



Financial Statements

December 31, 2018 and 2017



Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

Diocesan Fiscal Management Conference

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December 31, 2018 and 2017

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Independent Auditor's Report

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, 2018 and 2017, 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, 2018 and 2017 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 17, 2019

Diocesan Fiscal Management Conference

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 203,562	\$ 197,078
Accounts receivable	206	-
Investments	467,903	486,151
Prepaid expenses	<u>2,549</u>	<u>2,499</u>
Total assets	<u><u>\$ 674,220</u></u>	<u><u>\$ 685,728</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 14,230	\$ 6,718
Commitments and contingencies <i>(Note 7)</i>		
Net assets		
Without donor restrictions	<u>659,990</u>	<u>679,010</u>
Total liabilities and net assets	<u><u>\$ 674,220</u></u>	<u><u>\$ 685,728</u></u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statements of Activities

Years Ended December 31, 2018 and 2017

	Without Donor Restrictions 2018	Without Donor Restrictions 2017
Revenues and other support		
Membership dues and assessments	\$ 136,060	\$ 138,885
Conference and programs	209,760	214,135
Conference sponsors and exhibitors	411,813	401,100
Contributions	5,125	250
Investment income (loss), net	(18,157)	56,372
	<u>744,601</u>	<u>810,742</u>
Total revenues and other support		
Expenses		
Program services	527,591	553,560
General and administrative	236,030	250,407
	<u>763,621</u>	<u>803,967</u>
Total expenses		
Change in net assets	(19,020)	6,775
Net assets - beginning of year	<u>679,010</u>	<u>672,235</u>
Net assets - end of year	<u>\$ 659,990</u>	<u>\$ 679,010</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</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

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services	General and Administrative	Total
Conference meals	\$ 286,347	\$ -	\$ 286,347
Conference gifts	2,569	-	2,569
Speaker expenses	24,402	-	24,402
Audio and visual	46,474	-	46,474
Exhibitor services	19,548	-	19,548
Liturgies	11,794	-	11,794
Awards and scholarships	13,861	-	13,861
Continuing education and certification	10,385	-	10,385
Brochures and program mailings	37,474	13,762	51,236
Travel	5,966	71,024	76,990
Staff salaries and benefits	63,000	97,247	160,247
Contract labor	19,067	-	19,067
Accounting services	-	7,679	7,679
Banking and credit card fees	5,560	2,095	7,655
Insurance and legal	2,065	7,149	9,214
Office rent	-	10,231	10,231
Office supplies	-	8,039	8,039
Shipping and postage	5,048	711	5,759
Utilities	-	6,229	6,229
Website and IT support	-	26,241	26,241
	<u>\$ 553,560</u>	<u>\$ 250,407</u>	<u>\$ 803,967</u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (19,020)	\$ 6,775
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	23,861	(49,914)
Changes in assets and liabilities:		
Accounts receivable	(206)	-
Prepaid expenses	(50)	(984)
Accounts payable	<u>7,512</u>	<u>5,127</u>
Net cash provided by (used in) operating activities	<u>12,097</u>	<u>(38,996)</u>
Cash flows from investing activities		
Proceeds from sales of investments	490,329	-
Purchase of investments	<u>(495,942)</u>	<u>(6,304)</u>
Net cash used in investing activities	<u>(5,613)</u>	<u>(6,304)</u>
Net increase (decrease) in cash	6,484	(45,300)
Cash, beginning of year	<u>197,078</u>	<u>242,378</u>
Cash, end of year	<u><u>\$ 203,562</u></u>	<u><u>\$ 197,078</u></u>

See Notes to Financial Statements

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2018 and 2017

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.

New accounting pronouncements:

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. DFMC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual periods beginning after December 15, 2018. Early adoption is permitted and entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. DFMC is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements or decided upon the method of adoption.

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, 2019. Early adoption is permitted and entities have the option of using either a full retrospective or modified approach to adopt ASU 2016-02. DFMC is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements or decided upon the method of adoption.

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2018 and 2017

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

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 gains and losses are included in investment income, 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:

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:

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 statement 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. Personnel and other expenses are allocated to program service activities and general and administrative activities based on management's estimates of time spent and various allocation methods appropriate to the type of activity. None of the expenses are considered to be non-recurring.

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.

Diocesan Fiscal Management Conference

Notes to Financial Statements December 31, 2018 and 2017

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

Reclassifications:

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation with no effect on previously reported changes in net assets. These reclassifications were due to the adoption of ASU 2016-14.

Date of management's review:

Management has evaluated subsequent events through June 17, 2019, 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;
- 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, 2018 and 2017:

Pooled Investment Funds: Pooled investment funds represent investments with investment managers. Investments in the pooled investment funds are valued using the net asset value (NAV) of units, which are 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.

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Note 2 – Fair Value of Investments (Continued)

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, 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>

The following table sets forth by level within the fair value hierarchy, DFMC'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>
Pooled investment fund:				
Balanced fund	\$ -	\$ 486,151	\$ -	\$ 486,151
Total	<u>\$ -</u>	<u>\$ 486,151</u>	<u>\$ -</u>	<u>\$ 486,151</u>

Note 3- Net Investment Return

Net investment return consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 5,704	\$ 6,458
Net realized and unrealized gains (losses)	<u>(23,861)</u>	<u>49,914</u>
Investment income (loss), net	<u>\$ (18,157)</u>	<u>\$ 56,372</u>

Note 4 – Net Assets

Net assets without donor restrictions are board-designated as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Strategic plan	\$ 26,808	\$ 40,308
Scholarships	<u>2,375</u>	<u>6,483</u>
	<u>\$ 29,183</u>	<u>\$ 46,791</u>

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Notes to Financial Statements

December 31, 2018 and 2017

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, the DFMC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2018 and 2017, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 203,562	\$ 197,078
Accounts receivable	206	-
Investments not encumbered by donor or board designations	<u>467,903</u>	<u>486,151</u>
Total financial assets	671,671	683,229
Less: Board designated funds	<u>29,183</u>	<u>46,791</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 642,488</u>	<u>\$ 636,438</u>

Note 6 – 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 received approximately 46% and 44% of its total revenue and other support for the years ended December 31, 2018 and 2017, 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 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 2019, DFMC obtained insurance coverage for approximately half of the 2019 conference hotel cancellation penalty. The insurance policy contains certain cancellation exclusions. DFMC currently does not intend to cancel any of the conferences scheduled as of December 31, 2018. Thus, no liability has been recorded in the accompanying financial statements.

Diocesan Fiscal Management Conference

Notes to Financial Statements

December 31, 2018 and 2017

Note 7 – Commitments and Contingencies (Continued)

The approximate cancellation penalties for outstanding contractual commitments at December 31, 2018 are:

2019	\$ 943,919
2020	791,181
2021	<u>658,935</u>
	<u>\$ 2,394,035</u>

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, 2018 is \$5,347 for 2019. Total lease expense was \$10,538 and \$10,231 for the years ended December 31, 2018 and 2017, respectively.

Note 8 – Retirement Plan

DFMC has a SEP IRA plan covering employees who meet certain service and age requirements. DFMC contributed \$4,594 and \$4,375 to the plan during the years ended December 31, 2018 and 2017, respectively.