



Financial Statements
June 30, 2017 and 2016

Archdiocese of Dubuque Administrative Offices

Archdiocese of Dubuque - Administrative Offices

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Independent Auditor's Report

To the Audit Committee
Archdiocese of Dubuque
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Dubuque Administrative Offices (Administrative Offices), a division of the Archdiocese of Dubuque, which comprise the statements of financial position as of June 30, 2017 and 2016, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Archdiocese of Dubuque Administrative Offices, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, management has elected to early adopt the guidance contained in Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in 2017, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. The updates of Accounting Standards Update 2015-07 have been applied retrospectively to the 2016 notes to the financial statements. Our opinion is not modified with respect to that matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
August 28, 2018

Archdiocese of Dubuque - Administrative Offices
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 251,910	\$ 69,294
Deposits in Archdiocese of Dubuque		
Deposit and Loan Fund - Notes 4 and 15	3,089,402	5,247,889
Accounts receivable	1,348,397	914,609
Due from other Archdiocesan funds/organizations	4,196,423	444,882
Prepaid expenses and other assets	22,561	14,528
Investments - Note 2	13,249,558	11,773,537
Assets limited as to use	620,000	1,030,000
Equity in Catholic Umbrella Pool - Note 20	409,069	405,883
Annuity/life insurance contracts - Note 5	735,000	735,000
Property and Equipment, Net - Note 6	593,657	378,457
Beneficial interest in assets held by the Catholic Foundation for the Archdiocese of Dubuque - Note 2	183,660	165,069
Workers' compensation escrow - Note 21	818,625	815,147
	\$ 25,518,262	\$ 21,994,295
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 315,627	\$ 165,664
Interest payable	15,066	18,503
Health claims payable - Note 7	364,858	425,463
Accrued expenses	255,471	225,928
Mission offerings and collections payable - Note 11	418,088	314,050
Notes payable - related - Note 15	3,719,946	5,175,314
Deferred revenue	1,038,273	423,862
Estimated claims payable - Note 8	385,493	1,550,803
Funds held for others - Note 10	604,551	583,931
Total liabilities	7,117,373	8,883,518
Net Assets		
Unrestricted		
Designated for special purposes	11,547,050	8,391,553
Undesignated	4,571,925	2,442,332
	16,118,975	10,833,885
Temporarily restricted - Note 13	1,006,607	1,001,585
Permanently restricted - Note 13	1,275,307	1,275,307
Total net assets	18,400,889	13,110,777
Total liabilities and net assets	\$ 25,518,262	\$ 21,994,295

Archdiocese of Dubuque - Administrative Offices
Statement of Activities
Year Ended June 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Changes in Net Assets				
Revenues and gains				
Archdiocesan Taxa	\$ 2,513,350	\$ -	\$ -	\$ 2,513,350
Fees for services	722,547	-	-	722,547
Programs and workshops	210,008	-	-	210,008
Sale/rental of materials	105,269	-	-	105,269
Charges to other departments	299,323	-	-	299,323
Contributions and bequests	1,103,302	11,875	-	1,115,177
Net investment return - Note 3	1,785,004	92,995	-	1,877,999
Net change in equity in Catholic Umbrella Pool	3,186	-	-	3,186
Rental of property	55,292	-	-	55,292
Sale of property	7	-	-	7
Gain on disposal of fixed assets	1,997	-	-	1,997
Assessments/subsidies	427	-	-	427
Property and liability insurance premiums	2,374,710	-	-	2,374,710
Medical insurance premiums	4,487,660	-	-	4,487,660
Net assets released from restrictions	33,065	(33,065)	-	-
Total Revenues and Gains	13,695,147	71,805	-	13,766,952
Expenses and Losses				
Salaries	2,897,661	-	-	2,897,661
Employee benefits	422,681	-	-	422,681
Medical insurance premiums and claims	5,170,535	-	-	5,170,535
Property and liability insurance claims, net of recoveries	365,542	-	-	365,542
Supplemental insurance premiums - Note 20	507,765	-	-	507,765
Insurance service fees	154,163	-	-	154,163
Professional services	357,236	-	-	357,236
Occupancy	382,206	-	-	382,206
Office supplies and expenses	195,808	-	-	195,808
Telephone	50,437	-	-	50,437
Travel, conventions, and meetings	105,358	-	-	105,358

