMC believes it understands the risks associated with the outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. COVID-19 may impact various parts of DFMC's 2020 operations and financial results, including reducing attendance and potential cancellations of future conferences, and declines in the fair value of investments that could result in a reduction of related revenues and expenses. As of August 10, 2020, DFMC has not cancelled any of the conferences scheduled as of December 31, 2019. The extent to which the COVID-19 outbreak will impact operations of financial results is uncertain.