



THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

FINANCIAL REPORT

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To The Most Reverend Steven R. Biegler
Bishop of The Roman Catholic Diocese of Cheyenne
Cheyenne, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of The Roman Catholic Diocese of Cheyenne (the "Diocese"), 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 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 Diocese'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 Diocese'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 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 Matter – Correction of Error

As discussed in Note 1 to the financial statements, the Diocese corrected an error to the June 30, 2019 financial statements. Our opinion is not modified with respect to this matter.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 30, 2020

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019 (Restated)
ASSETS		
Cash and Cash Equivalents	\$ 1,573,352	\$ 2,621,499
Receivables		
Operating	558	21,326
Diocesan Appeal, net (Note 5)	286,000	361,000
Other (Note 7)	146,595	2,243
Prepaid Expenses	9,774	1,899
Investments (Note 2)	4,729,063	4,447,458
Land, Buildings, and Equipment, net (Notes 3 and 7)	4,114,284	2,581,591
Self-Insurance Equity (Note 8)	121,168	127,245
Total assets	\$ 10,980,794	\$ 10,164,261
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses (Note 8)	\$ 503,957	\$ 310,213
Parish investments	248,207	233,415
Custodian payables	35,990	9,327
Long-term liabilities (Notes 7 and 13)	193,221	12,826
Accrued post-retirement benefit obligation (Note 11)	2,522,421	2,022,653
Total liabilities	3,503,796	2,588,434
Commitments and Contingencies (Notes 6, 10, and 11)		
Net Assets		
Without Donor Restrictions:		
Undesignated	3,377,377	3,432,061
Designated (Note 4)	2,889,588	2,698,573
With Donor Restrictions (Note 5)	1,210,033	1,445,193
Total net assets	7,476,998	7,575,827
Total liabilities and net assets	\$ 10,980,794	\$ 10,164,261

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
Changes in Net Assets Without Donor Restrictions		
Without Donor Restrictions support:		
Contributions	\$ 182,745	\$ 67,052
Diocesan Appeal	847,101	595,011
Grant revenue, net of pass-through payments of 2020 \$33,450; 2019 \$114,730 (Note 7)	592,579	912,502
	<u>1,622,425</u>	<u>1,574,565</u>
Other revenue without donor restrictions:		
Program revenue (Notes 7 and 14)	248,024	275,807
Investment income (Notes 2 and 8)	291,167	316,404
Other income	73,985	575,862
	<u>613,176</u>	<u>1,168,073</u>
Total revenue without donor restrictions	2,235,601	2,742,638
Net assets released from restrictions		
Expiration of time restrictions	1,455,177	1,718,152
Total revenue and support without donor restrictions	3,690,778	4,460,790
Expenses (Notes 6, 7, and 11)		
Program services:		
Charitable Contribution (Note 9)	199,225	222,574
Vocations Office	92,152	62,305
Diaconate Formation	69,659	69,302
Pastoral Ministry	144,799	211,581
Tribunal	131,293	146,158
Seminarian Education	204,783	145,369
Campus Ministry	50,000	50,000
Hispanic Ministry	25,530	11,733
Institutes	16,911	26,685
Catholic Charities of Wyoming	100,000	100,000
Support services:		
Chancery	881,467	789,293
Management and General (Note 8)	1,483,396	1,570,380
Fundraising	155,232	264,734
	<u>3,554,447</u>	<u>3,670,114</u>
Change in net assets without donor restrictions	136,331	790,676
Changes in Net Assets With Donor Restrictions		
Contributions	183,037	127,145
Diocesan Appeal	1,036,980	1,276,735
Net assets released from restrictions	(1,455,177)	(1,718,152)
Change in net assets with donor restrictions	(235,160)	(314,272)
Change in net assets	(98,829)	476,404
Net Assets, beginning of year	7,575,827	7,099,423
Net Assets, end of year	<u>\$ 7,476,998</u>	<u>\$ 7,575,827</u>