Archdiocese of Dubuque - Administrative Offices
Statement of Activities
Year Ended June 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Expenses and Losses (continued)				
Dues and memberships	\$ 154,622	\$ -	\$ -	\$ 154,622
Depreciation	61,490	-	-	61,490
Programs and workshops - revenue producing	213,529	-	-	213,529
Programs and workshops - nonrevenue producing	99,310	-	-	99,310
Materials for resale or rental	122,497	-	-	122,497
Education of priests and seminarians	654,896	-	-	654,896
Interest	59,454	-	-	59,454
Grants and contributions	795,396	-	-	795,396
Total Expenses and Losses	12,770,586	-	-	12,770,586
Revenues In Excess of Expenses	924,561	71,805	-	996,366
Transfers to Other Archdiocesan Organizations				
	-	(56,311)	-	(56,311)
Transfer from Education Fund	552,456	-	-	552,456
Transfer from Seminarian Education Fund	197,601	-	-	197,601
Transfer from Deposit and Loan Fund	3,600,000	-	-	3,600,000
Transfer for Endowment Losses - Note 12	10,472	(10,472)	-	-
Total Transfers	4,360,529	(66,783)	-	4,293,746
Change in Net Assets	5,285,090	5,022	-	5,290,112
Net Assets				
Beginning of year	10,833,885	1,001,585	1,275,307	13,110,777
End of year	<u>\$ 16,118,975</u>	<u>\$ 1,006,607</u>	<u>\$ 1,275,307</u>	<u>\$ 18,400,889</u>

Archdiocese of Dubuque - Administrative Offices
Statement of Activities
Year Ended June 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Changes in Net Assets				
Revenues and gains				
Archdiocesan Taxa	\$ 2,449,138	\$ -	\$ -	\$ 2,449,138
Fees for services	653,427	-	-	653,427
Programs and workshops	1,021,112	-	-	1,021,112
Sale/rental of materials	75,031	-	-	75,031
Charges to other departments	277,813	-	-	277,813
Contributions and bequests	357,849	38,255	-	396,104
Net investment return - Note 3	353,333	(22,720)	-	330,613
Net change in equity in				
Catholic Umbrella Pool	(34,849)	-	-	(34,849)
Rental of property	46,085	-	-	46,085
Sale of property	3,393	-	-	3,393
Gain on disposal of fixed assets	93	-	-	93
Assessments/subsidies	131	-	-	131
Property and liability insurance premiums	2,453,407	-	-	2,453,407
Medical insurance premiums	4,296,198	-	-	4,296,198
Net assets released from restrictions	23,083	(23,083)	-	-
Total Revenues and Gains	11,975,244	(7,548)	-	11,967,696
Expenses and Losses				
Salaries	2,670,189	-	-	2,670,189
Employee benefits	475,220	-	-	475,220
Medical insurance premiums and claims	4,555,719	-	-	4,555,719
Property and liability insurance claims, net of recoveries	1,693,444	-	-	1,693,444
Supplemental insurance premiums - Note 20	498,469	-	-	498,469
Insurance service fees	144,500	-	-	144,500
Professional services	208,926	-	-	208,926
Occupancy	318,098	-	-	318,098
Office supplies and expenses	139,695	-	-	139,695
Telephone	54,287	-	-	54,287
Travel, conventions, and meetings	124,130	-	-	124,130

Archdiocese of Dubuque - Administrative Offices
Statement of Activities
Year Ended June 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Expenses and Losses (continued)				
Dues and memberships	\$ 156,978	\$ -	\$ -	\$ 156,978
Depreciation	51,294	-	-	51,294
Programs and workshops - revenue producing	1,012,563	-	-	1,012,563
Programs and workshops - nonrevenue producing	64,219	-	-	64,219
Materials for resale or rental	94,110	-	-	94,110
Education of priests and seminarians	759,620	-	-	759,620
Interest	84,402	-	-	84,402
Grants and contributions	865,367	-	-	865,367
Total Expenses and Losses	13,971,230	-	-	13,971,230
Revenues Less Than Expenses	(1,995,986)	(7,548)	-	(2,003,534)
Transfers to Other Archdiocesan				
Organizations	-	(33,487)	-	(33,487)
Transfer from Education Fund	546,657	-	-	546,657
Transfer from Seminarian Education Fund	198,993	-	-	198,993
Transfer for Endowment Losses - Note 12	(11,971)	11,971	-	-
Total Transfers	733,679	(21,516)	-	712,163
Change in Net Assets	(1,262,307)	(29,064)	-	(1,291,371)
Net Assets				
Beginning of year	12,096,192	1,030,649	1,275,307	14,402,148
End of year	<u>\$ 10,833,885</u>	<u>\$ 1,001,585</u>	<u>\$ 1,275,307</u>	<u>\$ 13,110,777</u>

