



Financial Statements

December 31, 2020 and 2019



Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

Diocesan Fiscal Management Conference

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December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019 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, P.C.

Scottsdale, Arizona
June 4, 2021

Diocesan Fiscal Management Conference

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ 136,136	\$ 81,720
Investments	648,336	562,707
Prepaid expenses	<u>17,070</u>	<u>3,889</u>
Total assets	<u><u>\$ 801,542</u></u>	<u><u>\$ 648,316</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 22,399	\$ 11,819
Deferred income	<u>-</u>	<u>525</u>
Total liabilities	<u>22,399</u>	<u>12,344</u>
Commitments and contingencies <i>(Note 7)</i>		
Net assets		
Without donor restrictions	770,933	635,972
With donor restrictions	<u>8,210</u>	<u>-</u>
Total net assets	<u>779,143</u>	<u>635,972</u>
Total liabilities and net assets	<u><u>\$ 801,542</u></u>	<u><u>\$ 648,316</u></u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
Revenues and support				
Conference and programs	\$ 150,050	\$ -	\$ 150,050	\$ 226,185
Less: scholarships	(53,000)	-	(53,000)	-
Net conference and programs	97,050	-	97,050	226,185
Conference sponsors and exhibitors	268,509	-	268,509	443,300
Membership dues	135,775	-	135,775	139,150
Contributions	53,000	8,210	61,210	2,800
Investment return	85,893	-	85,893	94,912
Total revenues and support	640,227	8,210	648,437	906,347
Expenses				
Program services	287,752	-	287,752	672,125
General and administrative	217,514	-	217,514	258,240
Total expenses	505,266	-	505,266	930,365
Change in net assets	134,961	8,210	143,171	(24,018)
Net assets - beginning of year	635,972	-	635,972	659,990
Net assets - end of year	\$ 770,933	\$ 8,210	\$ 779,143	\$ 635,972

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statement of Functional Expenses

Year Ended December 31, 2020

	Program services	General and administrative	Total expenses
Accounting services	\$ -	\$ 9,565	\$ 9,565
Audio and visual	78,275	-	78,275
Awards	3,977	-	3,977
Banking and credit card fees	3,570	1,285	4,855
Brochures and program mailings	40,251	12,147	52,398
Conference gifts	19,578	-	19,578
Continuing education and certification	12,312	-	12,312
Contract labor	48,751	-	48,751
Insurance and legal	-	6,933	6,933
Office rent	-	10,939	10,939
Office supplies	-	3,143	3,143
Shipping and postage	-	540	540
Speaker expenses	11,500	-	11,500
Staff salaries and benefits	64,590	133,251	197,841
Travel	1,732	20,400	22,132
Utilities	-	5,689	5,689
Website and IT support	3,216	13,622	16,838
	<u>\$ 287,752</u>	<u>\$ 217,514</u>	<u>\$ 505,266</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>
Accounting services	\$ -	\$ 9,076	\$ 9,076
Audio and visual	115,823	-	115,823
Awards and scholarships	8,337	-	8,337
Banking and credit card fees	5,267	2,034	7,301
Brochures and program mailings	35,505	13,506	49,011
Conference gifts	4,669	-	4,669
Conference meals	343,831	-	343,831
Continuing education and certification	12,889	-	12,889
Contract labor	9,320	-	9,320
Exhibitor services	16,978	-	16,978
Insurance and legal	2,551	6,347	8,898
Liturgies	9,653	144	9,797
Office rent	-	10,735	10,735
Office supplies	2,624	2,135	4,759
Shipping and postage	2,623	550	3,173
Speaker expenses	21,887	1,500	23,387
Staff salaries and benefits	68,300	120,036	188,336
Travel	5,853	63,844	69,697
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

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 143,171	\$ (24,018)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(85,629)	(94,804)
Changes in assets and liabilities:		
Accounts receivable	-	206
Prepaid expenses	(13,181)	(1,340)
Accounts payable	10,580	(2,411)
Deferred income	(525)	525
	<u>54,416</u>	<u>(121,842)</u>
Net cash provided by (used in) operating activities		
	54,416	(121,842)
Cash, beginning of year	<u>81,720</u>	<u>203,562</u>
Cash, end of year	<u>\$ 136,136</u>	<u>\$ 81,720</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2020 and 2019

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 (“U.S. 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.

