

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2020 and 2019



January 22, 2021

The Roman Catholic Diocese of Salina - Chancery Office
Most Reverend Gerald Vincke
Bishop of The Roman Catholic Diocese of Salina
Salina, Kansas

Your Excellency:

Independent Auditor's Report

We have audited the accompanying financial statements of The Roman Catholic Diocese of Salina - Chancery Office (the Diocese), a non-profit organization, which comprise the statements of financial position as of June 30, 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 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 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 the Diocese as of June 30, 2020 and 2019 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,216,158	\$ 5,032,011
Accounts receivable	130,516	67,040
Accrued interest receivable	826	79,514
Notes receivables	-	1,440
Contributions receivable - Net	140,832	349,602
Prepaid expenses	34,205	242,902
Total Current Assets	<u>\$ 6,522,537</u>	<u>\$ 5,772,509</u>
Non-Current Assets		
Loans receivable from parishes	\$ 204,466	\$ 367,052
Investments (at fair value)	51,203,164	48,598,557
Investments (at cost)	871,702	871,702
Property and equipment -Net	1,208,251	1,137,059
Total Non-Current Assets	<u>\$ 53,487,583</u>	<u>\$ 50,974,370</u>
TOTAL ASSETS	<u>\$ 60,010,120</u>	<u>\$ 56,746,879</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 433,647	\$ 442,276
Funds on deposit from parishes and other Diocesan organizations	32,816,546	28,795,714
Deferred revenue	-	253,918
Notes payable	191,820	-
Total Liabilities	<u>\$ 33,442,013</u>	<u>\$ 29,491,908</u>
Net Assets		
Without Donor Restrictions		
Undesignated	\$ 5,968,438	\$ 6,682,609
Designated endowment for capital campaign	1,159,817	1,159,817
Designated spendable for capital campaign	39,176	39,176
Designated for catholic school subsidy	2,201,191	2,335,491
Net investment in property and equipment	1,208,251	1,137,059
Total net assets without donor restrictions	<u>\$ 10,576,873</u>	<u>\$ 11,354,152</u>
With Donor Restrictions		
Spendable in a future year	\$ 140,832	\$ 349,602
Spendable for a specified purpose	1,196,280	1,108,787
Endowments	14,654,122	14,442,430
Total net assets with donor restrictions	<u>\$ 15,991,234</u>	<u>\$ 15,900,819</u>
Total Net Assets	<u>\$ 26,568,107</u>	<u>\$ 27,254,971</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,010,120</u>	<u>\$ 56,746,879</u>

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

STATEMENTS OF ACTIVITIES

For the Years Ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Contributions						
Legacies, bequests, and donations	\$ 149,332	\$ 465,411	\$ 614,743	\$ 192,350	\$ 834,424	\$ 1,026,774
Annual seminarian collection	-	165,493	165,493	-	131,423	131,423
Annual appeal	1,467,956	-	1,467,956	1,762,538	-	1,762,538
Catholic Home Mission & Extension Grants	-	187,091	187,091	-	136,658	136,658
Parish taxes	728,505	-	728,505	746,805	-	746,805
Total Contributions	\$ 2,345,793	\$ 817,995	\$ 3,163,788	\$ 2,701,693	\$ 1,102,505	\$ 3,804,198
Program service collections	687,328	-	687,328	378,563	-	378,563
Miscellaneous	200,437	-	200,437	147,947	-	147,947
Total Operating Revenues	\$ 3,233,558	\$ 817,995	\$ 4,051,553	\$ 3,228,203	\$ 1,102,505	\$ 4,330,708
Operating Expenses						
Program services						
Evangelization and Ministries	\$ 1,220,647	\$ -	\$ 1,220,647	\$ 734,315	\$ -	\$ 734,315
Clergy Development and Support	893,661	-	893,661	1,010,505	-	1,010,505
Religious Education	159,718	-	159,718	167,742	-	167,742
Parish and School Support	809,401	-	809,401	703,580	-	703,580
Catholic Charities	-	-	-	240,900	-	240,900
Other Religious Organizations and Programs	302,393	-	302,393	676,838	-	676,838
Supporting Services						
Management and General	1,730,085	-	1,730,085	1,264,261	-	1,264,261
Fundraising and Donor Development	526,772	-	526,772	354,852	-	354,852
Total Operating Expenses	\$ 5,642,677	\$ -	\$ 5,642,677	\$ 5,152,993	\$ -	\$ 5,152,993
Other Changes in Net Assets						
Net investment return	\$ 519,887	\$ 384,373	\$ 904,260	\$ 1,346,333	\$ 1,271,480	\$ 2,617,813
Other income, gains and losses	-	-	-	(211,457)	-	(211,457)
Release of restrictions	1,111,953	(1,111,953)	-	676,376	(676,376)	-
Total of Other Changes in Net Assets	\$ 1,631,840	\$ (727,580)	\$ 904,260	\$ 1,811,252	\$ 595,104	\$ 2,406,356
CHANGE IN NET ASSETS	\$ (777,279)	\$ 90,415	\$ (686,864)	\$ (113,538)	\$ 1,697,609	\$ 1,584,071
NET ASSETS - BEGINNING	11,354,152	15,900,819	27,254,971	11,467,690	14,203,210	25,670,900
NET ASSETS - ENDING	\$ 10,576,873	\$ 15,991,234	\$ 26,568,107	\$ 11,354,152	\$ 15,900,819	\$ 27,254,971