Archdiocese of Dubuque - Administrative Offices

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 5,290,112	\$ (1,291,371)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	61,490	51,294
Gain on disposal of fixed assets	(1,997)	-
Realized and unrealized gain/loss on investments	(1,382,974)	241,849
Change in equity in Catholic Umbrella Pool	121,520	158,151
Change in beneficial interests held by others	(18,591)	(154,100)
Equity transfers from other Archdiocesan organizations	(4,350,057)	(745,650)
Changes in assets and liabilities		
Assets limited as to use	410,000	(420,000)
Accounts receivable	(433,788)	(215,332)
Due to/from other Archdiocesan funds/organizations	(3,751,541)	3,044,657
Prepaid expenses and other assets	(8,033)	27,081
Workers' compensation escrow	(3,478)	(1,770)
Accounts payable	149,963	32,611
Interest payable	(3,437)	(5,158)
Health claims payable	(60,605)	(230,484)
Accrued expenses	29,543	(60,892)
Mission offerings and collections payable	104,038	(34,757)
Deferred revenue	614,411	(385,883)
Estimated claims payable	(1,165,310)	1,034,599
Funds held for others	20,620	(6,689)
Net Cash from (used for) Operating Activities	(4,378,114)	1,038,156
Investing Activities		
Purchase of property and equipment	(276,690)	(171,894)
Proceeds from disposal of property and equipment	1,997	-
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(9,138,096)	(8,742,220)
Withdrawal from Archdiocese of Dubuque Deposit and Loan Fund	11,296,583	7,561,229
Purchase of investments	(2,878,156)	(1,513,241)
Proceeds from sale of investments	2,785,109	1,546,826
Contributions to Catholic Umbrella Pool	(124,706)	(123,302)
Net Cash from (used for) Investing Activities	1,666,041	(1,442,602)

Archdiocese of Dubuque - Administrative Offices
 Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	2017	2016
Financing Activities		
Equity transfers from other Archdiocesan organizations	\$ 4,350,057	\$ 745,650
Proceeds from note payable - related	985,102	1,964,922
Payments of note payable - related	(2,440,470)	(2,744,095)
Net Cash used for Financing Activities	2,894,689	(33,523)
Net Change in Cash and Cash Equivalents	182,616	(437,969)
Cash and Cash Equivalents at Beginning of Year	69,294	507,263
Cash and Cash Equivalents at End of Year	\$ 251,910	\$ 69,294
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 59,454	\$ 84,402

Note 1 - Organization and Summary of Significant Accounting Policies**Organization**

The information contained in the financial statements relates only to the operations of the Archdiocese of Dubuque - Administrative Offices (Administrative Offices), a division of The Archdiocese of Dubuque. Support for the Administrative Offices comes from Archdiocesan assessments, contributions, insurance premiums and service fees.

Cash and Cash Equivalents

The Administrative Offices consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, assets limited as to use, or other long-term purposes of the Administrative Offices are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of uncollateralized individual obligations and amounts due from insured agencies for premiums. Unpaid accounts receivable are not charged interest on amounts owed. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivables are written off when deemed uncollectable. At June 30, 2017 and 2016, the allowance was \$0.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses.

Certain Catholic organizations of the Archdiocese Diocese of Dubuque, including the Administrative Offices, invest some of their funds in the Archdiocese of Dubuque Alternative Investments Grantor Trust (Alternative Investments Trust), a pooled investment trust managed by the Archdiocese of Dubuque. Holdings in this trust consist of alternative investments which do not have readily determinable fair values and may include partnerships and other interests that invest in multi-strategy funds, private equity funds, hedge funds, private debt funds, and real asset funds, among others. Investment income and gains or losses are allocated based on a proportionate share of each entity's fair value at the time of each periodic allocation.

The Administrative Offices utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Administrative Office will ultimately realize could differ materially.

