



THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

FINANCIAL REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To The Most Reverend Paul D. Etienne
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, 2014 and 2013, the related statements of activities, cash flows, and functional expenses 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 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 the Diocese as of June 30, 2014 and 2013, 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 7, 2014

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS	2014	2013
Cash and Cash Equivalents	\$ 3,577,584	\$ 3,960,901
Receivables		
Operating	17,171	18,230
Diocesan Appeal, net (Note 5)	401,000	477,500
Affiliate (Note 8)	-	54,000
Other (Note 8)	29,321	29,244
Prepaid Expenses	31,282	15,672
Investments (Note 2)	2,738,414	1,918,840
Land, Buildings and Equipment, net (Notes 3 and 8)	797,572	871,254
Other Property	78,160	78,160
Self-Insurance Equity (Note 9)	130,773	110,164
	\$ 7,801,277	\$ 7,533,965
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses (Notes 9, 10 and 11)	\$ 412,686	\$ 658,428
Custodian payables (Note 6)	2,078	11,893
Parish investments	359,275	331,162
Long-term liabilities (Note 8)	46,305	52,650
Deposits held for others	-	50,320
Accrued post-retirement benefit obligation (Note 13)	1,480,052	-
Total liabilities	2,300,396	1,104,453
Commitments and Contingencies (Notes 7, 8, 9, 10 and 12)		
Net Assets		
Unrestricted (Note 4)	3,734,460	4,293,449
Temporarily restricted (Note 5)	1,766,421	2,136,063
Total net assets	5,500,881	6,429,512
Total liabilities and net assets	\$ 7,801,277	\$ 7,533,965

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014	2013
Changes in Unrestricted Net Assets		
Unrestricted support:		
Contributions	\$ 367,746	\$ 5,257
Diocesan Appeal	292,613	561,530
Grant revenue, net of pass-through payments of 2014 \$204,509; 2013 \$179,873 (Note 8)	481,343	458,313
	<u>1,141,702</u>	<u>1,025,100</u>
Other unrestricted revenue:		
Program revenue	795,440	1,092,846
Investment income (Notes 2 and 9)	171,946	75,876
Other income	7,591	122,657
	<u>974,977</u>	<u>1,291,379</u>
Total unrestricted revenue	2,116,679	2,316,479
Net assets released from restrictions		
Expiration of time restrictions	2,207,234	1,986,028
	<u>2,207,234</u>	<u>1,986,028</u>
Total unrestricted revenue and support	4,323,913	4,302,507
Expenses:		
Program services	885,039	1,074,556
Chancery (Note 11)	1,021,893	780,304
General (Notes 8 and 13)	1,331,499	886,555
Fundraising	245,983	235,893
	<u>3,484,414</u>	<u>2,977,308</u>
Changes in net assets before extraordinary item	839,499	1,325,199
Extraordinary item, assumption of post-retirement benefit obligation (Note 13)	(1,398,488)	-
	<u>(1,398,488)</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	(558,989)	1,325,199
Changes in Temporarily Restricted Net Assets		
Contributions	344,844	841,198
Diocesan Appeal	1,492,748	1,752,803
Net assets released from restrictions	(2,207,234)	(1,986,028)
	<u>(369,642)</u>	<u>607,973</u>
Increase (decrease) in temporarily restricted net assets	(369,642)	607,973
Increase (decrease) in net assets	(928,631)	1,933,172
Net Assets, beginning of year	6,429,512	4,496,340
	<u>6,429,512</u>	<u>4,496,340</u>
Net Assets, end of year	<u>\$ 5,500,881</u>	<u>\$ 6,429,512</u>

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ (928,631)	\$ 1,933,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	103,174	81,506
Assumption of post-retirement benefit obligation	1,398,488	-
Net realized and unrealized (gain) on long-term investments, Diocese portion	(85,813)	(24,977)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable:		
Operating	1,059	8,023
Diocesan Appeal	76,500	(51,500)
Affiliate	54,000	94,653
Other	(77)	(8,205)
Prepays	(15,610)	(13,553)
Self-insurance equity	(20,609)	9,909
Increase (decrease) in:		
Accounts payable and accrued expenses	(245,742)	186,567
Deposits held for others	(50,320)	50,320
Accrued post-retirement benefit obligation	81,564	-
Net cash provided by operating activities	367,983	2,265,915
Cash Flows from Investing Activities		
Purchase of buildings and equipment	(29,492)	(238,581)
Purchase of investments	(733,761)	(188,131)
Net cash (used in) investing activities	(763,253)	(426,712)
Cash Flows from Financing Activities		
Net increase (decrease) in custodian payables	(9,815)	2,411
Net increase (decrease) in parish investments	28,113	(84,156)
Payments made on long-term liabilities	(6,345)	(4,753)
Net cash provided by (used in) financing activities	11,953	(86,498)
Net increase (decrease) in cash and cash equivalents	(383,317)	1,752,705
Cash and Cash Equivalents		
Beginning	3,960,901	2,208,196
Ending	\$ 3,577,584	\$ 3,960,901