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services										Support Activities			Total Expenses	
	Charitable Contribution	Vocations Office	Diaconate Formation	Pastoral Ministry	Tribunal	Seminarian Education	Campus Ministry	Hispanic Ministry	Institutes	Catholic Charities of Wyoming	Total Program Services	Chancery	Management and General		Fundraising
Salaries	\$ -	\$ 41,016	\$ 12,000	\$ 73,327	\$ 74,454	\$ 12,900	\$ -	\$ -	\$ -	\$ -	\$ 213,697	\$ 518,003	\$ 42,084	\$ 61,105	\$ 834,889
Stipends and housing	-	-	-	-	1,693	-	-	-	4,000	-	5,693	600	4,541	6,100	16,934
Employee benefits	-	30,837	30	10,370	9,590	18,788	-	-	-	-	69,615	99,300	570,295	2,059	741,269
Payroll taxes	-	-	918	5,364	4,718	979	-	-	-	-	11,979	33,820	6,713	4,601	57,113
Total salaries and related expenses	-	71,853	12,948	89,061	90,455	32,667	-	-	4,000	-	300,984	651,723	623,633	73,865	1,650,205
Dues and membership	-	1,397	-	12,264	1,000	-	-	1,289	1,980	-	17,930	5,189	18,130	1,200	42,449
Postage and printing	-	109	-	218	1,660	-	-	-	2	-	1,989	5,226	6,120	28,437	41,772
Professional development	-	2,286	-	-	1,950	-	-	-	-	-	4,236	-	7,250	-	11,486
Travel	-	8,662	1,939	19,229	3,067	7,750	-	892	5,622	-	47,161	12,477	13,610	153	73,401
Lodging	-	790	2,378	13,038	3,790	-	-	1,024	-	-	21,020	11,162	27,290	1,150	60,622
Meals and groceries	-	3,710	3,287	8,026	2,241	307	-	14,161	82	-	31,814	2,589	14,021	77	48,501
Supplies	-	196	118	174	1,298	-	-	-	-	-	1,786	2,647	7,769	370	12,572
Books and publications	-	758	247	384	1,039	5,890	-	244	-	-	8,562	712	487	-	9,761
Automobile Maintenance	-	394	-	-	-	-	-	-	-	-	394	-	-	-	394
Automobile Insurance	-	407	-	-	-	-	-	-	-	-	407	204	320	-	931
Cellular phone	-	1,590	843	-	777	-	-	-	-	-	3,210	2,514	1,062	-	6,786
Tuition and fees	-	-	-	-	-	83,488	-	-	-	-	83,488	-	-	-	83,488
Room and board	-	-	-	-	-	35,613	-	-	-	-	35,613	-	-	-	35,613
Recruiting	-	-	-	-	-	32,042	-	-	-	-	32,042	-	-	-	32,042
Professional service	-	-	47,423	959	22,461	2,376	-	7,359	5,225	-	85,803	17,359	267,722	42,980	413,864
Public relations	-	-	-	1,446	-	-	-	-	-	-	1,446	977	48	-	2,471
Conference calls	77	-	-	-	-	-	-	561	-	-	638	192	138	-	968
Gifts	-	-	-	-	-	-	-	-	-	-	-	-	4,125	-	4,125
Computer support	-	-	-	-	1,555	-	-	-	-	-	1,555	73,309	4,862	-	79,726
Equipment	-	-	476	-	-	-	-	-	-	-	476	5,519	214	-	6,209
Legal	-	-	-	-	-	-	-	-	-	-	-	32,625	54,129	-	86,754
Finance fees	-	-	-	-	-	-	-	-	-	-	-	451	19,243	-	19,694
Contributions	191,300	-	-	-	-	-	-	-	-	-	191,300	-	-	-	191,300
Grant payments	-	-	-	-	-	-	50,000	-	-	100,000	150,000	-	-	-	150,000
Insurance	-	-	-	-	-	-	-	-	-	-	-	15,469	33,810	-	49,279
Self-insurance claims	-	-	-	-	-	-	-	-	-	-	-	-	167,222	-	167,222
Building maintenance	-	-	-	-	-	-	-	-	-	-	-	20,887	3,400	-	24,287
Grounds maintenance	-	-	-	-	-	-	-	-	-	-	-	-	235	-	235
Equipment maintenance	-	-	-	-	-	-	-	-	-	-	-	-	1,211	-	1,211
Utilities	-	-	-	-	-	-	-	-	-	-	-	18,477	38,274	-	56,751
Janitorial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	20,307	-	20,307
Leases	-	-	-	-	-	-	-	-	-	-	-	-	12,841	-	12,841
Advertising	-	-	-	-	-	-	-	-	-	-	-	1,759	-	-	1,759
Assessments	-	-	-	-	-	-	-	-	-	-	-	-	37,748	-	37,748
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
COVID Pandemic Relief	7,848	-	-	-	-	-	-	-	-	-	7,848	-	-	-	7,848
Screening	-	-	-	-	-	4,650	-	-	-	-	4,650	-	29,880	-	34,530
Total expenses before depreciation	199,225	92,152	69,659	144,799	131,293	204,783	50,000	25,530	16,911	100,000	1,034,352	881,467	1,415,101	155,232	3,486,152
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	68,295	-	68,295
Total expenses	\$ 199,225	\$ 92,152	\$ 69,659	\$ 144,799	\$ 131,293	\$ 204,783	\$ 50,000	\$ 25,530	\$ 16,911	\$ 100,000	\$ 1,034,352	\$ 881,467	\$ 1,483,396	\$ 155,232	\$ 3,554,447

