



Financial Statements
June 30, 2017 and 2016

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

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Independent Auditor's Report

To the Audit Committee
St. Raphael Priest Fund Society of the Archdiocese of Dubuque
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of St. Raphael Priest Fund Society of the Archdiocese of Dubuque (St. Raphael Priest Fund), 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 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 of 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 St. Raphael Priest Fund Society of the Archdiocese of Dubuque, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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.

Correction of Error

As discussed in Note 13 to the financial statements, an error was discovered related to the reporting of deferred health insurance premium revenue, accounts receivable, and corresponding health insurance premium revenue. Accordingly, adjustments were made in the financial statements to restate these items for 2016, as well as the beginning net asset balance as of July 1, 2015. Our opinion is not modified with respect to this matter.



Dubuque, Iowa
August 28, 2018

St. Raphael Priest Fund Society of the Archdiocese of Dubuque
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		(As Restated)
Cash and cash equivalents	\$ 90,490	\$ 93,433
Deposits in Archdiocese of Dubuque Deposit and Loan Fund – Note 4	133,092	219,643
Accounts receivable	45,788	13,630
Interest receivable	2,816	2,904
Other receivable	550,706	25,107
Due from other Archdiocesan funds/organizations	513,074	187,331
Note receivable – Note 5	279,297	288,031
Investments – Note 2	5,012,538	4,818,764
Cash surrender value of life insurance	27,915	27,915
Property and equipment, net – Note 6	1,787,923	1,892,064
Total assets	\$ 8,443,639	\$ 7,568,822
Liabilities and Net Assets		
Liabilities		
Accounts payable		
Trade	\$ 176,878	\$ 97,183
Annuities payable – related – Note 7	51,775	54,050
Estimated claims – Note 8	73,787	23,276
Accrued payroll and vacation	4,648	3,501
Annuities payable – Note 7	1,478,025	1,670,391
Deferred revenue	380,768	401,843
Total liabilities	2,165,881	2,250,244
Net Assets		
Unrestricted		
Designated to provide benefits for priests with extraordinary needs	6,277,758	5,318,578
Total liabilities and net assets	\$ 8,443,639	\$ 7,568,822

	2017		
	Operating Fund	Villa Raphael	Total
Changes in Net Assets			
Revenue, Support and Gains			
Contributions			
Annuities	\$ 26,799	\$ -	\$ 26,799
Other	722,405	-	722,405
Health insurance premiums	831,510	-	831,510
Net investment return – Note 3	784,294	-	784,294
Rent	-	241,901	241,901
Change in Split-Interest Agreements	249,412	-	249,412
Total revenue, support and gains	<u>2,614,420</u>	<u>241,901</u>	<u>2,856,321</u>
Expenses			
Salaries	-	114,177	114,177
Employee taxes and benefits	-	14,456	14,456
Benefits paid			
Health care	963,522	-	963,522
Interest on annuities	284,937	-	284,937
Other financial assistance	163,425	-	163,425
Professional services	103,496	17,143	120,639
Occupancy	-	117,889	117,889
Office supplies and expenses	495	4,205	4,700
Travel	-	1,103	1,103
Dues and memberships	-	111	111
Depreciation	-	112,182	112,182
Total expenses	<u>1,515,875</u>	<u>381,266</u>	<u>1,897,141</u>
Change in Unrestricted Net Assets	1,098,545	(139,365)	959,180
Net Assets (Deficit)			
Beginning of year	7,166,561	(1,847,983)	5,318,578
Restatement - Note 13	-	-	-
Beginning of year, as restated	<u>7,166,561</u>	<u>(1,847,983)</u>	<u>5,318,578</u>
End of year	<u>\$ 8,265,106</u>	<u>\$ (1,987,348)</u>	<u>\$ 6,277,758</u>

See Notes to Financial Statements

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Statements of Activities

Years Ended June 30, 2017 and 2016

2016 (As Restated)		
Operating Fund	Villa Raphael	Total
\$ 37,327	\$ -	\$ 37,327
137,784	-	137,784
804,950	-	804,950
(75,724)	-	(75,724)
-	215,057	215,057
66,288	-	66,288
970,625	215,057	1,185,682
-	140,090	140,090
-	17,401	17,401
782,458	-	782,458
269,143	-	269,143
50,939	-	50,939
67,291	17,033	84,324
-	120,160	120,160
1,008	4,159	5,167
-	1,612	1,612
-	65	65
-	110,839	110,839
1,170,839	411,359	1,582,198
(200,214)	(196,302)	(396,516)
7,767,825	(1,651,681)	6,116,144
(401,050)	-	(401,050)
7,366,775	(1,651,681)	5,715,094
\$ 7,166,561	\$ (1,847,983)	\$ 5,318,578