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Grants and assistance to others	\$ 890,358	\$ -	\$ -	\$ 890,358
Scholarships and seminarian education	520,128	-	-	520,128
Salaries, payroll taxes and benefits	* 754,693	240,159	322,229	1,317,081
Professional fees, accounting and legal	* 15,382	204,168	45,725	265,275
Accreditation and licensing	48,974	-	-	48,974
Continuing education	15,709	160	219	16,088
Conferences, dues and assessments	* 138,878	21,245	11,909	172,032
Printing, postage and office supplies	* 140,529	18,349	30,315	189,193
Religious supplies	789	-	-	789
Resource and education materials	30,844	267	-	31,111
Meals and entertainment	* 1,001	5,882	172	7,055
Building and equipment expenses	* 34,652	43,332	8,663	86,647
Rent	* 19,100	22,750	4,550	46,400
Telephone, technology and utilities	* 57,493	43,279	27,932	128,704
Religious gatherings and youth events	644,433	3,603	128	648,164
Travel	* 32,680	8,278	1,226	42,184
Interest	-	1,018,313	-	1,018,313
Depreciation	* 32,180	39,650	7,926	79,756
Non-redeemable pledges	-	35,773	58,119	93,892
Miscellaneous expense	7,997	24,877	7,659	40,533
	<u>\$ 3,385,820</u>	<u>\$ 1,730,085</u>	<u>\$ 526,772</u>	<u>\$ 5,642,677</u>

*Each of these expense lines contains costs that are attributed to more than one program or support function and these joint costs have been allocated on the basis of estimates of time and effort

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Grants and assistance to Others	\$ 1,354,164	\$ -	\$ -	\$ 1,354,164
Scholarships and seminarian education	538,236	-	-	538,236
Salaries, payroll taxes and benefits	* 714,830	148,998	217,441	1,081,269
Professional fees, accounting and legal	* 55,301	69,159	58,050	182,510
Accreditation and licensing	67,909	-	-	67,909
Continuing education	25,605	564	1,359	27,528
Conferences, dues and assessments	* 151,627	14,541	8,039	174,207
Printing, postage and office supplies	* 160,356	13,673	32,218	206,247
Religious supplies	2,585	-	-	2,585
Resource and education materials	24,580	147	-	24,727
Meals and entertainment	* 1,754	4,228	509	6,491
Building and equipment expenses	* 78,259	32,682	5,538	116,479
Rent	* 8,100	9,000	1,800	18,900
Telephone, technology and utilities	* 33,933	22,295	17,999	74,227
Religious gatherings and youth events	216,632	-	-	216,632
Travel	* 32,416	10,155	2,715	45,286
Interest	-	879,392	-	879,392
Depreciation	* 30,354	37,207	7,437	74,998
Miscellaneous expense	37,239	22,220	1,747	61,206
	<u>\$ 3,533,880</u>	<u>\$ 1,264,261</u>	<u>\$ 354,852</u>	<u>\$ 5,152,993</u>

*Each of these expense lines contains costs that are attributed to more than one program or support function and these joint costs have been allocated on the basis of estimates of time and effort