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

	Personnel	Operating	Administrative	Total
Program Services				
Wyoming Catholic Register	\$ -	\$ 20,269	\$ -	\$ 20,269
Vocations Office	48,423	17,602	-	66,025
Seminarian Education	78,810	311,938	-	390,748
Catholic schools	226	1,000	-	1,226
Pastoral Ministry	208,814	197,957	-	406,771
	<u>336,273</u>	<u>548,766</u>	<u>-</u>	<u>885,039</u>
Chancery				
Bishop	114,171	14,639	299	129,109
Finance	249,258	12,835	36,115	298,208
Chancellor	122,542	2,254	-	124,796
Vicar General	192	209	-	401
Charitable contributions	-	346,400	-	346,400
Tribunal	79,817	41,607	1,555	122,979
	<u>565,980</u>	<u>417,944</u>	<u>37,969</u>	<u>1,021,893</u>
General				
Partially self-insured property and liability	2,633	165,705	-	168,338
Catholic Extension Society	-	51,034	-	51,034
Catholic Home Missions	-	10,204	-	10,204
Cheyenne office	75,170	83,826	17,555	176,551
Bishop's residence	43,185	18,286	-	61,471
Retired Bishop's residence	8,142	11,814	-	19,956
Retired Bishop	13,023	4,924	-	17,947
Clergy support	50,005	71,373	-	121,378
Retired Clergy support	77,943	-	-	77,943
Campus ministry	-	34,000	-	34,000
Institutes	604	18,322	-	18,926
Support	-	100,019	-	100,019
Campaign for human development	-	3,500	-	3,500
Operation Rice Bowl	-	4,121	-	4,121
Investment advisory costs	-	-	12,002	12,002
Office of Worship	-	4,867	-	4,867
Hispanic Ministry	-	400	-	400
Depreciation expense	-	103,174	-	103,174
Unrestricted gifts passed to Ministries Foundation and Saint Joseph Society	-	281,434	-	281,434
Other	920	44,599	18,715	64,234
	<u>271,625</u>	<u>1,011,602</u>	<u>48,272</u>	<u>1,331,499</u>
Fundraising				
Development	194,108	12,635	-	206,743
Diocesan Appeal	-	39,240	-	39,240
	<u>194,108</u>	<u>51,875</u>	<u>-</u>	<u>245,983</u>
Extraordinary Item				
Clergy post-retirement healthcare	1,398,488	-	-	1,398,488
	<u>\$ 2,766,474</u>	<u>\$ 2,030,187</u>	<u>\$ 86,241</u>	<u>\$ 4,882,902</u>

See Notes to Financial Statements.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Personnel	Operating	Administrative	Total
Program Services				
Wyoming Catholic Register	\$ -	\$ 22,740	\$ -	\$ 22,740
Vocations Office	57,276	16,197	115	73,588
Seminarian Education	77,490	263,297	-	340,787
Diaconate Formation	3,330	785	151	4,266
Catholic schools	288	1,536	-	1,824
Pastoral Ministry	198,002	433,252	97	631,351
	<u>336,386</u>	<u>737,807</u>	<u>363</u>	<u>1,074,556</u>
Chancery				
Bishop	108,761	14,654	780	124,195
Finance	253,806	15,600	37,748	307,154
Chancellor	118,619	2,802	650	122,071
Vicar General	42	111	12	165
Charitable contributions	-	103,294	-	103,294
Tribunal	74,084	47,751	1,590	123,425
	<u>555,312</u>	<u>184,212</u>	<u>40,780</u>	<u>780,304</u>
General				
Partially self-insured property and liability	411	144,144	-	144,555
Catholic Extension Society	-	50,710	-	50,710
Cheyenne office	52,386	76,088	27,689	156,163
Bishop's residence	37,696	16,041	-	53,737
Retired Bishop's residence	8,495	8,026	-	16,521
Retired Bishop	11,136	5,305	-	16,441
Clergy support	50,546	48,022	-	98,568
Campus ministry	-	34,000	-	34,000
Institutes	240	19,416	-	19,656
Support	-	100,000	-	100,000
Investment advisory costs	-	-	10,202	10,202
Office of Worship	-	5,275	-	5,275
Hispanic Ministry	606	1,018	-	1,624
Depreciation expense	-	81,506	-	81,506
Other	5,414	41,109	51,074	97,597
	<u>166,930</u>	<u>630,660</u>	<u>88,965</u>	<u>886,555</u>
Fundraising				
Development	196,481	17,591	1,732	215,804
Diocesan Appeal	-	20,089	-	20,089
	<u>196,481</u>	<u>37,680</u>	<u>1,732</u>	<u>235,893</u>
	<u>\$ 1,255,109</u>	<u>\$ 1,590,359</u>	<u>\$ 131,840</u>	<u>\$ 2,977,308</u>