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services											Support Activities			Total Expenses
	Charitable Contributions	Vocations Office	Diaconate Formation	Pastoral Ministry	Tribunal	Seminarian Education	Campus Ministry	Hispanic Ministry	Institutes	Catholic Charities of Wyoming	Total Program Services	Chancery	Management and General	Fundraising	
Salaries	\$ -	\$ 28,260	\$ 12,000	\$ 46,891	\$ 82,145	\$ 10,200	\$ -	\$ -	\$ -	\$ -	\$ 179,496	\$ 487,428	\$ 4,472	\$ 134,642	\$ 806,038
Stipends and housing	-	7,500	500	5,000	-	-	-	2,450	6,300	-	21,750	-	3,803	5,385	30,938
Employee benefits	-	15,457	32	5,859	9,599	10,116	-	-	-	-	41,063	99,459	556,315	25,078	721,915
Payroll taxes	-	-	918	3,547	5,503	772	-	-	-	-	10,740	33,458	198	10,380	54,776
Total salaries and related expenses	-	51,217	13,450	61,297	97,247	21,088	-	2,450	6,300	-	253,049	620,345	564,788	175,485	1,613,667
Dues and membership	-	876	-	19,399	6,200	-	-	500	10	-	26,985	4,722	16,406	2,679	50,792
Postage and printing	-	37	10	355	1,766	-	-	-	-	-	2,168	2,424	2,692	67,829	75,113
Professional development	-	813	-	2,002	2,150	-	-	-	-	-	4,965	-	-	965	5,930
Travel	-	2,642	8,881	31,537	5,055	5,625	-	4,838	3,614	-	62,192	22,874	9,043	3,385	97,494
Lodging	-	462	464	53,897	3,671	1,604	-	2,439	-	-	62,537	15,505	2,308	3,793	84,143
Meals and groceries	-	3,030	871	16,101	1,268	663	-	1,154	14,761	-	37,848	4,348	13,766	1,020	56,982
Supplies	-	66	119	7,918	1,015	-	-	75	-	-	9,193	2,605	12,794	534	25,126
Books and publications	-	146	32	2,877	1,443	6,680	-	255	-	-	11,433	1,594	511	-	13,538
Automobile Maintenance	-	400	-	-	-	-	-	-	-	-	400	-	-	-	400
Automobile Insurance	-	1,852	-	-	-	-	-	-	-	-	1,852	1,695	3,238	-	6,785
Cellular phone	-	764	721	-	842	-	-	-	-	-	2,327	2,544	654	657	6,182
Tuition and fees	-	-	-	-	-	47,389	-	-	-	-	47,389	-	-	-	47,389
Room and board	-	-	-	-	-	24,033	-	-	-	-	24,033	-	-	-	24,033
Recruiting	-	-	-	-	-	36,937	-	-	-	-	36,937	-	-	-	36,937
Professional service	-	-	43,900	11,545	23,398	-	-	-	2,000	-	80,843	4,099	352,620	2,415	439,977
Public relations	-	-	-	462	48	-	-	-	-	-	510	379	-	-	889
Conference calls	-	-	-	6	-	-	-	22	-	-	28	349	60	-	437
Gifts	-	-	-	-	-	-	-	-	-	-	-	78	4,602	-	4,680
Computer support	-	-	-	-	1,555	-	-	-	-	-	1,555	33,752	2,963	300	38,570
Equipment	-	-	854	-	500	-	-	-	-	-	1,354	3,786	1,516	-	6,656
Legal	-	-	-	-	-	-	-	-	-	-	-	30,620	216,718	-	247,338
Finance fees	14	-	-	-	-	-	-	-	-	-	14	-	35,211	38	35,263
Contributions	222,560	-	-	-	-	-	-	-	-	-	222,560	-	-	-	222,560
Grant payments	-	-	-	-	-	-	50,000	-	-	100,000	150,000	-	750	5,634	156,384
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	6,184	-	6,184
Self-insurance claims	-	-	-	-	-	-	-	-	-	-	-	-	112,472	-	112,472
Building maintenance	-	-	-	-	-	-	-	-	-	-	-	14,742	264	-	15,006
Grounds maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment maintenance	-	-	-	-	-	-	-	-	-	-	-	-	1,875	-	1,875
Utilities	-	-	-	-	-	-	-	-	-	-	-	22,462	40,571	-	63,033
Janitorial	-	-	-	-	-	-	-	-	-	-	-	-	486	-	486
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	11,700	-	11,700
Leases	-	-	-	-	-	-	-	-	-	-	-	370	7,833	-	8,203
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	656	-	656
Assessments	-	-	-	-	-	-	-	-	-	-	-	-	37,128	-	37,128
Rental	-	-	-	4,185	-	-	-	-	-	-	4,185	-	-	-	4,185
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Screening	-	-	-	-	-	1,350	-	-	-	-	1,350	-	39,392	-	40,742
Total expenses before depreciation	222,574	62,305	69,302	211,581	146,158	145,369	50,000	11,733	26,685	100,000	1,045,707	789,293	1,499,201	264,734	3,598,935
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	71,179	-	71,179
Total expenses (Restated) (Note 1)	\$ 222,574	\$ 62,305	\$ 69,302	\$ 211,581	\$ 146,158	\$ 145,369	\$ 50,000	\$ 11,733	\$ 26,685	\$ 100,000	\$ 1,045,707	\$ 789,293	\$ 1,570,380	\$ 264,734	\$ 3,670,114