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in net assets	\$ (686,864)	\$ 1,584,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-Operating changes in net assets		
Net investment return	\$ (904,260)	(2,617,813)
Depreciation expense	79,756	74,998
Loss on disposal of equipment	-	1,497
Annuity settlement expense	-	209,960
Changes in operating assets		
Accounts receivable	(63,476)	322,460
Accrued interest receivable	78,688	2,071
Prepaid expense	208,697	(183,051)
Note receivable	1,440	6,225
Loan receivable	162,586	(166,409)
Contributions receivable	208,770	(136,941)
Changes in operating liabilities		
Accounts payable	(8,629)	(33,593)
Deferred revenue	(253,918)	253,918
Total Adjustments	\$ (490,346)	\$ (2,266,678)
Net Cash Provided by (Used In) Operating Activities	\$ (1,177,210)	\$ (682,607)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (150,948)	\$ (24,903)
Purchase of investments	(7,565,718)	(10,553,738)
Sale of investments	5,865,371	12,602,461
Net Cash Provided by (Used in) Investing Activities	\$ (1,851,295)	\$ 2,023,820
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity liability	\$ -	\$ (242,930)
Proceeds from forgivable note payable	191,820	-
Net proceeds (payments) on deposits held for others	4,020,832	1,707,858
Net Cash Provided by (Used in) Financing Activities	\$ 4,212,652	\$ 1,464,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,184,147	\$ 2,806,141
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,032,011	2,225,870
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,216,158	\$ 5,032,011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest expense paid	\$ 1,097,001	\$ 869,299
Income taxes paid	\$ -	\$ -

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Tax Exempt Status

The Roman Catholic Diocese of Salina - Chancery Office (the Diocese) qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, is not a private foundation, and, accordingly, is not subject to Federal income tax. The Diocese is not required to file an income tax return or a Form 990. Gifts to the Diocese are tax deductible. The Diocese follows the provisions of an accounting standard for accounting for uncertainty in income tax.

Nature of Activities

The accompanying financial statements present the financial position, changes in net assets, and cash flows of certain funds administered by the Bishop of The Roman Catholic Diocese of Salina. The funds presented are the General Fund, Seminary and Education Fund, Custodial Account, The Register of the Roman Catholic Diocese of Salina, Inc., Roman Catholic Diocese of Salina St. Joseph Fund, Inc., Roman Catholic Diocese of Salina Deposit and Loan, Inc., Salina Catholic Diocese Education Endowment, Inc., Salina Catholic Diocese Seminary Burses, Inc., and Salina Catholic Diocese Gift and Annuity Fund, Inc.

The Salina Catholic Diocese Education Endowment, Inc., the Salina Catholic Diocese Seminary Burses, Inc., the Salina Catholic Diocese Gift and Annuity Fund, Inc., the Roman Catholic Diocese of Salina Deposit and Loan, Inc., The Register of the Roman Catholic Diocese of Salina, Inc., and the Roman Catholic Diocese of Salina St. Joseph Fund, Inc. are separate legal corporations. Counsel has advised that the assets of these corporations are not available to meet the general obligations of the Diocese.

The funds presented, which are fiscally responsible to the Bishop, provide services at the Diocesan level of administration. The accompanying financial statements exclude the accounting of other activities of the Diocese, such as parishes, schools, cemeteries, campus centers, Catholic Charities of Salina, Inc., the Salina Diocesan Clergy Health and Retirement Association, Inc. or assets, liabilities and guarantees for organizations for which the Diocese is responsible. These activities may or may not be separately incorporated under civil law; however, each is a distinct operating entity and maintains separate accounting records on its services and programs.

Basis of Presentation

The Diocese is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Basis of Accounting and Estimates

The accompanying financial statements are prepared on the accrual basis of accounting, as required by the U.S. generally accepted accounting principles (GAAP). 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Diocese, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purposes.

All significant interfund transactions and balances have been eliminated in the totals presented in the financial statements.

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs are allocated among the programs and supporting services benefited.

Direct fund raising expenses of the Annual Appeal and the Capital Campaign included in Supporting Services were approximately \$227,931 and \$130,796 for the years ended June 30, 2020 and 2019, respectively.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets in the year in which there is sufficient evidence in the form of verifiable documentation that a promise was made and received and when the amount of the promise is ascertainable. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified through the release of restrictions reported in the statements of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as part of the changes in net assets without donor restrictions.

The Diocese reports gifts of property and equipment as support that is without donor restrictions 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 support that is with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Diocese reports promises to give to other organizations as decreases in net assets when the promise is made.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Substantially all investments in bonds and other securities consist of government bonds and securities issued by the United States Treasury Department or other federal agencies.

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE

Salina, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are presented at face value, net of allowance for uncollectible accounts. The allowance for uncollectible accounts is established through provisions charged against revenue and is maintained at a level believed adequate by management to absorb estimated bad debts based on historical experience and current economic conditions. Accounts receivable are considered past due based upon payment terms set forth in the related contract. Management believes that all accounts receivable are fully collectible; therefore, the allowance is zero.