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

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

	2017	2016 (As Restated)
Operating Activities		
Change in net assets	\$ 959,180	\$ (396,516)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	112,182	110,839
Realized and unrealized (gain) loss on investments	(676,624)	184,925
Changes in assets and liabilities		
Accounts receivable	(32,158)	(13,630)
Note receivable	8,734	7,922
Interest receivable	88	80
Other receivable	(525,599)	140,208
Due to/from other Archdiocesan funds/organizations	(325,743)	(14,345)
Prepaid expenses	-	11,713
Cash surrender value of life insurance	-	(2,137)
Accounts payable	127,931	45,339
Accrued payroll and vacation	1,147	(11,325)
Annuities payable	(192,366)	22,909
Deferred revenue	(21,075)	(7,257)
Net Cash from (used for) Operating Activities	(564,303)	78,725
Investing Activities		
Deposits to Archdiocese of Dubuque Deposit and Loan Fund	(1,115,078)	(1,279,472)
Withdrawals from Archdiocese of Dubuque Deposit and Loan Fund	1,201,629	1,111,133
Purchase of investments	(364,454)	(61,705)
Proceeds from sale of investments	847,304	57,209
Purchases of property and equipment	(8,041)	(18,131)
Net Cash from (used for) Investing Activities	561,360	(190,966)
Net Change in Cash and Cash Equivalents	(2,943)	(112,241)
Cash and Cash Equivalents, Beginning of Year	93,433	205,674
Cash and Cash Equivalents, End of Year	\$ 90,490	\$ 93,433

Note 1 - Organization and Significant Accounting Policies

Organization

The purpose of St. Raphael Priest Fund Society of the Archdiocese of Dubuque (St. Raphael Priest Fund) is to assist the Archdiocese of Dubuque (Archdiocese) in the support and care of its retired, disabled, and infirm priests in conformance with the laws, theology, philosophy, teachings, and doctrines of the Roman Catholic Church.

St. Raphael Priest Fund also operates the Villa Raphael, a 16-unit independent living facility for retired priests. Villa Raphael offers a full range of services, including meals, laundry, and housekeeping. All retired priests of the Archdiocese of Dubuque are eligible to live at the Villa Raphael.

Cash and Cash Equivalents

St. Raphael Priest Fund considers 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, or other long-term purposes of St. Raphael Priest Fund are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due to cover insurance and other benefits for priests in the Archdiocese. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2017 and 2016, the allowance was \$0.

Note Receivable

Note receivable is stated at principal amount and is collateralized by a real estate mortgage. Payments of the note receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management reviews all notes receivable periodically and estimates a portion, if any, of the balance that will not be collected. Accrued interest is stated separately.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded at cost, or if donated, at fair value on the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation is 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.

St. Raphael Priest Fund reviews 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.

Charitable Gift Annuities

Under charitable gift annuity contracts, St. Raphael Priest Fund receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

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 values in the statements 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 of Dubuque, including St. Raphael Priest Fund, 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.

St. Raphael Priest Fund 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 St. Raphael Priest Fund will ultimately realize could differ materially.

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 board-designated net assets consist of net assets designated to provide benefits for priests with extraordinary needs.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of St. Raphael Priest Fund 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.

St. Raphael Priest Fund reports 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 St. Raphael Priest Fund. The restrictions stipulate that resources be maintained permanently, but permit St. Raphael Priest Fund to expend the income generated in accordance with the provisions of the agreements.

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.

Benefits

St. Raphael Priest Fund covers active priests' health insurance premiums and special health needs of the priests. Parishes and other Archdiocesan institutions contribute a portion of the active priests' health insurance premiums.

Functional Allocation of Expenses

The costs of program and supporting services activities have reported based on natural classification in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 12 presents total expenses by function.

Incomes Taxes

St. Raphael Priest Fund is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service (IRS) 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) as an integrated auxiliary of a church. St. Raphael Priest Fund is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, St. Raphael Priest Fund is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. St. Raphael Priest Fund 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.

St. Raphael Priest Fund believes that it has appropriate support 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. St. Raphael Priest Fund 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

St. Raphael Priest Fund manages 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, St. Raphael Priest Fund has 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 St. Raphael Priest Fund.

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 St. Raphael Priest Fund 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

St. Raphael Priest Fund has 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 St. Raphael Priest Fund 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.

Level 3 – Unobservable inputs for the asset. In these situations, St. Raphael Priest Fund develops 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 St. Raphael Priest Fund's assessment of the quality, risk or liquidity profile of the asset or liability. 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 an assessment of the quality, risk or liquidity profile of the asset.