Assets Limited as to Use

Holy Family Catholic Schools, Dubuque (HFCS) entered into an interest rate swap agreement with Piper Jaffray to “fix” the interest rate on \$8.5 million of bonds issued in 2005. The proceeds from the bond issue funded the construction of Mazzuchelli Middle School. As part of the agreement there are covenants which HFCS must comply with. One of the covenants limits the amount HFCS can spend on capital expenditures annually.

HFCS and Piper Jaffray negotiated a compromise to the covenant which allowed HFCS to conduct a capital campaign to fund renovation of Wahlert High school. The compromise requires HFCS to post collateral equivalent to the liability associated with the agreement. The Administrative Offices initially agreed to post up to \$900,000 of the collateral on behalf of HFCS. However, due to the increase in required collateral as of June 30, 2016, the amount posted by the Administrative Offices increased as well at June 30, 2016. The required amount then decreased as of June 30, 2017. The amounts posted as of June 30, 2017 and 2016 were \$620,000 and \$1,030,000.

Equity in Catholic Umbrella Pool

The Administrative Offices accounts for its participation interest in the Catholic Umbrella Pool under the equity method. The Administrative Offices shares in the operating and investment income and expenses of the Catholic Umbrella Pool based on their contributions into the fund.

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at the fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 4 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The Administrative Offices review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2017 and 2016.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted net assets – designated for special purposes consist of net assets designated by the Administrative Offices for specific programs.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Administrative Offices and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by management.

The Administrative Offices report contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Administrative Offices. The restrictions stipulate that resources be maintained permanently, but permit the Administrative Offices to expend the income generated in accordance with the provisions of the agreements.

Property and Liability Insurance Claims

The Administrative Offices provides insurance coverage to all Catholic parishes, schools, cemeteries and other Catholic organizations of the Archdiocese of which the Archbishop of Dubuque is the president of the corporation. Insurance claims reserves are the estimated amounts necessary to settle outstanding claims, based on the facts in each case and the Archdiocese's experience with similar cases. The agencies are assessed insurance premiums to fund claims and operating expenses of the Administrative Offices.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Income Taxes

The Archdiocese of Dubuque is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(i). The Archdiocese of Dubuque is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Archdiocese of Dubuque is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Archdiocese of Dubuque has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Administrative Offices believes that it has appropriate purpose for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Administrative Offices would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Administrative Offices manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Administrative Offices have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from related entities within the Archdiocese. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Council. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Administrative Offices.

Change in Accounting Principle

Management has elected to early adopt the guidance contained in ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in 2017, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. ASU 2015-07 was applied retrospectively to disclosures presented in 2016 (Note 2). The Administrative Offices has adopted this standard as it eliminates a known diversity in practice for determining whether assets measured at fair value by using the net asset value per share as practical expedient are classified as Level 2 or Level 3 within the fair value hierarchy.

Subsequent Events

The Administrative Offices have evaluated subsequent events through August 28, 2018, the date which the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Administrative Offices can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2017 and 2016

Level 3 – Unobservable inputs for the asset. In these situations, the Administrative Offices develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Administrative Offices’ assessment of the quality, risk or liquidity profile of the asset.

A significant portion of the Administrative Offices’ investment assets are classified within Level 1 because they are comprised of open-end mutual funds and stocks with readily determinable fair values based on daily redemption values. The fair value of the Fund’s beneficial interest in assets held by the Catholic Foundation for the Archdiocese of Dubuque (CFAD) is based on the fair value of the fund investments as reported by CFAD. These are considered to be Level 3 measurements.

The Administrative Offices use Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners’ capital, to estimate the fair values of certain commodities funds and real estate funds which do not have readily determinable fair values. The Administrative Offices’ estimate of fair value of the Alternative Investments Trust is determined using the calculated allocation of net asset value provided by the trust administrator. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2017 are as follows:

	Total	Fair Value Measurements at Report Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Investments					
Growth Funds Domestic and international	\$ 9,618,840	\$ 9,618,840	\$ -	\$ -	\$ -
Inflation Protection Assets					
Interest in limited partnership	773	-	-	-	773
Risk Reduction Assets					
Domestic fixed assets mutual funds	1,657,227	1,657,227	-	-	-
Global fixed assets mutual funds	29,785	29,785	-	-	-
Hedge funds	14,583	-	-	-	14,583
Alternative Investments Trust	1,928,350	-	-	-	1,928,350
	<u>\$ 13,249,558</u>	<u>\$ 11,305,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,943,706</u>
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque	<u>\$ 183,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,660</u>	<u>\$ -</u>