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
Cash Flows from Operating Activities		
Receipts from contributions	\$ 365,782	\$ 194,197
Receipts from bishop's appeal	1,959,081	1,940,746
Receipts from grants, net	592,579	912,502
Receipts from program activities	248,024	275,807
Receipts from miscellaneous revenue sources	(49,599)	557,329
Payments to/for the benefit of employees	(1,150,436)	(1,082,406)
Payments to suppliers	(1,623,416)	(2,025,287)
Net cash provided by operating activities	342,015	772,888
Cash Flows from Investing Activities		
Purchase of buildings and equipment	(1,600,988)	(754,509)
Interest and dividends received on investments	139,422	125,612
Purchase of investments	(135,851)	(250,681)
Sale of investments	5,991	419,085
Net cash (used in) investing activities	(1,591,426)	(460,493)
Cash Flows from Financing Activities		
Net increase in parish investments	14,792	(275,297)
Net decrease in self-insurance equity	6,077	3,328
Payments made on long-term liabilities	(4,805)	(7,997)
Proceeds from borrowings	185,200	-
Net cash provided by (used in) financing activities	201,264	(279,966)
Net change in cash and cash equivalents	(1,048,147)	32,429
Cash and Cash Equivalents		
Beginning	2,621,499	2,589,070
Ending	\$ 1,573,352	\$ 2,621,499
Reconciliation of Operating Gain (Loss) to Net Cash		
Change in net assets from operations	\$ (232,435)	\$ 360,118
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,295	71,179
Net (gains) on investments	(157,561)	(200,118)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable:		
Operating	20,768	(18,443)
Diocesan Appeal	75,000	69,000
Other	(144,352)	(90)
Prepays	(7,875)	(166)
Increase (decrease) in:		
Accounts payable and accrued expenses	193,744	38,646
Custodial payable	26,663	(78,498)
Accrued post-retirement benefit obligation	499,768	531,260
Net cash provided by operating activities	\$ 342,015	\$ 772,888

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

Note 1. Affiliated Organizations and Significant Accounting Policies

Affiliated organizations: The Roman Catholic Diocese of Cheyenne (the “Diocese”) is a Wyoming non-profit religious corporation.

The Diocese is affiliated with numerous other Wyoming Catholic corporations. The affiliates not included in the accompanying financial statements are distinct operating entities and they maintain their separate accounts and carry on their own services and programs. These affiliates include:

- 37 parish and 34 mission corporations
- Catholic Charities of Wyoming, Inc.
- St. Joseph’s Children’s Home
- St. Joseph’s Society Clergy Retirement Fund of the Diocese of Cheyenne
- Parish educational foundations and trusts
- Wyoming Catholic Ministries Foundation

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of presentation: The Diocese has adopted the *Not-for-Profit Entities* Topic 958 of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the basis of presentation of its financial statements. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese’s management and the Board of Directors. These also include Board-designated or appropriated amounts.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; these restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds must be maintained in perpetuity.

It also requires the Diocese to distinguish between contributions received for each net asset category, in accordance with donor-imposed conditions.

Cash and cash equivalents: For purposes of reporting the Statement of Cash Flows, the Diocese considers all money market funds held by banks and certificates of deposit with original maturities of less than 90 days to be cash equivalents. Money market funds obtained through brokers are considered investments. The Diocese maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Diocese has not experienced any losses in such accounts. The Diocese believes it is not exposed to any significant credit risk on cash and cash equivalents.

Operating and other receivables: Receivables are stated at their net realizable value. Management periodically reviews collectability of past due accounts and will recognize an allowance if one is deemed necessary. Although the Diocese has not experienced significant receivable write-offs, it does currently carry an allowance for doubtful accounts. Recoveries of receivables previously written off are recorded when received.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

Investments: The Diocese carries investments in marketable securities with readily determinable fair value at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change of net assets in the accompanying Statement of Activities. Investment income and gains with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Land, buildings and equipment: Land, buildings, and equipment are stated at cost or fair value at date of donation for donated property. Depreciation is computed by the straight-line method. Furniture and equipment is being depreciated over lives ranging from 3 to 20 years and the buildings and improvements are being depreciated over a 10 to 40 year life.

Parish investments: Affiliated parishes and organizations have the opportunity to combine their funds with Diocesan funds in order to obtain a greater return on investments than would be available on separate accounts. Income (loss) is allocated to the parishes based on the relationship of their investment to the total amount invested.

Designated funds: Certain funds have generally been internally designated by the Bishop and the Finance Council for operation of social justice programs, property self-insurance and medical, pastoral youth ministries, and seminarian education.

Revenue Recognition: The Diocese recognizes revenue in accordance with ASC Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Diocese evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Diocese is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions and diocesan appeal: Unconditional promises to give are recognized as revenue or gain in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Depending on the existence or nature of any donor restrictions, unconditional contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional. There were no conditional promises to give received by the Diocese during the years ended June 30, 2020 and 2019. The Diocese expects to receive most contributions within one year or less.