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 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:

- 58 parish and 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:

Cash and cash equivalents: For purposes of reporting the statements 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: Accounts receivable 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. Because the Diocese has not experienced significant receivable write-offs, it does not currently carry an allowance for doubtful accounts. Recoveries of trade receivables previously written off are recorded when received.

Investments: Investments are carried at fair market value.

Other property: Other properties are stated at cost. If events or changes in circumstances indicate that any of these assets may be impaired, a loss will be realized and the carrying amount reduced to its fair value.

Property and equipment: Property and equipment is stated at cost or fair market 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 are being depreciated over a 40-year life.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

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 been internally designated by the Bishop and the Finance Council for operation of social justice programs, property self-insurance and medical, new church construction, pastoral youth ministries, and seminarian education.

Diocesan Appeal, contributions and grants: Revenue from these sources is recognized when an unconditional promise to give exists. This income is temporarily restricted until any donor stipulation is satisfied or the time restriction has expired. The Diocese expects to receive most contributions within one year or less.

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 2014 edition of the Official Catholic Directory.

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.

Subsequent events: Events occurring subsequent to the statement of financial position date have been evaluated for financial statement impact or disclosure through October 7, 2014, the date the financial statements were available to be issued.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

At June 30, 2014 and 2013, the investments consisted of the following:

	2014		
	Amortized Cost	Net Unrealized Gains/(Losses)	Fair Value
Debt securities:			
Bond mutual funds	\$ 2,073,785	\$ (12,518)	\$ 2,061,267
Equity securities:			
U.S. equities	437,591	239,556	677,147
	\$ 2,511,376	\$ 227,038	\$ 2,738,414
	2013		
	Amortized Cost	Net Unrealized Gains/(Losses)	Fair Value
Debt securities:			
Bond mutual funds	\$ 1,540,173	\$ (91,458)	\$ 1,448,715
Equity securities:			
U.S. equities	448,568	21,557	470,125
	\$ 1,988,741	\$ (69,901)	\$ 1,918,840

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.

	Unrestricted		Total
	Undesignated	Designated	
	2014		
Interest and dividends	\$ 52,958	\$ 12,566	\$ 65,524
Net realized and unrealized gain	68,017	17,796	85,813
	\$ 120,975	\$ 30,362	\$ 151,337
	2013		
Interest and dividends	\$ 50,528	\$ 10,280	\$ 60,808
Net realized and unrealized gain (loss)	27,181	(2,204)	24,977
	\$ 77,709	\$ 8,076	\$ 85,785

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

The Diocese invests in a professionally managed portfolio that contains common stocks and bonds of publicly traded companies, and U.S. Government obligations. 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 Diocese has valued its investments utilizing the Level 1 approach.

Note 3. Land, Buildings and Equipment

A summary of land, buildings and equipment at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 157,900	\$ 157,900
Buildings and improvements	1,388,142	1,362,919
Furniture and equipment	473,742	489,377
	<u>2,019,784</u>	<u>2,010,196</u>
Less accumulated depreciation	(1,222,212)	(1,138,942)
	<u>\$ 797,572</u>	<u>\$ 871,254</u>

Note 4. Unrestricted Designated Net Assets

The Bishop and the Board of Directors have designated funds in the unrestricted fund for the following purposes:

	<u>2014</u>	<u>2013</u>
Social justice	\$ 32,049	\$ 30,824
Property self-insurance and medical	271,593	255,760
New church construction	107,697	100,758
Pastoral youth ministries	41,484	-
Seminarian education	148,306	-
	<u>\$ 601,129</u>	<u>\$ 387,342</u>

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

Note 5. Temporarily Restricted Net Assets

The temporarily restricted fund represents funds which are expendable only for operating purposes specified by the donor. Temporarily restricted net assets as of June 30, 2014 and 2013 of \$1,495,806 and \$1,752,803, respectively, are available for Diocesan Appeal programs for the years ending June 30, 2014 and 2013, respectively.