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 a financial institution.

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, if any.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2020 and 2019

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

Revenue recognition (continued):

Conference and programs revenue and conference sponsors and exhibitors 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, if any.

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 U.S. GAAP 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.

Upcoming accounting standards update:

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (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. DFMC is currently evaluating the new guidance and has not determined the precise impact this standard may have on its financial statements.

Subsequent events:

Management has evaluated subsequent events through June 4, 2021, which is the date the financial statements were available to be issued.

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2020 and 2019

Note 2 – Fair Value of Investments

FASB 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.

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, 2020 and 2019.

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment fund:				
Balanced fund	<u>\$ -</u>	<u>\$ 648,336</u>	<u>\$ -</u>	<u>\$ 648,336</u>

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2020 and 2019

Note 2 – Fair Value of Investments (Continued)

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	\$ <u> -</u>	\$ <u> 562,707</u>	\$ <u> -</u>	\$ <u> 562,707</u>

Note 3 – Investment Return

Net investment return consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest	\$ 264	\$ 108
Unrealized gains	<u>85,629</u>	<u>94,804</u>
Investment return	<u>\$ 85,893</u>	<u>\$ 94,912</u>

Note 4 – Net Assets

Net assets without donor restrictions are board-designated as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Strategic plan	\$ 12,607	\$ 12,607
Scholarships	<u>2,050</u>	<u>2,050</u>
	<u>\$ 14,657</u>	<u>\$ 14,657</u>

Net assets with donor restrictions are restricted for the following purpose as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes: Scholarships	<u>\$ 8,210</u>	<u>\$ -</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.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2020 and 2019

Note 5 – Liquidity and Availability (Continued)

As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash	\$ 136,136	\$ 81,720
Investments	<u>648,336</u>	<u>562,707</u>
Total financial assets	784,472	644,427
Less: Board designated funds	14,657	14,657
Less: Restricted by donors for specified purposes	<u>8,210</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 761,605</u>	<u>\$ 629,770</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 44% and 38% of its total revenue and support for the years ended December 31, 2020 and 2019, 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.

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 as of December 31, 2020 are:

2021	\$ 1,317,134
2022	\$ 970,209
2023	\$ 417,349

Event planner contract:

DFMC has a contractual agreement with an event planner to assist in planning the 2021 annual conference event. The agreement contains a cancellation penalty of \$49,250 should DFMC decide to cancel the event in 2021.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2020 and 2019

Note 7 – Commitments and Contingencies (Continued)

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 \$10,939 and \$10,735 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the future minimum lease payments required under this operating lease are:

2021	\$ 11,268
2022	<u>5,718</u>
	<u>\$ 16,986</u>

Note 8 – Retirement Plan

DFMC has a SEP IRA plan covering employees who meet certain service and age requirements. DFMC contributed \$8,700 and \$7,523 to the plan during the years ended December 31, 2020 and 2019, respectively.

Note 9 – COVID-19 Uncertainty

On March 13, 2020, the United States declared a National Emergency in response to threats posed by COVID-19. The extent to which COVID-19 will impact DFMC will depend on future developments and public health advancements, which are highly uncertain and cannot be predicted with confidence. During the COVID-19 pandemic, except for the 2020 annual conference which was switched from in-person to virtual to practice social distancing and health-related precautions, DFMC's operations have not been materially interrupted. Management continues to monitor the impact of the COVID-19 pandemic on all aspects of DFMC, including how it impacts members, sponsors, vendors, and employees.

The impact of the COVID-19 pandemic on DFMC's operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of DFMC's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact DFMC.