A significant portion of St. Raphael Priest Fund's 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.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships which do not have readily determinable fair values. St. Raphael Priest Fund's 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

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

The following table presents 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:

	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
<u>Assets</u>					
<u>Investments</u>					
Growth Funds					
Domestic and international	\$ 4,328,843	\$ 4,328,843	\$ -	\$ -	\$ -
Inflation Protection Assets					
Interest in limited partnership	290	-	-	-	290
Risk Reduction Assets					
Domestic fixed assets mutual funds	573,446	573,446	-	-	-
Global fixed assets mutual funds	-	-	-	-	-
Hedge fund	5,471	-	-	-	5,471
Alternative Investment Trust	104,488	-	-	-	104,488
Total investments	<u>\$ 5,012,538</u>	<u>\$ 4,902,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,249</u>

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

The following table presents 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:

<u>Assets</u>	<u>Total</u>	<u>in Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Investments Measured at NAV</u>
<u>Investments</u>					
Growth Funds					
Domestic and international	\$ 3,894,060	\$ 3,894,060	\$ -	\$ -	\$ -
Inflation Protection Assets					
Interest in limited partnership	4,521	-	-	-	4,521
Risk Reduction Assets					
Domestic fixed assets mutual funds	558,262	558,262	-	-	-
Global fixed assets mutual funds	109,846	109,846	-	-	-
Hedge funds	252,075	-	-	-	252,075
Total investments	<u>\$ 4,818,764</u>	<u>\$ 4,562,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,596</u>

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

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	\$ 290	\$ -	Illiquid	None
Hedge Fund	5,471	-	Quarterly	60 days
Alternative Investment Trust	104,488		(1)	None
	\$ 110,249	\$ -		

(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.

June 30, 2016

Interest in Limited Partnership	\$ 4,521	\$ -	Illiquid	None
Hedge Funds	252,075	-	Quarterly, Annually	60 days, 100 days
	\$ 256,596	\$ -		

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 Investment 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:

	2017	2016
Interest and Dividends	\$ 107,670	\$ 109,201
Net Realized and Unrealized Gain (Loss)	676,624	(184,925)
	\$ 784,294	\$ (75,724)

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

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

Certain funds of St. Raphael Priest Fund are deposited in the Archdiocese of Dubuque Deposit and Loan Fund, a separate 501(c)(3) corporation. These deposits can be withdrawn on demand and currently earn interest at the rate of 1.0% per annum at both June 30, 2017 and 2016. Negative deposit (payable) balances accrue interest at the same rates.

Note 5 - Note Receivable

During the fiscal year ended June 30, 2010, St. Raphael Priest Fund entered into a loan agreement with another non-profit organization. The \$325,000 promissory note requires bi-annual payments ranging from \$11,348 to \$13,426 with a lump sum payment of \$187,890 in October 2024. The note bears interest at 6% and is secured by a mortgage. The balance of this note as of June 30, 2017 and 2016 was \$279,297 and \$288,031.

Note 6 - Property and Equipment

Property and equipment consists of the following:

	2017		2016	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 60,996	\$ -	\$ 60,996	\$ -
Land Improvements	16,672	16,672	16,672	16,672
Buildings and Improvements	3,245,350	1,523,899	3,241,239	1,413,182
Equipment	50,459	44,983	46,529	43,518
	<u>\$ 3,373,477</u>	<u>\$ 1,585,554</u>	<u>\$ 3,365,436</u>	<u>\$ 1,473,372</u>
Net Property and Equipment		<u>\$ 1,787,923</u>		<u>\$ 1,892,064</u>

Note 7 - Split-Interest Agreements

St. Raphael Priest Fund has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, St. Raphael Priest Fund is obligated to provide an annuity to the donor or other designated beneficiaries for the life of the annuitant.

A liability is recognized for the estimated present value of the annuity obligation, and the assets are recorded at their gross market value for agreements where St. Raphael Priest Fund is the trustee. Annuities payable represents the net present value of the estimated remaining payments (using a discount rate of 8%) due to annuitants; this liability is reevaluated annually for changes in the life expectancy of the annuitants. Assets of St. Raphael Priest Fund that are derived from split-interest agreements are held in general cash and investments.

Note 8 - Estimated Claims Payable

Estimated claims payable is reflected at the amount established for claims reported by August 31, 2017 and 2016, which occurred by the end of the accounting period but have not been settled by June 30, 2017 and 2016, respectively. No provision is made in the statements for claims incurred but not reported after August 31, 2017 and 2016 for each respective year.