The Diocesan Appeal program pledges receivable of \$401,000 and \$477,500 at June 30, 2014 and 2013, respectively, is reported net of \$49,000 and \$68,000, respectively, representing an allowance for uncollectible pledges. The Diocesan Appeal receivable is included in temporarily restricted net assets at June 30, 2014.

In addition, temporarily restricted net assets at June 30, 2014 and 2013 include amounts restricted by donors for the following purposes:

	<u>2014</u>	<u>2013</u>
Program services	\$ 28,141	\$ 31,198
Physical plant	110,105	100,105
Chancery	22,250	22,250
Seminarian education, Catholic school administration, and youth ministries activities	110,119	229,707
	<u>\$ 270,615</u>	<u>\$ 383,260</u>

Note 6. Custodian Payables

The Diocese acts as a custodial agent for collections and disbursements for various programs. A summary for custodial payables as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Seminarian Home Visits	\$ 872	\$ 872
Campaign for Human Development	-	462
Peter's Pence	-	1,569
Catholic Home Missions	-	1,355
World Mission Sunday	-	554
USA Tornados and Floods	52	899
Visiting Missionaries	1,154	6,182
	<u>\$ 2,078</u>	<u>\$ 11,893</u>

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

Note 7. Employee Benefits

The Diocese sponsors a 403(b) thrift savings plan. The Diocese changed the administrator for the plan from Mutual of America to TIAA-CREF in January 2013. The investment choices were changed to include funds which comply with the USCCB guidelines for socially responsible investing. The plan did not change. The Diocese makes monthly contributions for its lay employees who have completed one year of service and elect to participate, 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 4% of such an eligible employee's salary, and a matching contribution equal to one-half of the employee's salary reduction contribution up to 2% 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 \$45,255 and \$43,000 for the years ended June 30, 2014 and 2013, respectively.

The Diocese makes 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, who have completed one month of service 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 4% 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 were \$8,250 and \$8,313 for the years ended June 30, 2014 and 2013, respectively.

Note 8. 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, 2014 and 2013, the Foundation contributed \$273,600 and \$256,000, 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 \$42,000 for each of the years ended June 30, 2014 and 2013 included in program revenue.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

During the year ended June 30, 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. This lease was capitalized for \$63,731 by the Diocese and is included in land, buildings and equipment. The carrying value at June 30, 2014 is \$46,305. This lease is classified as a long-term liability. During the years ended June 30, 2014 and 2013, the Diocese paid \$6,425 and \$4,752, respectively, to the Foundation for the software lease.

During the year ended June 30, 2014, the Diocese passed through \$211,075 of undesignated contributions to the Foundation.

During the year ended June 30, 2014, the Diocese contributed \$270,358 to the St. Joseph's Society.

In June of 2012, the Diocese and Holy Family Church (the "Church") entered into an agreement where the Church could borrow up to \$250,000 to be used solely for the construction of a new church. The amount borrowed is payable out of the proceeds of the sale of the old church or within three years of the date of the agreement. At June 30, 2014 and 2013, the amount borrowed by the Church was \$0 and \$54,000, respectively.

Included in other receivables at June 30, 2014 and 2013, were receivables of \$29,321 and \$29,244, respectively, from the parishes for reimbursement for payroll paid by the Diocese on behalf of the parishes.

During each of the years ended June 30, 2014 and 2013, the Diocese granted \$100,000 to Catholic Charities of Wyoming for operating expenses.

Note 9. 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 providing this liability coverage for its membership. The Pool is responsible for individual casualty losses exceeding \$1,500,000 to a limit of \$5,500,000.

Participating (Arch)Dioceses share in the operating and investment income and expenses of the Pool based on their contributions for each fiscal year. The Diocese has a 1.17% participant equity in the Pool with a carrying value of \$130,772 and \$110,167 at June 30, 2014 and 2013, respectively, based on the year end equity of the pool. The change in equity in this pool for the years ended June 30, 2014 and 2013 is reflected in investment income in the statement of activities. The changes in equity are \$20,605 and \$(9,905), respectively.