Grant: Grants received are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as costs are incurred. Grant revenue is deferred when amounts received from grant sponsors have not yet been earned under the terms of the agreement. All grants are considered by management to be fully collectible; no allowance for doubtful accounts has been accrued.

Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on management's estimate of the relative attention and effort exerted toward specific functional areas.

Income taxes: The Diocese is exempt from Federal income taxes by virtue of its inclusion in the Group Ruling issued to the United States Conference of Catholic Bishops by the Internal Revenue Service with respect to the Federal tax status of Catholic organizations listed in the most recent edition of the Official Catholic Directory.

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Management evaluated the Diocese's tax positions and concluded that the Diocese had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification of certain functional expenses: Certain functional expenses on the Statement of Functional Expenses for the year ended June 30, 2019 have been reclassified with no effect on net assets or change in net assets to be consistent with the classifications adopted for the year ended June 30, 2020.

Prior Period Adjustment: Subsequent to the issuance of the June 30, 2019 statements, management became aware of unrecorded contributions. The 2019 statements were restated which required an increase to accounts payable and accrued expenses and an increase to contributions expense of \$75,900. This also reduced previously reported June 30, 2019 net assets by \$75,900.

Recent pronouncements:

Adopted:

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This amendment clarifies the principles for recognizing revenue and develops a common revenue standard for accounting principles generally accepted in the United States of America (U.S. GAAP) and International Financial Reporting Standards (IFRS). Specifically, this amendment removes inconsistencies and weaknesses in revenue requirements; provides a more robust framework for addressing revenue issues; improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; provides more useful information to users of financial statements through improved disclosure requirements; and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09. Subsequent to ASU 2015-14, the FASB has issued additional ASUs that affect the guidance in ASU 2014-09. For nonpublic entities, the amendments in all ASUs related to Topic 606 are effective for fiscal years beginning after December 15, 2018. The provisions of this statement were applied to the Diocese's financial statements as of June 30, 2020 using the full retrospective method. No prior period restatement was required as there was no direct or indirect effect on change in net assets or net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments clarify and improve current guidance about 1) evaluating whether a transaction should be accounted for as a contribution or an exchange transaction, and 2) determining whether a contribution is conditional. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2018 for entities that serve as the resource recipient or December 15, 2019 for entities that serve as the resource provider. Upon adoption, the amendments must be applied on a modified prospective basis to agreements that are either not yet completed or are not yet entered into as of the effective date, although retrospective application is permitted. The provisions of this statement were applied to the Diocese's financial statements as of June 30, 2020.

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Upcoming:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This amendment applies to any entity that enters into a lease, with some specified scope exemptions, and was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about lease arrangements.

In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2021. Early adoption is allowed. Upon adoption, the amendment must be applied to the beginning of the earliest period presented using a modified retrospective approach.

The Diocese is currently evaluating the impacts that the provisions of the above statements will have on the Diocese's financial statements.

Note 2. Investments

The Diocese's investments consist of mutual funds and money market funds. At June 30, 2020 and 2019, respectively, the investments were reported at fair value as follows:

	2020	
	Cost	Fair Value
Mutual Funds		
Emerging markets	131,085	110,297
Fixed income	3,388,507	3,729,198
Global real estate	124,084	108,456
International equities	204,876	167,540
U.S. equities	621,243	613,572
	\$ 4,469,796	\$ 4,729,063
	2019	
	Cost	Fair Value
Money Market	\$ 2,816	\$ 2,816
Mutual Funds		
Emerging markets	127,945	120,805
Fixed income	3,310,540	3,403,181
Global real estate	115,572	121,833
International equities	200,985	183,300
U.S. equities	597,930	615,523
	\$ 4,355,788	\$ 4,447,458

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The components of investment income listed below represent only the Diocese’s portion of investment income and do not include the portion allocated to parish investments.

	Net Assets without Donor Restrictions		Total
	Undesignated	Designated	
	2020		
Interest and dividends	\$ 63,915	\$ 75,507	\$ 139,422
Net realized and unrealized gain	56,237	95,508	151,745
	\$ 120,152	\$ 171,015	\$ 291,167

	Net Assets without Donor Restrictions		Total
	Undesignated	Designated	
	2019		
Interest and dividends	\$ 54,430	\$ 71,182	\$ 125,612
Net realized and unrealized gain	70,064	120,728	190,792
	\$ 124,494	\$ 191,910	\$ 316,404

The Diocese invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit.

Fair value measurements: ASC 820-10, the Fair Value Measurements Topic of the FASB Accounting Standards Codification, establishes a framework for fair value measurement and disclosure. It requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1:* Quoted market prices in active markets for identical assets or liabilities.
- Level 2:* Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3:* Unobservable inputs that are not corroborated by market data.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Level 2 valuations are based on quoted market prices for identical assets in less than active markets.