Loans Receivable

Loans receivable are presented at their outstanding unpaid principal balances less an allowance for credit losses. The allowance for credit losses on loans receivable is established through provisions for losses charged against revenue. The allowance for credit losses on loans receivable is maintained at a level believed adequate by management to absorb estimated probable credit losses. Management believes that all loans receivable are fully collectible; therefore, the allowance for credit losses is zero.

Fair Value Measurement

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Generally accepted accounting principles also established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access as of the measurement date.

Level 2: Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See footnote 10 for further information.

Property and Equipment, Net

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Buildings are capitalized at cost if purchased and at the fair market value when received if donated. Purchases of furniture and equipment after July 1, 1986, are capitalized at cost. Furniture and equipment donated after that date are capitalized at the fair market value when received. The net book value of furniture and equipment acquired prior to July 1, 1986, if capitalized and depreciated, would not be material to the financial statements. Depreciation expense is determined using the straight-line method over the estimated useful life of each depreciable asset.

Real Estate

All real estate is recorded at its fair value at the date of receipt if donated or at cost if purchased. In subsequent years, these assets continue to be carried at their original value.

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Funds on Deposit

The Roman Catholic Diocese of Salina Deposit and Loan, Inc. pools the money of various funds, parishes, and other Diocesan organizations and invests with investment brokers. Funds on deposit with the Diocese, although written as demand notes, are payable only at the discretion of the Bishop. These notes are, based on prior years' experience, non-current liabilities, except for the portion which the Bishop authorizes to be withdrawn in the subsequent year. The interest rate for these funds was 2.0% from July 1, 2018 to December 31, 2018 and then increased to 2.25% from January 1, 2019 to December 31, 2019. Effective January 1, 2020, the Diocese approved a new rate of 2% which was effective through June 30, 2020. On July 1, 2020, the Diocese approved a rate of 1%.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

The Diocese has evaluated subsequent events through January 22, 2021, the date which the financial statements were available for issue. There have been no events that require disclosure.

Note 2: Contributions, Receivable - Net

For the years ended June 30, 2020 and 2019, unconditional promises to give from the Annual Appeal are due within one year.

The allowance is calculated as a percentage of the outstanding balance, based on historical payment data and current economic trends.

Unconditional promises to give for the Annual Appeal are as follows:

	2020	2019
Promises to give expected to be collected in:		
Less than one year	\$ 98,831	\$ 272,969
Less: Allowance for uncollectible pledges	(988)	(2,730)
Net Unconditional Promises to Give	\$ 97,843	\$ 270,239

Unconditional Promises to Give - Capital Campaign

	2020	2019
Promises to give expected to be collected in:		
Less than one year	\$ 43,423	\$ 141,473
Less: Allowance for uncollectable pledges	(434)	(62,110)
Net Unconditional Promises to Give - Capital Campaign	\$ 42,989	\$ 79,363

A discount has not been included because the calculated amounts are considered trivial.

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

Note 3: Restrictions of Net Assets

Net assets were restricted by donors as follows:

	2020	2019
Spendable in a Future Year		
Contributions receivable, net	\$ 140,832	\$ 349,602
Purpose Restriction		
General Fund	\$ 1,165,182	\$ 1,077,689
Seminary and Education	27,237	27,237
Deposit and Loan	3,861	3,861
Total	\$ 1,196,280	\$ 1,108,787
Endowments		
General	\$ 2,472,935	\$ 2,421,921
Seminary and Education	2,626,629	2,573,527
The Register	2,842,465	2,793,184
Education Endowment Fund	3,805,820	3,805,820
Seminary Burses	2,906,273	2,847,978
Total	\$ 14,654,122	\$ 14,442,430
Total Restrictions	\$ 15,991,234	\$ 15,900,819

Net assets were released from restrictions by either (1) incurring expenses within each fund satisfying the restricted purposes or (2) by the passage of time during the years ended June 30, 2020 and 2019.

Donor-restricted, endowed net assets are invested in perpetuity, the income from which is expendable to support Catholic schools, The Register of the Roman Catholic Diocese of Salina, Inc., and seminary education.