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2017 and 2016

Assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2016 are as follows:

	Total	Fair Value Measurements at Report Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Investments					
Growth Funds Domestic and international	\$ 8,849,683	\$ 8,849,683	\$ -	\$ -	\$ -
Inflation Protection Assets					
Interest in limited partnership	4,838	-	-	-	4,838
Risk Reduction Assets					
Domestic and international	481,168	481,168	-	-	-
Domestic fixed assets mutual funds	1,187,693	1,187,693	-	-	-
Global fixed assets mutual funds	349,994	349,994	-	-	-
Hedge funds	900,161	-	-	-	900,161
	<u>\$ 11,773,537</u>	<u>\$ 10,868,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,999</u>
Beneficial Interest in Assets Held by the Catholic Foundation for the Archdiocese of Dubuque	<u>\$ 165,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,069</u>	<u>\$ -</u>

Below is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	2017	2016
Beginning Balance	\$ 165,069	\$ 10,969
Purchases/contributions of investments	-	152,203
Interest and dividends	3,137	876
Distributions during the year	(440)	(442)
Change in unrealized gain (loss)	17,963	1,661
Realized loss	(1,077)	(134)
Administrative fees	(992)	(64)
Ending Balance	<u>\$ 183,660</u>	<u>\$ 165,069</u>
Unrealized Gain (Loss) Included in Net Investment Return in the Statement of Activities Relating to Assets Still Held at Year End	<u>\$ 17,963</u>	<u>\$ 1,661</u>

Investments in certain entities that calculate NAV per share are as follows at June 30, 2017 and 2016:

	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>June 30, 2017</u>				
Interest in Limited Partnership	\$ 773	\$ -	Illiquid	None
Hedge Funds	14,583	-	Quarterly	60 days
Alternative Investments Trust	1,928,350	-	(1)	None
	<u>\$ 1,943,706</u>	<u>\$ -</u>		
<u>June 30, 2016</u>				
Interest in Limited Partnership	\$ 4,838	\$ -	Illiquid	None
Hedge Funds	900,161	-	Quarterly, Annually	60 days, 100 days
	<u>\$ 904,999</u>	<u>\$ -</u>		

(1) Generally, participants may make contributions to and withdrawals from the Trust at any time, subject to minimum and upper balance limits that the trustees may set from time to time.

The interest in limited partnership's objective is to maximize the total return to shareholders through cash dividends and appreciation in the value of the shares through investment in a real estate portfolio consisting of undeveloped land, residential, multi-family, condominium units, industrial, retail, and office properties.

The hedge funds' objectives are to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through portfolios having a diversified risk profile.

The Alternative Investments Trust's strategy includes long-term preservation of capital, maximizing long-term total return and avoidance of market timing techniques that rely upon subjective short-term market forecasts.

Note 3 - Net Investment Return

Net investment return consists of the following for years ended June 30, 2017 and 2016:

	2017	2016
Interest and Dividends	\$ 495,025	\$ 572,462
Net Realized and Unrealized Gain (Loss)	1,382,974	(241,849)
	\$ 1,877,999	\$ 330,613

Note 4 - Deposits in Archdiocese of Dubuque Deposit and Loan Fund

Certain funds are deposited into the Archdiocese of Dubuque Deposit and Loan Fund. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at June 30, 2017. The interest earned on these deposits amounted to \$53,160 and \$11,036 for the years ended June 30, 2017 and 2016.

Note 5 - Annuity/Life Insurance Contracts

Annuity/life insurance contracts are designed to provide the Administrative Offices with interest/annuity payments throughout the life of the annuitant/insured. The Administrative Offices is the owner and named beneficiary of life insurance policies in the amount of the initial investment in these contracts. These investments are recorded at the original amount invested.

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 43,781	\$ -	\$ 33,372	\$ -
Land Improvements	33,372	26,337	25,270	25,270
Buildings and Improvements	2,303,785	1,881,416	2,066,025	1,851,253
Equipment	1,011,243	928,192	981,512	897,932
Construction in progress	37,421	-	46,733	-
	\$ 3,429,602	\$ 2,835,945	\$ 3,152,912	\$ 2,774,455
Net property and equipment	\$ 593,657		\$ 378,457	

Construction in progress consists of costs incurred to replace windows in the Administrative Offices building. The project was completed during fiscal year 2018 with a total cost approximating \$154,000 and was financed from operations.

