



## **Financial Statements**

**December 31, 2021 and 2020**



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

# Diocesan Fiscal Management Conference

## Contents

December 31, 2021 and 2020

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## **Independent Auditor's Report**

Board of Directors  
Diocesan Fiscal Management Conference

### ***Opinion***

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Diocesan Fiscal Management Conference as of December 31, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocesan Fiscal Management Conference and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocesan Fiscal Management Conference's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocesan Fiscal Management Conference's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocesan Fiscal Management Conference's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Scottsdale, Arizona  
August 1, 2022

# Diocesan Fiscal Management Conference

## Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets		
Cash	\$ 86,636	\$ 136,136
Accounts receivable	2,721	-
Investments	742,327	648,336
Prepaid expenses	<u>10,000</u>	<u>17,070</u>
Total assets	<u><u>\$ 841,684</u></u>	<u><u>\$ 801,542</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 2,340	\$ 22,399
Accrued expenses	<u>11,860</u>	<u>-</u>
Total liabilities	<u>14,200</u>	<u>22,399</u>
Commitments and contingencies <i>(Note 7)</i>		
Net assets		
Without donor restrictions	819,274	770,933
With donor restrictions	<u>8,210</u>	<u>8,210</u>
Total net assets	<u>827,484</u>	<u>779,143</u>
Total liabilities and net assets	<u><u>\$ 841,684</u></u>	<u><u>\$ 801,542</u></u>

See Notes to Financial Statements

# Diocesan Fiscal Management Conference

## Statement of Activities

Year Ended December 31, 2021

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	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains			
Conference and programs	\$ 240,550	\$ -	\$ 240,550
Less: scholarships	<u>(2,600)</u>	<u>-</u>	<u>(2,600)</u>
Net conference and programs	237,950	-	237,950
Conference sponsors and exhibitors	454,228	-	454,228
Membership dues	138,750	-	138,750
Contributions	2,600	-	2,600
Investment return	94,333	-	94,333
Other income	<u>1,971</u>	<u>-</u>	<u>1,971</u>
Total revenues, support and gains	<u>929,832</u>	<u>-</u>	<u>929,832</u>
Expenses			
Program services	618,328	-	618,328
General and administrative	<u>263,163</u>	<u>-</u>	<u>263,163</u>
Total expenses	<u>881,491</u>	<u>-</u>	<u>881,491</u>
Change in net assets	48,341	-	48,341
Net assets, beginning of year	<u>770,933</u>	<u>8,210</u>	<u>779,143</u>
Net assets, end of year	<u>\$ 819,274</u>	<u>\$ 8,210</u>	<u>\$ 827,484</u>

See Notes to Financial Statements

# Diocesan Fiscal Management Conference

## Statement of Activities

Year ended December 31, 2020

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	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains			
Conference and programs	\$ 150,050	\$ -	\$ 150,050
Less: scholarships	<u>(53,000)</u>	<u>-</u>	<u>(53,000)</u>
Net conference and programs	97,050	-	97,050
Conference sponsors and exhibitors	268,509	-	268,509
Membership dues	135,775	-	135,775
Contributions	53,000	8,210	61,210
Investment return	<u>85,893</u>	<u>-</u>	<u>85,893</u>
Total revenues, support and gains	<u>640,227</u>	<u>8,210</u>	<u>648,437</u>
Expenses			
Program services	287,752	-	287,752
General and administrative	<u>217,514</u>	<u>-</u>	<u>217,514</u>
Total expenses	<u>505,266</u>	<u>-</u>	<u>505,266</u>
Change in net assets	134,961	8,210	143,171
Net assets, beginning of year	<u>635,972</u>	<u>-</u>	<u>635,972</u>
Net assets, end of year	<u>\$ 770,933</u>	<u>\$ 8,210</u>	<u>\$ 779,143</u>

