

DIOCESE OF DAVENPORT
FINANCIAL STATEMENTS
JUNE 30, 2017

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Independent Auditors' Report

To the Board of Directors
Diocese of Davenport
Davenport, Iowa

Report On The Financial Statements

We have audited the accompanying financial statements of the Diocese of Davenport, which comprise the balance sheets as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' 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 audit 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 auditors' 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 the Diocese of Davenport as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Davenport, Iowa
November 3, 2017

DIOCESE OF DAVENPORT

BALANCE SHEETS

	June 30, 2017		
	Operating	Insurance Fund	Total
Assets			
Cash And Cash Equivalents	\$ 760,079	\$ 203,278	\$ 963,357
Certificates Of Deposit	—	—	—
Receivables			
Due from parishes – annual diocesan appeal	97,453	—	97,453
Due from the Catholic Foundation for the Diocese of Davenport	333,653	—	333,653
Priests and former seminarians – less allowance for doubtful accounts 2017 \$13,737; 2016 \$13,737	1,709	—	1,709
Other	119,421	266,867	386,288
Due (to) from other fund	(12,730)	12,730	—
Investments			
Christian Brothers	3,090,235	—	3,090,235
Vanguard	587,112	—	587,112
Total Investments	3,677,347	—	3,677,347
Property And Equipment	3,023,841	—	3,023,841
	\$ 8,000,773	\$ 482,875	\$ 8,483,648
Liabilities And Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 531,967	\$ 1,329	\$ 533,296
Accounts payable – special collections	18,119	—	18,119
Accounts payable – insurance claims	—	1,433	1,433
Total Liabilities	550,086	2,762	552,848
Net Assets			
Unrestricted net assets			
Unrestricted	6,469,218	480,113	6,949,331
Unrestricted – board designated	558,902	—	558,902
Total Unrestricted Net Assets	7,028,120	480,113	7,508,233
Temporarily restricted net assets	149,192	—	149,192
Permanently restricted net assets	273,375	—	273,375
Total Net Assets	7,450,687	480,113	7,930,800
	\$ 8,000,773	\$ 482,875	\$ 8,483,648

June 30, 2016

Operating	Insurance Fund	Total
\$ 310,431	\$ 436,821	\$ 747,252
400,000	—	400,000
145,885	—	145,885
296,529	—	296,529
1,709	—	1,709
97,902	18	97,920
(30,810)	30,810	—
2,507,216	—	2,507,216
561,442	—	561,442
3,068,658	—	3,068,658
3,104,150	—	3,104,150
\$ 7,394,454	\$ 467,649	\$ 7,862,103

\$ 322,480	\$ 3,842	\$ 326,322
89,289	—	89,289
—	33,781	33,781
411,769	37,623	449,392

5,999,351	430,026	6,429,377
563,472	—	563,472
6,562,823	430,026	6,992,849
146,487	—	146,487
273,375	—	273,375
6,982,685	430,026	7,412,711
\$ 7,394,454	\$ 467,649	\$ 7,862,103

DIOCESE OF DAVENPORT

STATEMENTS OF ACTIVITIES

	For The Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support And Revenue				
Annual diocesan appeal	\$ 3,136,112	\$ —	\$ —	\$ 3,136,112
Support revenue for special collections	3,955	38,079	—	42,034
Contributions and bequests	449,109	5,190	—	454,299
Insurance revenue	50,087	—	—	50,087
Investment income	550,442	62,222	—	612,664
Other income – including primarily education receipts	394,642	—	—	394,642
Net assets released from restrictions – satisfaction of program restrictions	102,786	(102,786)	—	—
Total Support And Revenue	4,687,133	2,705	—	4,689,838
Expenses				
Chancery office	473,140	—	—	473,140
Marriage tribunal office	136,739	—	—	136,739
Pastoral services office	772,791	—	—	772,791
Vocations and clergy support	62,333	—	—	62,333
Support of special collections	33,265	—	—	33,265
Assistance of clergy (health benefits)	40,375	—	—	40,375
University hospital chaplains	109,836	—	—	109,836
National, regional, local councils and organizations	117,589	—	—	117,589
Deacon and seminarian education	694,228	—	—	694,228
Stewardship and development office	174,004	—	—	174,004
Communications office	245,750	—	—	245,750
School education	219,425	—	—	219,425
Administration and finance office	488,741	—	—	488,741
St. Vincent's Center	453,612	—	—	453,612
Depreciation	149,921	—	—	149,921
Total Expenses	4,171,749	—	—	4,171,749
Change In Net Assets	515,384	2,705	—	518,089
Net Assets – Beginning Of Year	6,992,849	146,487	273,375	7,412,711
Net Assets – End Of Year	\$ 7,508,233	\$ 149,192	\$ 273,375	\$ 7,930,800