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 6,216,158	
Accounts receivable	130,516	
Accrued interest receivable	826	
Contributions receivable - Net	140,832	
Investments (at fair value)	51,203,164	
Total liquid resources	\$ 57,691,496	
Unavailable due to board designations	\$ 3,400,184	
Unavailable due to donor restrictions	15,991,234	
Unavailable funds held for other organizations	32,816,546	
Total unavailable resources	\$ 52,207,964	
Total liquid and available	\$ 5,483,532	

THE ROMAN CATHOLIC DIOCESE OF SALINA - CHANCERY OFFICE
 Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

Note 5: Related Party Transactions

Significant allocations and subsidies to related Diocesan organizations (not reported herein) are summarized in the following schedule:

	2020	2019
Allocation to Catholic Charities of Salina, Inc. from the Roman Catholic Diocese of Salina St. Joseph Fund, Inc.	\$ -	\$ 90,000
Allocation to Salina Diocesan Clergy Health and Retirement Association, Inc. from the General Fund	261,375	325,000
Allocation to Catholic schools from the Seminary and Education Fund	159,300	149,685
Allocation to Catholic schools from the Salina Catholic Diocese Education Endowment, Inc.	212,000	262,000
	2020	2019
Accounts payable to Salina Diocesan Clergy Health and Retirement Association, Inc.	\$ 65,083	\$ 75,534

Note 6: Defined Benefit Pension Plan

The Diocese participates in a multi-employer defined benefit pension plan covering substantially all of the employees (excluding clergy) whose compensation is included in the expenses of the aforementioned funds (Note 1). Employee benefits for retirement are based on the individual's years of service and compensation each year the individual participated in the plan. The Diocese contributed 6.5% of gross salary during the years ended June 30, 2020 and 2019.

Total pension costs paid by the Diocese were \$59,019 and \$39,544 during the years ended June 30, 2020 and 2019, respectively.

Note 7: Concentration of Risk

The Diocese has demand deposits at various financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to a certain limit. The Diocese's balances may exceed this limit from time to time.

The Diocese grants credit to Diocesan organizations in the north central and northwestern portions of Kansas. The timely collection of these receivables is affected by the economic fluctuations of this area.

A significant portion of investment securities are held by two brokers. The balances were in excess of the \$500,000 Securities Investor Protection Corporation (SIPC) limitation throughout the year. However, the brokers provide additional coverage above the SIPC limits up to a firm aggregate limit of \$1 billion, of which \$1,900,000 may be in cash.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

Note 8: Loans Receivable

The Diocese has unsecured interest bearing loans receivable from related parties, specifically the parishes within the Diocese, totaling \$204,466 and \$367,052 as of June 30, 2020 and 2019, respectively. Principal payments are not required but interest is due monthly. The rate of interest was fixed at 3.25% for both 2020 and 2019, respectively. Additionally, these loans do not have specified maturity dates. Due to the programmatic nature of the loans and the relationship of the parishes to the Diocese, the allowance for credit losses is determined to be \$0 for both years presented. The normal criteria of historical losses, existing economic conditions and risk characteristics were considered in this determination.

Note 9: Investments

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Note 10: Fair Value Measurements

The Diocese fair value hierarchy for these certain assets and liabilities measured at fair value is as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020			
Assets			
Investment in certificates of deposit	\$ 10,000	\$ -	\$ -
Investment in Stocks	9,629,075	-	-
Investments in Bonds	13,751,923	-	-
Investments in Mutual Funds	27,812,166	-	-
	<u>\$ 51,203,164</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2019			
Assets			
Investment in certificates of deposit	\$ 340,343	\$ -	\$ -
Investment in Stocks	12,032,347	-	-
Investments in Bonds	14,347,138	-	-
Investments in Mutual Funds	21,878,729	-	-
	<u>\$ 48,598,557</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020 and 2019

Note 11: Donor-Designated Endowments

The Diocese's endowment consists of individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds in the General Fund, Seminary and Education Fund, The Register of the Roman Catholic Diocese of Salina, Inc., Salina Catholic Diocese Education Endowment, Inc., and Salina Catholic Diocese Seminary Burses, Inc. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported on the existence of donor-imposed restrictions.

The Diocese's investment policy consists of investing in diversified assets in an attempt to maximize total return consistent with an acceptable level of risk. The Diocese's endowment management strategy is to provide necessary funds to support various Diocesan activities selected by the donors. Funds are distributed based upon donor-imposed restrictions and the discretion of management.

Diocesan Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 SPMIFA. In accordance with SPMIFA, 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 fund;
2. The purposes of the Diocese and the donor-restricted endowment fund;
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.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2018	\$ 1,159,817	\$ 13,809,850	\$ 14,969,667
Net investment return	-	632,580	632,580
Balance at June 30, 2019	\$ 1,159,817	\$ 14,442,430	\$ 15,602,247
Net investment return	-	211,692	211,692
Balance at June 30, 2020	\$ 1,159,817	\$ 14,654,122	\$ 15,813,939