Note 7 - Health Claims Payable

The Administrative Offices offer health insurance coverage to all eligible lay and religious employees of parishes, schools, cemeteries, and other agencies. Health claims payable reflects an estimated amount established for claims occurred by, but reported after, June 30, 2017 and 2016.

The Administrative Offices purchase reinsurance from First Administrators, Inc. for coverage of specific individual claims in excess of \$150,000 and aggregate claims in excess of 125% of estimated claims set by First Administrators, Inc. (based on individual plans and demographic actuarial information).

Note 8 - Estimated Claims Payable

Estimated claims payable reflects an estimated amount established for claims occurred by, but reported after, June 30, 2017 and 2016.

Note 9 - Notes Payable - Related

Notes payable – related consist of unsecured notes due to Archdiocese of Dubuque Deposit and Loan. Interest on the outstanding balances accrue at 1.5% per annum at June 30, 2017 and 2016.

Note 10 - Funds Held for Others

Funds held for others include funds held by the Archdiocese of Dubuque on behalf of other agencies or organizations to which principal and/or investment income is to be disbursed.

Note 11 - Mission Offerings and Collections Payable

The Administrative Offices receive mission offerings on behalf of The Society for the Propagation of the Faith, as well as the proceeds of other collections held in the Archdiocese. These funds are held temporarily by the Administrative Offices before being transferred to the designated agencies or organizations. The balance is comprised of the following:

	2017	2016
Missions Offerings Payable	\$ 23,340	\$ 12,561
Collections Payable	394,748	301,489
	\$ 418,088	\$ 314,050

Note 12 - Endowments

The Administrative Offices' endowment (the Endowment) consists of individual funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Administrative Offices' Finance Council has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Administrative Offices classify as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Administrative Offices in a manner consistent with the standard of prudence prescribed by UPMIFA. The Administrative Offices consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2017 and 2016, the Administrative Offices had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Donor-restricted endowment funds	\$ (6,445)	\$ 222,240	\$ 1,275,307	\$ 1,491,102
June 30, 2016				
Donor-restricted endowment funds	\$ (16,917)	\$ 195,404	\$ 1,275,307	\$ 1,453,794

Certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the fund). A deficiency of \$6,445 and \$16,917 is reported in unrestricted net assets at June 30, 2017 and 2016.

Archdiocese of Dubuque - Administrative Offices

Notes to Financial Statements

June 30, 2017 and 2016

Investment and Spending Policies

The Administrative Offices have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Administrative Offices must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Administrative Offices expect its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Administrative Offices rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Administrative Offices target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in Endowment net assets for the year ending June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2017				
Endowment net assets, beginning of year	\$ (16,917)	\$ 195,404	\$ 1,275,307	\$ 1,453,794
Investment return:				
Investment income	-	89,812	-	89,812
Appropriation of endowment assets for expenditure	-	(52,504)	-	(52,504)
Other changes:				
Transfers for endowment loss	<u>10,472</u>	<u>(10,472)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (6,445)</u>	<u>\$ 222,240</u>	<u>\$ 1,275,307</u>	<u>\$ 1,491,102</u>

Archdiocese of Dubuque - Administrative Offices
Notes to Financial Statements
June 30, 2017 and 2016

Changes in Endowment net assets for the year ending June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2016				
Endowment net assets, beginning of year	\$ (4,946)	\$ 238,177	\$ 1,275,307	\$ 1,508,538
Investment return:				
Investment loss	-	(22,775)	-	(22,775)
Appropriation of endowment assets for expenditure	-	(31,969)	-	(31,969)
Other changes:				
Transfers for endowment loss	<u>(11,971)</u>	<u>11,971</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (16,917)</u>	<u>\$ 195,404</u>	<u>\$ 1,275,307</u>	<u>\$ 1,453,794</u>

Archdiocese of Dubuque - Administrative Offices
Notes to Financial Statements
June 30, 2017 and 2016

Note 13 - Restricted Net Assets

Restricted funds by net asset class are as follows:

Purpose	2017		2016	
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Archdiocesan funds restricted for the benefit of other Archdiocesan organizations				
C. Helin Estate	\$ 880	\$ 10,000	\$ (205)	\$ 10,000
Kohl Estate	1,048	27,878	(571)	27,878
Conrin Estate	-	42,640	-	42,640
John Fassbinder Trust	2	500,000	(10,242)	500,000
Ertl Scholarship	4,076	53,885	1,539	53,885
Ed Helin Estate	88	1,000	(21)	1,000
M. Beatrice Spiegel Trust	1,243	5,000	1,181	5,000
Amy Koscheder Memorial Fund	(6,444)	33,870	(5,877)	33,870
Fr. Frese Estate	52,545	-	55,818	-
William Butt Estate	139,460	384,534	136,449	384,534
Ray/Eileen Seitz Scholarship Fund	3,100	15,000	1,747	15,000
Fr. Nestor Goedken Trust	72,088	200,000	54,250	200,000
Family Life	-	-	-	-
Communications	315,013	-	315,013	-
Domestic Violence	4,930	-	4,930	-
Vocations	46,086	-	64,899	-
Vocation Awareness	7,000	-	7,000	-
Diaconate Formation Scholarships	255	1,500	238	1,500
Waterloo Deanery Priests' Scholarships	4,491	-	4,433	-
Hispanic Ministry	7,547	-	7,547	-
Flood Relief	69,568	-	69,568	-
Unexpended Technology Grant	14,982	-	17,359	-
Latin American Fund	261,404	-	258,813	-
C. Menke - for masses	800	-	800	-
	<u>1,000,162</u>	<u>1,275,307</u>	<u>984,668</u>	<u>1,275,307</u>
Transfer of negative endowment balances from temporarily restricted to unrestricted	6,445	-	16,917	-
	<u>\$ 1,006,607</u>	<u>\$ 1,275,307</u>	<u>\$ 1,001,585</u>	<u>\$ 1,275,307</u>

Net assets were released from restrictions as follows during the years ending June 30, 2017 and 2016:

	2017	2016
Satisfaction of Purpose Restrictions		
Vocations	\$ 30,688	\$ 23,083
Technology	2,377	-
	<u>\$ 33,065</u>	<u>\$ 23,083</u>

Note 14 - Pension Plan

The Administrative Offices have a defined contribution contributory pension plan under code Section 401(k) which covers employees who have worked for the Archdiocese for at least one year. The Administrative Offices contributes up to 5% of employee compensation, based on the amount of employee contributions. The policy is to fund pension cost as accrued. The total expense for the plan for the years ended June 30, 2017 and 2016 was \$113,025 and \$108,777.

Note 15 - Related Party Transactions

The Administrative Offices by its nature engages in transactions with other separately incorporated nonprofit Catholic institutions and organizations in northeast Iowa. The Archdiocese of Dubuque is a separate corporate entity. The Administrative Offices receive financial support from these other entities. Among these transactions include transfers from the Archdiocese of Dubuque Education Fund and Seminarian Education Fund for education expenses incurred during the year, transfers to various Archdiocesan agencies to fulfill restricted purposes, deposits with the Archdiocese of Dubuque Deposit & Loan Fund, and a note payable with the Archdiocese of Dubuque Deposit and Loan Fund. The Administrative Offices also invests in the Archdiocese of Dubuque Alternative Investments Grantor Trust. The Archdiocese of Dubuque Deposit and Loan Fund and the Archdiocese of Dubuque Alternative Investments Grantor Trust are related/affiliated organizations through common management and/or board membership and religious affiliation. The following table summarizes the respective amounts for the years ended June 30, 2017 and 2016:

	2017	2016
Archdiocese of Dubuque Deposit and Loan Fund:		
Funds deposited on account	\$ 3,089,402	5,247,889
Notes payable for funds borrowed	3,719,946	5,175,314
Transfer from Archdiocese of Dubuque Deposit and Loan Fund	3,600,000	-
Investment in Archdiocese of Dubuque Alternative Investment Trust	1,928,350	-
St. Raphael Priest Fund Society of the Archdiocese of Dubuque:		
Administration fee charged for services	60,000	30,000
Insurance premium charges received	28,000	28,000
Archdiocese of Dubuque Education Fund - received transfer of funds	552,456	546,657
Archdiocese of Dubuque Seminarian Education Fund - received transfer of funds	197,601	198,993

Note 16 - Loan Guarantee

The Archdiocese of Dubuque Administrative Offices guaranteed a loan for Cedar Valley Catholic Schools, Waterloo, in the amount of \$4.5 million. The loan, dated February 23, 2012, matured on February 23, 2017. At that time, Cedar Valley Catholic Schools restructured the debt, and the Administrative Offices no longer guarantees the debt.