For The Year Ended June 30, 2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,136,974	\$ —	\$ —	\$ 3,136,974
14,475	28,278	—	42,753
482,134	—	—	482,134
84,801	—	—	84,801
(146,357)	(15,513)	—	(161,870)
856,008	—	—	856,008
11,414	(11,414)	—	—
4,439,449	1,351	—	4,440,800
311,374	—	—	311,374
133,651	—	—	133,651
1,234,963	—	—	1,234,963
68,667	—	—	68,667
30,061	—	—	30,061
101,482	—	—	101,482
104,617	—	—	104,617
114,738	—	—	114,738
693,656	—	—	693,656
154,986	—	—	154,986
286,243	—	—	286,243
198,288	—	—	198,288
520,928	—	—	520,928
455,093	—	—	455,093
152,861	—	—	152,861
4,561,608	—	—	4,561,608
(122,159)	1,351	—	(120,808)
7,115,008	145,136	273,375	7,533,519
\$ 6,992,849	\$ 146,487	\$ 273,375	\$ 7,412,711

DIOCESE OF DAVENPORT

STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30, 2017	June 30, 2016
Cash Flows From Operating Activities		
Change in net assets	\$ 518,089	\$ (120,808)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	149,921	152,861
(Gain) loss on disposal of property and equipment	(453)	11,737
Net realized (gains) losses on sale of investments	(671,144)	22,824
Net unrealized losses on investments	96,953	175,030
Changes in assets and liabilities:		
Receivables	48,432	239,064
Other	(288,368)	(40,255)
Accounts payable and accrued expenses	103,456	(231,690)
Net Cash Provided By (Used In) Operating Activities	(43,114)	208,763
Cash Flows From Investing Activities		
(Increase) in due from Foundation	(37,124)	(27,658)
Purchase of certificates of deposit	—	(400,000)
Redemption of certificates of deposit	400,000	400,982
Purchase of investments	(1,951,379)	(435,323)
Proceeds from sales of investments	1,916,881	400,000
Purchase of property and equipment	(69,159)	(50,936)
Net Cash Provided By (Used In) Investing Activities	259,219	(112,935)
Change In Cash And Cash Equivalents	216,105	95,828
Cash And Cash Equivalents – Beginning Of Year	747,252	651,424
Cash And Cash Equivalents – End Of Year	\$ 963,357	\$ 747,252

DIOCESE OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

1. **Nature Of Organization And Summary Of Significant Accounting Policies**

The Diocese of Davenport (the "Diocese") is an Iowa nonprofit corporation. This financial report includes all known funds and all known major assets and liabilities of the Diocese of Davenport.

The Diocese of Davenport is affiliated with numerous other Iowa nonprofit corporations because the Bishop of the Diocese of Davenport, as Ordinary of the Catholic Church activities in southeast Iowa, serves as president of this and the following affiliated organizations:

- Approximately 90 parish and school corporations
- The Catholic Messenger
- St. Ambrose University Board of Trustees
- St. Vincent's Home
- Newman Catholic Student Center of Iowa City, Iowa
- Catholic Foundation for the Diocese of Davenport

None of the assets or liabilities of these affiliated organizations, or any other related organizations, are included in this financial report.

A summary of the Diocese's significant accounting policies follows:

Basis Of Presentation

The financial statements of the Diocese of Davenport have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Use Of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of reporting cash flows, the Diocese includes all cash accounts which are not subject to withdrawal or donor restrictions or penalties and money market funds with a maturity of three months or less excluding agency account cash and cash of the Omer Woltering Trust, to be cash and cash equivalents. Cash and cash equivalents are carried at cost.

DIOCESE OF DAVENPORT

Notes To Financial Statements *(Continued)*

Receivables

Receivables are carried at original amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and considers the financial condition and history. Receivables are written off when deemed uncollectible. Recoveries of previously written off receivables are recorded when received. Bad debt expense, net, was none for the years ended June 30, 2017 and 2016.