The Diocese values all investments as Level 1, with the exception of money market funds which are valued at cost.

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NOTES TO FINANCIAL STATEMENTS

Note 3. Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 779,485	\$ 411,780
Buildings and improvements	2,505,873	1,499,088
Building not in service	1,839,303	1,616,260
Furniture and equipment	222,620	219,165
	<u>5,347,281</u>	<u>3,746,293</u>
Less accumulated depreciation	<u>(1,232,997)</u>	<u>(1,164,702)</u>
	<u>\$ 4,114,284</u>	<u>\$ 2,581,591</u>

Note 4. Board-Designated Net Assets

As of June 30, 2020 and 2019, the Bishop and the Board of Directors have designated funds in net assets without donor restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Social justice	\$ 39,828	\$ 37,454
Property, insurance, and medical	2,608,061	2,452,632
Pastoral youth ministries	37,401	35,172
Seminarian education	184,298	173,315
Bishop car replacement	20,000	-
	<u>\$ 2,889,588</u>	<u>\$ 2,698,573</u>

Note 5. Net Assets With Donor Restrictions

Of the net assets with donor restrictions as of June 30, 2020 and 2019, \$1,096,964 and \$1,294,934, respectively, are available for Diocesan Appeal programs for the years ending June 30, 2020 and 2019.

The Diocesan Appeal program pledges receivables of \$286,000 and \$361,000 at June 30, 2020 and 2019, respectively, are reported net of \$37,000 and \$30,000 representing an allowance for uncollectible pledges. The Diocesan Appeal receivable is included in net assets with donor restrictions at June 30, 2020 and 2019, respectively.

In addition, net assets with donor restrictions at June 30, 2020 and 2019 also include amounts restricted by donors for the following purposes:

	<u>2020</u>	<u>2019</u>
Program services	\$ 78,575	\$ 79,019
Catholic school administration and custodial collections	34,494	71,240
	<u>\$ 113,069</u>	<u>\$ 150,259</u>

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Note 6. Employee Benefits

The Diocese sponsors a 403(b) thrift savings plan, which is administered by TIAA. The investment choices include funds, which comply with the USCCB guidelines for socially responsible investing. The Diocese makes monthly contributions for its lay employees with eligibility as of date of hire, and for bishops, priests, and deacons who work for the Diocese, are neither members of the St. Joseph Society Clergy Retirement Fund of the Diocese of Cheyenne, nor another diocese's institute of consecrated life's or society of apostolic life's retirement program, and elect to participate. Such contributions are a base contribution equal to 3% of such an eligible employee's salary, and a matching contribution equal to one-half of the employee's salary reduction contribution up to 3% of the employee's earnings, for a maximum total employer contribution equal to 6% of earnings. Participating employees may elect a greater percentage be deferred and withheld from earnings up to the maximum allowed by law.

Expenses related to the tax-deferred savings thrift plan were \$33,907 and \$44,899, respectively, for the years ended June 30, 2020 and 2019.

The Diocese makes a monthly contribution for incardinated bishops, priests, and deacons who work for the Diocese, who are members of the St. Joseph Society Clergy Retirement Fund of the Diocese of Cheyenne, and who elect to participate. The contribution is the matching contribution equal to one-half of a participating cleric's salary reduction contribution up to 2% of earnings. Participating clerics are not eligible for the 3% base contribution, but may elect a greater percentage be deferred and withheld from earnings up to the maximum allowed by law.

Expenses related to the St. Joseph Society Clergy Retirement Fund of the Diocese was \$49,683 and \$12,600 for the years ended June 30, 2020 and 2019, respectively.

Note 7. Related-Party Transactions

Wyoming Catholic Ministries Foundation (the "Foundation") is a non-profit, religious corporation formed to support the religious, charitable, ministerial, and education programs of the Roman Catholic Church in the State of Wyoming. The Foundation operates independently from the Diocese, but supports Diocesan and other Catholic activities.

During the years ended June 30, 2020 and 2019, the Foundation contributed \$329,172 and \$431,720, respectively, included in grant revenue, in support of Diocesan programs. The Foundation also paid for administrative services provided by the Diocese in the amount of \$0 and \$42,420, respectively, for the years ended June 30, 2020 and 2019, which is included in program revenue. In addition, the Foundation paid for half of the retired priests' health insurance in the amounts of \$32,578 and \$37,007, respectively, for the years ended June 30, 2020 and 2019, which is included in program revenue.

During fiscal year 2012, the Diocese agreed to lease from the Foundation a fundraising software program. The lease period is for 10 years with quarterly payments of \$1,606. The carrying value at June 30, 2020 and 2019 is \$8,021 and \$12,826, respectively. This lease is classified as a long-term liability net of current portion. During the years ended June 30, 2020 and 2019, the Diocese paid \$4,818 and \$6,425, respectively, to the Foundation for the software lease.

During the year ended June 30, 2020 and 2019, the Diocese passed through \$33,450 and \$114,730 respectively, of undesignated contributions to parishes.