See Notes to Financial Statements

# Diocesan Fiscal Management Conference

## Statement of Functional Expenses

Year Ended December 31, 2021

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	<u>Program services</u>	<u>General and administrative</u>	<u>Total expenses</u>
Accounting services	\$ -	\$ 7,673	\$ 7,673
Audio and visual	62,941	-	62,941
Awards	4,111	-	4,111
Banking and credit card fees	5,369	2,655	8,024
Brochures and program mailings	36,710	6,573	43,283
Conference center services	19,024	-	19,024
Conference gifts	21,277	-	21,277
Conference meals	255,850	-	255,850
Continuing education and certification	11,364	-	11,364
Contract labor	51,810	8,725	60,535
Exhibitor services	30,468	-	30,468
Insurance and legal	-	11,280	11,280
Liturgies	3,218	-	3,218
Occupancy	-	14,191	14,191
Office supplies	-	6,166	6,166
Shipping and postage	1,242	-	1,242
Speaker expenses	8,015	-	8,015
Staff salaries and benefits	105,408	126,920	232,328
Travel	1,521	58,180	59,701
Website	-	20,800	20,800
	<u>\$ 618,328</u>	<u>\$ 263,163</u>	<u>\$ 881,491</u>

See Notes to Financial Statements



# Diocesan Fiscal Management Conference

## Statement of Functional Expenses

Year Ended December 31, 2020

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	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
Occupancy	-	16,628	16,628
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
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

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 48,341	\$ 143,171
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(93,991)	(85,629)
Changes in assets and liabilities:		
Accounts receivable	(2,721)	-
Prepaid expenses	7,070	(13,181)
Accounts payable	(20,059)	10,580
Accrued expenses	11,860	-
Deferred income	-	(525)
	<u>(49,500)</u>	<u>54,416</u>
Net cash provided by (used in) operating activities	(49,500)	54,416
Cash, beginning of year	<u>136,136</u>	<u>81,720</u>
Cash, end of year	<u>\$ 86,636</u>	<u>\$ 136,136</u>
Supplemental disclosure of non-cash investing activity:		
Reorganization of pooled investment fund for shares of mutual fund	<u>\$ 722,242</u>	<u>\$ -</u>

See Notes to Financial Statements

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

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### 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.

#### **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.

#### **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.

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

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

#### 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.

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.

#### Upcoming accounting standards update:

In February 2016, the Financial Accounting Standards Board (FASB) 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 August 1, 2022, which is the date the financial statements were available to be issued.

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

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### Note 2 – Fair Value of Investments

FASB *Fair Value Measurements and Disclosures* (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, 2021 and 2020.

*Mutual funds:* Valued at the closing prices as reported by the funds. Mutual funds held by DFMC are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by DFMC are deemed to be actively traded.

*Pooled investment funds:* Pooled investment funds represent investments in pooled investment funds valued using the 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.

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Balanced fund	<u>\$ 742,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,327</u>

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>

### Note 3 – Investment Return

Net investment return consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest	\$ 342	\$ 264
Unrealized gains	<u>93,991</u>	<u>85,629</u>
Investment return	<u>\$ 94,333</u>	<u>\$ 85,893</u>

### Note 4 – Net Assets

Net assets without donor restrictions that are board-restricted are as follows as of December 31:

	<u>2021</u>	<u>2020</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:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes:		
Scholarships	<u>\$ 8,210</u>	<u>\$ 8,210</u>

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

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### 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, 2021 and 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash	\$ 86,636	\$ 136,136
Accounts receivable	2,721	-
Investments	<u>742,327</u>	<u>648,336</u>
Total financial assets	831,684	784,472
Less: Board designated funds	14,657	14,657
Less: Restricted by donors for specified purposes	<u>8,210</u>	<u>8,210</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 808,817</u>	<u>\$ 761,605</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 45% and 50% of its total revenue and support for the years ended December 31, 2021 and 2020, 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 exclusive of one another and cancellation of one annual fiscal management conference does not necessarily mean cancellation of another.

# Diocesan Fiscal Management Conference

## Notes to Financial Statements

December 31, 2021 and 2020

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### Note 7 – Commitments and Contingencies (Continued)

#### Hotel contracts (continued):

The cancellation penalties for outstanding contractual commitments as of December 31, 2021 are:

2022	\$ 1,048,559
2023	<u>417,349</u>
	<u>\$ 1,465,908</u>

#### Event planner contract:

DFMC has a contractual agreement with an event planner to assist in planning the 2022 annual conference event. The agreement contains a maximum cancellation penalty of \$49,608 that varies depending on the reason DFMC would cancel the event in 2022.

#### 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 \$14,334 and \$10,939 for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, the future minimum lease payments required under this operating lease are \$5,718 for 2022.

### Note 8 – Retirement Plan

DFMC has a SEP IRA plan covering employees who meet certain service and age requirements. DFMC contributed \$8,177 and \$8,700 to the plan during the years ended December 31, 2021 and 2020, respectively.