Investments

Investments in marketable equity and debt securities are carried at fair value based on quoted market prices. Cash and cash equivalents included with investments are carried at cost. For alternative investments where the quoted market value of investments may not be available, fair values are based on information provided by the fund manager, which includes quoted fair values when available and estimates of fair value of investments that are not readily ascertainable. Gains and losses on sale of investments are determined by the specific-identification method.

Income (losses) and net gains (losses) on investments are reported as follows:

As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income and if the gift is part of the endowment fund, until appropriated by the Board of Directors of the co-trustees of the trust or, in the case of losses, until the accumulated income and gains are reduced to zero; and

As increases (decreases) in unrestricted net assets in all other cases.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Major expenditures for improvements and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated or amortized using the straight-line method over the following estimated useful lives:

Land, land improvements, buildings and improvements	10 – 40 years
Automobiles, equipment and furniture	3 – 10 years

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Net Assets

The Diocese's resources are classified into three separate classes of net assets as follows:

Unrestricted Net Assets: Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted Net Assets: Net assets whose use by the Diocese are limited by donor-imposed restrictions that either expire by the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted.

Permanently Restricted Net Assets: Net assets donated with stipulations that they be invested to provide a permanent source of income (e.g., endowment funds); such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

Functional Expenses

The costs of providing contributions and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide overall support and direction of the Diocese. Fundraising expenses include those expenses that are directly identifiable to the solicitation of contributions.

Annual Diocesan Appeal

The Diocese derives a substantial portion of its support and revenue from the Annual Diocesan Appeal which is an annual parish-level diocesan fund drive. Amounts due from parishes pursuant to this annual drive are recognized as support and revenue when the parishes are assessed.

Contributions

The Diocese reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Diocese reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated assets are placed in service or expenditures are incurred for the long-lived assets.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Education Receipts

Education receipts are recognized as revenue when the services are provided.

Income Tax Status

The Diocese of Davenport is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law and contributions to it are tax deductible within the limitations prescribed by the Internal Revenue Code.

In accordance with the income taxes topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), management evaluated the Diocese’s tax positions and concluded that the Diocese had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The standard’s core principle is that an entity will recognize revenue when it transfers 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. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Diocese has not yet selected a transition method and is currently evaluating the effect this updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Some of the key elements of the ASU are as follows. Under the new guidance the Diocese would present net assets under two classifications, net assets with donor restrictions and net assets without donor restrictions. Expanded disclosures on any board designation of net assets without donor restrictions will also be required. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date. The components of net investment expense no longer will be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information. In addition, some of the new reporting requirements related to expenses are included as follows: disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return), disclosure of expense netted with investment return and enhanced disclosures regarding cost allocations. The Diocese is currently evaluating the effect this updated standard will have on the financial statements.

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent Events

Management has evaluated subsequent events through November 3, 2017, the date which the financial statements were available to be issued.

2. Endowment Fund And Net Asset Classifications

The Diocese's endowment funds consist of various donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently or temporarily restricted net assets (a) the original value of gifts donated to the permanent or temporary endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the temporary donor-restricted endowment fund is also classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds; (2) the purposes of the Diocese and the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Diocese; and (7) the investment policies of the Diocese.

The Diocese has adopted investment and spending policies for its endowment funds. The objective of these policies is to provide the Diocese with a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. The Diocese, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 5 percent; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the Diocese currently invests in publicly traded mutual funds and money market funds. The purpose is to moderate the overall investment risk of the endowment funds.

All of the income of the permanently restricted endowment investments may be appropriated for expenditure on an annual basis. The income on the permanently restricted endowment investments can be used on an annual basis to support primarily clergy education. The Diocese spent all of the income of approximately \$62,000 and none of the permanently restricted investments for the years ended June 30, 2017 and 2016, respectively.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

The changes in endowment net assets were as follows:

	For The Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375
Investment return				
Interest and dividends – net of fees	—	—	—	—
Net appreciation (realized and unrealized)	—	62,222	—	62,222
Total investment return	—	62,222	—	62,222
Appropriation of endowment funds for expenditure	—	(62,222)	—	(62,222)
Endowment Net Assets – End Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375

	For The Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375
Investment return				
Interest and dividends – net of fees	—	—	—	—
Net depreciation (realized and unrealized)	—	(15,513)	—	(15,513)
Total investment return	—	(15,513)	—	(15,513)
Loss on endowment funds covered by unrestricted fund	—	15,513	—	15,513
Endowment Net Assets – End Of Year	\$ —	\$ —	\$ 273,375	\$ 273,375

From time to time, the fair value of endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual or temporary duration, also known as underwater endowments. There were no underwater endowment funds as of June 30, 2017 and 2016.