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During the years ended June 30, 2020 and 2019, the Diocese contributed \$49,683 and \$12,600, respectively, to the St. Joseph's Society. The St. Joseph's Society also paid for administrative services provided by the Diocese in the amount of \$0 and \$18,180, respectively, for the years ended June 30, 2020 and 2019 included in program revenue.

Included in other receivables at June 30, 2020 and 2019, were receivables of \$146,595 and \$2,243, respectively, from primarily the Foundation for revenue contributions and from insurance providers for reimbursement for payroll and other items paid by the Diocese on behalf of the parishes.

During the years ended June 30, 2020 and 2019, the Diocese granted \$100,000 each year to Catholic Charities of Wyoming for operating expenses and donated \$7,848 for COVID-19 relief. Additionally, the Diocese granted \$50,000 each year to the St. Paul Newman Center for operating expenses.

Note 8. Property and Liability Self-Insurance

The Diocese carries liability insurance to cover individual casualty losses to a limit of \$10,000,000. The Diocese is also a participant in the Catholic Umbrella Pool II (the "Pool") that was created as a self-insurance fund for certain (Arch) Dioceses of the Roman Catholic Church in North America for a portion of this coverage. On July 1, 1989, the Pool began participating in a percentage of this liability coverage for its membership, and in 2003, began participating at various smaller percentages of higher liability coverage limits for non-Pool members, written through the Pool's administrator.

Participating (Arch) Dioceses share in the operating and investment income and expenses of the Pool based on their contributions for each fiscal year. For 2020 and 2019, the Diocese has a 1.00% participant equity in the Pool with a carrying value of \$121,168 and \$127,245 at June 30, 2020 and 2019, respectively, based on the year-end equity of the Pool. The change in equity in this Pool for the years ended June 30, 2020 and 2019 is reflected in investment income in the Statements of Activities. The changes in equity are \$(6,077) and \$(3,328), respectively.

In the event total paid and reserved claims exceed the assets of the Pool, participating (Arch) Dioceses will be responsible for pro rata additional contributions. At June 30, 2020 and 2019, Pool assets exceeded Pool liabilities by approximately \$11.1 million and \$11.8 million, respectively.

The Diocese and Parishes are partially self-insured for certain insurable property risks up to \$25,000 per claim. These Parishes are subject to a \$2,000 deductible per claim under the plan. Claims for wind or hail losses are subject to a \$2,500 deductible per claim under the plan. A liability for a claim is established by the Diocese if information indicates that it is probable that a liability has been incurred by either the Diocese or a participating parish at the date of the financial statements and the amount of the loss is reasonably estimable. The maximum aggregate exposure to the Diocese, which may be paid during any plan year, is approximately \$125,000. At June 30, 2020 and 2019, the Diocese has recognized a liability of \$100,000, which is included in accounts payable and accrued expenses.

Note 9. Contributions and Pledges

The Diocese contributes to various entities in support of charitable and education efforts in common cause with those of the Diocese. Contributions made by the Diocese for the years ended June 30, 2020 and 2019 were \$199,148 and \$222,560, respectively, and are included in Program Services.

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Note 10. Contingencies

The Diocese is responsible under Canon Law to provide a reasonable retirement for its incardinated priests, bishops, and deacons who work full time for the Diocese. Currently, incardinated priests and bishops and the one incardinated deacon who works full time for the Diocese receive retirement benefits from the St. Joseph's Society Clergy Retirement Fund of the Diocese. The most recent actuarial study of St. Joseph's Society, performed as of January 1, 2020, indicated that the plan was over funded at that time by \$886,803, with the assumption of no cost of living adjustment or under funded by \$1,430,722 with the assumption of a 2.5% cost of living adjustment.

Note 11. Post-Retirement Benefit Plans

The Diocese sponsors a post-retirement health care benefit plan that is unfunded for all incardinated priests and bishops of the Diocese.

The Diocese has altered its policy from time to time to accommodate changing needs and market forces. For the years ended June 30, 2020 and 2019, the Diocese's policy is to pay 50% of the annual premium cost per incardinated priests with such costs paid by the Foundation and to pay 100% of the annual premium cost for bishops. The total premiums paid by the Diocese for the years ended June 30, 2020 and 2019, was \$38,231 and \$38,022, respectively.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligations:

	<u>2020</u>	<u>2019</u>
Changes in Benefit Obligations		
Obligations at beginning of year	\$ 2,022,653	\$ 1,491,393
Service cost	92,954	61,711
Interest cost	70,352	60,775
Participant contributions	32,577	31,685
Benefits paid	(70,808)	(69,707)
Actuarial (gain) loss	374,693	446,796
Obligations at end of year	<u>\$ 2,522,421</u>	<u>\$ 2,022,653</u>
Costs Recognized During the Year		
Service cost	\$ 92,954	\$ 61,711
Interest cost	70,352	60,775
Actuarial (gain) loss	374,693	446,796
Total costs recognized in expense, net	<u>\$ 537,999</u>	<u>\$ 569,282</u>
Assumptions Used in Computations		
Discount rate	2.68%	3.51%

The plan had an accumulated post-retirement benefit obligation as of June 30, 2020 and 2019 of \$2,522,421 and \$2,022,653, respectively.