Note 9 - Related Party Transactions

St. Raphael Priest Fund engages in transactions with the Archdiocese of Dubuque and its parishes, institutions, and organizations. St. Raphael Priest Fund has a technical services agreement with the Archdiocese of Dubuque Administration Fund for bookkeeping and financial reporting services. The fee for this service was \$60,000 and \$30,000 for the years ended June 30, 2017 and 2016. At June 30, 2017 and 2016, \$90,000 and \$30,000 is included in accounts payable on the statement of financial position. St. Raphael Priest Fund has property insurance coverage through the Dubuque Archdiocese Protection Plan (DAPP) for the Villa Raphael. The insurance premium was \$28,000 for the years ended June 30, 2017 and 2016. At June 30, 2017, included in accounts payable is a \$14,055 payable to the Dubuque Archdiocese Protection Plan, which is a part of the Archdiocese of Dubuque Administration Fund.

St. Raphael Priest Fund has money deposited with and/or payable to the Archdiocese of Dubuque Deposit and Loan Fund and invests in the Archdiocese of Dubuque Alternative Investments Grantor Trust, both of which are related organizations through common management and religious affiliation.

Note 10 - Dissolution of the Society

In the event of dissolution of St. Raphael Priest Fund, its remaining assets will be distributed to the Archdiocese of Dubuque to be held by the Archdiocese as a permanent endowment. The income from the endowment shall be restricted for the care and support of retired, disabled, or infirm priests of the Archdiocese.

Note 11 - Health Insurance Claims

St. Raphael Priest Fund self-insures for losses related to health benefits for active priests not covered by Medicare. For those active priests who are covered by Medicare, St. Raphael Priest Fund purchases Medicare supplemental insurance. St. Raphael Priest Fund purchases reinsurance for coverage of specific individual claims in excess of \$50,000 and aggregate claims in excess of 125% of actuarially estimated claims. A provision for estimated health claims outstanding is included in liabilities.

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - Functionalized Expenses

Total expenses by function were as follows:

	2017	2016
St. Raphael Priest Fund	\$ 1,448,605	\$ 1,133,364
Villa Raphael	380,950	410,891
Total program expenses	1,829,555	1,544,255
Administration and General	67,586	37,943
Total expenses	\$ 1,897,141	\$ 1,582,198

Note 13 - Correction of Error

An error which impacted prior periods was discovered relating to the reporting of deferred health insurance premium revenue, accounts receivable, and corresponding health insurance premium revenue. Accordingly, adjustments were made in the financial statements to restate the earliest net asset balances presented in these financial statements and to restate 2016 activity to correct the error.

It was discovered during the current year that health insurance premiums billed for active Priests are billed on a calendar-year basis as opposed to a fiscal-year basis. The error in properly accounting for deferred revenue and accounts receivable related to health insurance revenue originated in a previous year and thus, adjustments are necessary in these 2017 financial statements to restate the earliest net asset balances presented, which is the beginning net asset balance as of July 1, 2015. Deferred revenue and accounts receivable are being corrected beginning with the 2016 balances.

The following is a summary of the effects of the restatement in the St. Raphael Priest Fund's June 30, 2016 statement of financial position:

	As Previously Reported	Adjustment	As Restated
As of June 30, 2016			
Accounts receivable	\$ -	\$ 13,630	\$ 13,630
Total assets	7,555,192	13,630	7,568,822
Deferred revenue	2,598	399,245	401,843
Total liabilities	1,850,999	399,245	2,250,244
Net Assets			
Unrestricted			
Designated to provide benefits for priests with extraordinary needs	5,704,193	(385,615)	5,318,578
Total liabilities and net assets	7,555,192	13,630	7,568,822

St. Raphael Priest Fund Society of the Archdiocese of Dubuque

Notes to Financial Statements

June 30, 2017 and 2016

The following is a summary of the effects of the restatement in the St. Raphael Priest Fund's June 30, 2016 statement of activities:

	As Previously Reported	Adjustment	As Restated
Year Ended June 30, 2016			
Changes in net assets			
Revenue, support and gains			
Health insurance premiums	\$ 789,515	\$ 15,435	\$ 804,950
Total revenue, support and gains	1,170,247	15,435	1,185,682
Change in unrestricted net assets	(411,951)	15,435	(396,516)
Net assets, beginning of year	6,116,144	(401,050)	5,715,094
Net assets, end of year	5,704,193	(385,615)	5,318,578

The following is a summary of the effects of the restatement in the St. Raphael Priest Fund's June 30, 2016 statement of cash flows:

	As Previously Reported	Adjustment	As Restated
Operating Activities			
Change in net assets	\$ (411,951)	\$ 15,435	\$ (396,516)
Changes in assets and liabilities			
Accounts receivable	-	(13,630)	(13,630)
Deferred revenue	(5,452)	(1,805)	(7,257)