The following summarizes investment income:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For The Year Ended June 30, 2017				
Interest and dividends	\$ 38,473	\$ —	\$ —	\$ 38,473
Realized gains	671,144	—	—	671,144
Unrealized (losses)	(159,175)	62,222	—	(96,953)
	\$ 550,442	\$ 62,222	\$ —	\$ 612,664
For The Year Ended June 30, 2016				
Interest and dividends	\$ 35,984	\$ —	\$ —	\$ 35,984
Realized (losses)	(22,824)	—	—	(22,824)
Unrealized (losses)	(159,517)	(15,513)	—	(175,030)
	\$ (146,357)	\$ (15,513)	\$ —	\$ (161,870)

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

3. Fair Value Measurements

ASC Topic 820 establishes a framework for measuring fair value which 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 ASC Topic 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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.

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 June 30, 2017 and 2016.

If quoted market prices are not available, then fair values are estimated by the Diocese's investment manager using pricing models, quoted prices of securities with similar characteristics, audited financial statements of the funds, or discounted cash flow. The Diocese's securities are funds where the value is based on net asset value provided by the investment manager.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

The following tables set forth by level within the fair value hierarchy the Diocese's assets at fair value:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds measured at fair value	\$ 587,112	\$ —	\$ —	\$ 587,112
Alternative investments measured at net asset value (a)				3,090,235
				\$ 3,677,347

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds measured at fair value	\$ 561,442	\$ —	\$ —	\$ 561,442
Alternative investments measured at net asset value (a)				2,507,216
				\$ 3,068,658

(a) Alternative investments are investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications. Alternative investments may be structured as limited partnerships, limited liability corporations, trusts, or corporations. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The investments of the Diocese are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

The following table sets forth additional disclosure of the Diocese's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent):

	June 30, 2017			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT value equity fund (1)	\$ 2,044,381	\$ —	Daily	Trade date minus 1 day
CUIT small capitalization equity Index fund (1)	1,045,854	—	Daily	Trade date minus 1 day
	\$ 3,090,235	\$ —		

	June 30, 2016			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT value equity fund (1)	\$ 1,665,695	\$ —	Daily	Trade date minus 1 day
CUIT small capitalization equity Index fund (1)	841,521	—	Daily	Trade date minus 1 day
	\$ 2,507,216	\$ —		

- (1) These funds invest in marketable equity securities that are all exchange traded in the United States of America (USA) and that are categorized as the title of each respective fund suggests (value and small cap). These funds can be redeemed at net asset value per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the New York Stock Exchange (NYSE) is open. The fair value of this investment has been estimated using the net asset value per share of the investments provided by the fund manager.

4. Property And Equipment

A summary of property and equipment consists of:

	June 30,	
	2017	2016
Land	\$ 275,000	\$ 275,000
Land improvements	365,935	365,935
Automobiles	137,691	110,057
Buildings and improvements	2,961,811	2,931,800
Equipment and furniture	434,012	434,005
	4,174,449	4,116,797
Less: Accumulated depreciation	1,150,608	1,012,647
	\$ 3,023,841	\$ 3,104,150

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

5. Unrestricted – Board Designated Net Assets

The board designated unrestricted net assets at June 30, 2017 and 2016, of \$538,786 and \$460,972, respectively, from which an annual withdrawal can be made of up to \$50,000 to be spent on priest sabbaticals, education of priests and deacons, seminarian education, pastoral care of students at St. Ambrose University, vocations or respect for human life. Another \$20,116 and \$102,500, respectively, was designated at June 30, 2017 and 2016 to be used for installation or ordination of a new bishop.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of:

	June 30,	
	2017	2016
College scholarships	\$ 55,839	\$ 67,839
Special collections – campaign for human development	9,353	751
Special collections – volunteer program	47,788	54,562
Special collections – works of charity	31,022	23,335
Prison ministry	294	—
Deacon ordination	4,250	—
Project Rachel	646	—
	<u>\$ 149,192</u>	<u>\$ 146,487</u>

7. Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes consists of:

	For The Years Ended June 30,	
	2017	2016
Purpose restrictions accomplished		
Special collections – campaign for human development	\$ 751	\$ 158
Special collections – volunteer program	7,408	3,923
Special collections – works of charity	20,405	11,846
Seminary education	62,222	(15,513)
College scholarships	12,000	11,000
	<u>\$ 102,786</u>	<u>\$ 11,414</u>

DIOCESE OF DAVENPORT

Notes To Financial Statements (*Continued*)

8. Retirement Plan

The Diocese has adopted a Church retirement plan which covers substantially all of its employees. The Diocese will match 100% of the employee's contributions up to 2% of the employee compensation. The Diocese also has the option to make discretionary contributions to the plan. The Diocese's matching and discretionary contributions were approximately \$106,000 and \$103,000 for the years ended June 30, 2017 and 2016, respectively.

9. Related-Party Transactions

The Diocese has a receivable from the Catholic Foundation for the Diocese of Davenport of \$333,653 and \$296,529 as of June 30, 2017 and 2016, respectively. The Diocese received contributions from the Foundation totaling \$333,653 and \$296,529 for the years ended June 30, 2017 and 2016, respectively.

The Diocese has an agreement with the Catholic Foundation for the Diocese of Davenport to provide the services of the Finance Department including the processing of pledges, pledge payments, pledge reminders, preparing financial reports for board meetings and assistance with the financial audit. The Foundation pays the Diocese once a year for the percentage of the time the Finance employees spend on the Foundation work valued at salary plus estimated benefits. The revenue recorded by the Diocese for the years ended June 30, 2017 and 2016 was \$57,728 and \$54,475, respectively.

10. Insurance Funds

The Diocese established an insurance fund to provide uniform property and casualty, worker's compensation and blanket liability coverage under one comprehensive plan for all parishes and affiliates of the Diocese of Davenport. The fund collects fees from subscribers and remits premiums to the insurance carriers during the policy year. The various insurance policies have deductibles ranging from none to \$25,000. Any potential deductibles incurred are the responsibility of the Diocese and would be paid from accumulated cash.

The Diocese also established a medical insurance fund to provide medical and dental insurance for parishes and affiliates of the Diocese of Davenport. The Diocese is fully insured for medical and is self-insured for dental insurance and the fund collected fees from subscribers and remitted premiums to the insurance carrier during the policy year.

DIOCESE OF DAVENPORT

Notes To Financial Statements (Continued)

Activity in these funds consists of:

	For The Year Ended June 30, 2017		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,154,984	\$ 818,263	\$ 1,973,247
Premiums paid	(1,082,118)	(774,101)	(1,856,219)
Recoveries	157,530	—	157,530
Claims expense	(203,197)	(21,274)	(224,471)
Other expense	—	—	—
	<u>\$ 27,199</u>	<u>\$ 22,888</u>	<u>\$ 50,087</u>

	For The Year Ended June 30, 2016		
	Property Insurance Fund	Medical Insurance Fund	Total
Fees collected	\$ 1,140,143	\$ 717,589	\$ 1,857,732
Premiums paid	(1,018,893)	(687,613)	(1,706,506)
Recoveries	214,907	50	214,957
Claims expense	(263,133)	(16,901)	(280,034)
Other expense	—	(1,348)	(1,348)
	<u>\$ 73,024</u>	<u>\$ 11,777</u>	<u>\$ 84,801</u>

DIOCESE OF DAVENPORT

Notes To Financial Statements *(Continued)*

11. Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis. Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of time and expense estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Diocese. Fundraising expenses include those expenses that are directly identifiable to the solicitation of the Annual Diocesan Appeal and contributions.

Expenses of the Diocese related to those program services consist of:

	For The Years Ended June 30,	
	2017	2016
Serving others (1)	\$ 1,630,021	\$ 1,612,099
Teaching and training (2)	1,381,902	1,395,417
Celebrating and sharing (3)	350,384	813,471
	3,362,307	3,820,987
Management and general expenses	663,917	614,215
Fundraising expenses	145,525	126,406
	\$ 4,171,749	\$ 4,561,608

- (1) Assisting others in living and sharing the gospel message through social action and caring for those in need.
- (2) Teaching the faith of the Catholic Church and training priests, deacons and lay ministers to serve the Diocese.
- (3) Building community through shared worship by communicating the mission of the Diocese.