Note 17 - Bond Issue Guarantee

The Archdiocese of Dubuque Deposit and Loan Fund, Education Fund and Administrative Offices has guaranteed the following bond issue as of June 30, 2017 and 2016:

	2017	2016
Holy Family Catholic Schools, Dubuque - Variable Rate Demand Education Facilities Revenue Bonds, Due Periodically Beginning 2021 Through 2036	<u>\$ 9,898,575</u>	<u>\$ 10,000,000</u>

The Archdiocese of Dubuque Deposit and Loan Fund, Education Fund and Administrative Offices previously guaranteed a bond issue for Newman Catholic School as well. This debt was restructured during fiscal year 2017 and a guarantee is no longer required.

Note 18 - Loss Contingency

In addition to the estimated claims payable reflected in these financial statements, additional significant losses from unreported occurrences and from claims in excess of the estimated liability for reported occurrences are possible. Since the Administrative Offices is responsible for approximately the first \$1,000,000 for each occurrence after July 6, 1987, the potential amount of additional loss is significant.

Note 19 - Insurance Coverages Provided

The Administrative Offices provides insurance coverage to all parishes, institutions, cemeteries, and agencies.

The types and amount of different coverages follow:

Type of Coverage	Amount of Coverage
Property Loss	Full replacement cost with \$500 deductible per occurrence
Autos – Collision	Actual cost value with \$500 deductible per occurrence
Autos – Comprehensive	Repair cost up to actual cash value with \$500 deductible
Liability	Full with no deductible
Boiler	Full replacement cost with \$500 deductible
Workers' Compensation	Statutory; no deductible

There are no co-insurance provisions for any coverage provided.

Note 20 - Supplemental Insurance Coverage

The Administrative Offices is currently reinsured by commercial carriers as follows (coverage limits are different for claims prior to fiscal year 1998):

	<u>Reinsurance Coverage</u>
Claims Basis	Occurrence
Specific Excess Coverage (Per Occurrence):	
Boiler	Over \$1,000
Workers' compensation claims	Over \$1,000,000
All other claims (excluding sexual misconduct)	Over \$1,000,000
Aggregate Excess Coverage (Total all claims by year)	\$2,000,000

The cost of claims up to the reinsurance level is the sole responsibility of the Administrative Offices, except for a \$500 deductible for each property, automobile and boiler loss. The reinsurance coverage has a limit of \$20,000,000 per occurrence and in the aggregate for liability claims and \$99,000,000 per occurrence and in the aggregate for property claims.

Reinsurance coverage for sexual misconduct, subsequent to July 1, 1999, is as follows:

	<u>Reinsurance Coverage</u>
Aggregate Excess Coverage (Total all claims by year)	up to \$1,000,000

The Administrative Offices has no specific coverage for sexual misconduct claims prior to July 1, 1990.

The Administrative Offices joined several other similar entities to participate in the Catholic Umbrella Pool (CUP). CUP was formed to insure participants for excess general liability and morality claims. The participating entities are liable for any losses beyond CUP's ability to fund losses. However, the Administrative Offices' exposure to additional loss funding, if any, because of its participation in CUP is unknown.

The Administrative Offices' contribution to CUP was \$124,706 and \$123,302 for the years ended June 30, 2017 and 2016. The Administrative Offices' equity interest in the pool increased by \$3,186 and decreased by \$(34,849) during the years ended June 30, 2017 and 2016. The Administrative Offices has a 1.63% and 1.73% equity interest in the pool at June 30, 2017 and 2016.

Note 21 - Workers' Compensation Escrow

The state of Iowa requires \$810,000 to be held in escrow at a bank to fund the self-insured workers' compensation plan.

Note 22 - Pending Claims

The Archdiocese of Dubuque is subject to various unresolved claims at June 30, 2017. While amounts claimed may be substantial, the ultimate liability to the Administrative Offices, with respect to such claims, cannot be determined at this time. Conversely, the Administrative Offices has instituted subrogation proceedings against others whom the Administrative Offices deems financially responsible for certain claims paid by the Administrative Offices. The amount to be received by the Administrative Offices with respect to such proceedings cannot be determined at this time.