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The benefit payments net of employee contributions, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Medical Benefits
Year 1	\$ 34,910
Year 2	51,072
Year 3	53,413
Year 4	55,881
Year 5	62,625
Years 6 - 10	379,800

For measurement purposes, at the end of the years included in the tables in this note, a 5.0% annual rate of increase in the cost of covered health care benefits was assumed for 2020 and gradually lower rates of increase assumed for the years after 2021, until the rate of increase is assumed to be 4.1% in 2075. Assumed health care costs trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed rates of health care increase would have the following effects relative to the 2020 amounts included above:

Effect of 1% Change in Medical Trend	
Accumulated Post-Retirement Benefit Obligation	
Dollar impact of change trend +1%	\$ 606,393
Dollar impact of change trend -1%	(461,989)

Note 12. Liquidity and Availability of Financial Assets

The Diocese monitors its liquidity so that it is able to meet its operating needs, Diocese support expectations, and other contractual commitments. The Diocese has the following financial assets that could readily be made available within one year of the Statement of Financial Position date to fund expenses without limitations:

	2020	2019
Cash and cash equivalents	\$ 1,573,352	\$ 2,621,499
Investments	4,729,063	4,447,458
Less investments held for others	(248,207)	(233,415)
Less board-designated net assets	(2,869,588)	(2,698,573)
Less net assets with donor restrictions	(1,210,033)	(1,445,193)
	<u>\$ 1,974,587</u>	<u>\$ 2,691,776</u>

The Diocese has a goal to maintain financial assets, which consist of cash, cash equivalents, and investment securities, which are sufficient to meet the normal operating expenses for one year. Operating expenses for a year approximate \$3,600,000. The Diocese's Board of Directors has set a policy regarding their level of reserves and evaluates it on an annual basis.

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Note 13. Coronavirus Aid, Relief, and Economic Security Act

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has and continues to significantly impact the economic conditions in the U.S. as Federal, state and local governments react to the public health crisis, and has created significant uncertainties in the U.S. economy. It is unknown how long the adverse economic conditions associated with the coronavirus will last and what the complete financial effect will be, if any, to the Diocese.

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic, including the Payroll Protection Program (the “Program”) implemented by the U.S. Small Business Administration.

Due to economic uncertainty and in order to retain its workforce, on April 16, 2020, the Diocese obtained a loan under the Program in the amount of \$185,200. The loan accrues interest at a rate of 1.00% and is unsecured. The loan is then payable in 18 monthly principal and interest payments of \$10,424 beginning in November 2020 with the remaining principal and interest due in April 2022.

The Diocese can apply for forgiveness of amounts due on the loan in an amount equal to the total costs incurred by the Diocese during the 24-week period following the loan disbursement for payroll costs, employee benefits, utilities, and mortgage obligations. If salaries decrease by more than 25% for any employee who made less than \$100,000 annualized in 2019 the forgiveness amount will be reduced. The loan forgiveness amount will also be reduced if the number of full-time equivalent employees (FTE) decreases from the level prior to the pandemic, unless the Diocese can demonstrate good faith effort that they attempted to retain the FTE count. The amount of loan forgiveness will be calculated in accordance with the requirements of the Program and not more than 40% of the amount forgiven can be attributable to non-payroll items. Upon receipt of the Diocese’s request for loan forgiveness, a decision on the amount to be forgiven will be rendered within 60 days. The Program, as amended by the Paycheck Protection Program Flexibility Act of 2020 provides for deferment of principal and interest payments until the date the Diocese learns the amount of loan forgiveness. The forgiveness of the loan will not constitute taxable income.

Subsequent to the retention of the loan, the Payroll Protection Program Flexibility Act, extended the repayment period of all new loans obtained on or after June 5, 2020 from two years to five years. Borrowers of previously issued PPP loans could mutually agree to modify the terms of their existing loans to incorporate the longer 5-year maturity term. The Diocese is in the process of modifying the terms of the loan with their lender.

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Note 14. Operating Lease

The Diocese, as the lessor, entered into a lease on May 1, 2020 and became effective June 15, 2020 to lease a portion of their office complex building to an unrelated third party. The multi-year lease term, ending April 30, 2025, requires monthly base payments of annualized \$16 per square foot of rental space (on 4,776 square feet), equating a monthly base rental rate of \$6,368. The per square foot annualized rate increases by \$.50 each year of the lease term. Further, additional monthly rent is charged for common area charges. For the base rent portion of this lease, the future maturities as of June 30th of each fiscal year are as follows:

2021	\$	76,516
2022		78,904
2023		81,292
2024		83,680
2025		71,640
		<u>\$ 392,032</u>