For the years ended June 30, 2014 and 2013, the Pool had claims and claims expenses of \$633,346 and \$2,859,979, respectively. The Pool had a reserve for unpaid claims of \$6,633,413 at June 30, 2014. 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.

THE ROMAN CATHOLIC DIOCESE OF CHEYENNE

NOTES TO FINANCIAL STATEMENTS

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 \$1,000 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 estimatable. The maximum aggregate exposure to the Diocese, which may be paid during any plan year, is approximately \$125,000. At June 30, 2014 and 2013, the Diocese has recognized a liability of \$74,056 and \$61,806, respectively, which is included in accounts payable and accrued expenses.

Note 10. Partially Self-Insured Medical Plan

Effective January 1, 2006, the Diocese elected to initiate a partially self-insured employee health insurance program, in which all employees of the Diocese and its affiliates that work more than a half teaching load or 30 hours per week are eligible to participate. Under the plan, the Diocese is required to pay for the first \$75,000 of qualified medical expenditures for each employee per year. The maximum aggregate exposure to the Diocese, which may be paid during any plan year, is approximately \$1,500,000.

For the years ended June 30, 2014 and 2013, the premiums collected and the claims paid for the partially self-insured medical plan are as follows:

	<u>2014</u>	<u>2013</u>
Premiums	<u>\$ 1,833,807</u>	<u>\$ 3,244,630</u>
Claims	<u>1,090,068</u>	<u>1,775,730</u>
Reinsurance	<u>213,073</u>	<u>435,373</u>
Administrative	<u>113,570</u>	<u>195,718</u>
	<u>1,416,711</u>	<u>2,406,821</u>
Total income	<u><u>\$ 417,096</u></u>	<u><u>\$ 837,809</u></u>

At June 30, 2014 and 2013, the Diocese has accrued an estimated liability for qualified medical claims incurred but not reported of \$60,000 and \$179,000, respectively, included in accounts payable and accrued expenses.

On January 1, 2014, the Diocese joined Reta Trust Healthcare and is no longer partially self-insured.

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Note 11. 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, 2014 and 2013 were \$627,834 and \$103,294, respectively, included in Chancery and general. At June 30, 2014 and 2013, the Diocese had pledges payable of \$55,494 and \$23,044, respectively, included in accounts payable and accrued expenses.

Note 12. 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 of Cheyenne. The most recent actuarial study of St. Joseph's Society, performed as of June 30, 2011, indicated that the plan was under funded at that time by \$1,060,291.

The Diocese is involved in legal actions in the ordinary course of its operations. Although the outcome of any such legal actions cannot be predicted, in the opinion of management, no accrual is necessary for this contingency because the likelihood of a situation arising to trigger payment is remote.

Note 13. 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 Roman Catholic Diocese of Cheyenne. Prior to 2014, the plan was sponsored by the Wyoming Catholic Ministries Foundation. During 2013, the decision was made to transfer the post-retirement benefit plan to the Diocese. An extraordinary item of \$1,398,488 was recorded for the prior year benefit obligation.

The Diocese has altered its policy from time to time to accommodate changing needs and market forces. For the year ended June 30, 2014, the Diocese's policy is to pay 50% of the annual premium cost per incardinated priests and bishops. The total premiums paid by the Diocese for the year ended June 30, 2014 were \$42,088.

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

Changes in Benefit Obligations

Obligations at beginning of year	\$ 1,398,488
Service cost	88,077
Interest cost	64,541
Participant contributions	42,088
Benefits paid	(84,505)
Actuarial (gain)	(28,637)
Obligations at the end of the year	<u>\$ 1,480,052</u>

Costs Recognized During the Year

Service cost	\$ 88,077
Interest cost	64,541
Actuarial (gain)	(28,637)
Total costs recognized in expense, net	<u>\$ 123,981</u>

Assumptions Used in Computations

Discount rate	4.70%
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The plan had an accumulated post-retirement benefit obligation as of June 30, 2014 of \$1,480,052.

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

	Medical Benefits 2014
Year 1	\$ 59,508
Year 2	58,807
Year 3	58,061
Year 4	57,312
Year 5	56,349
Year 6	55,265
Year 7	61,148
Year 8	62,199
Year 9	65,241
Year 10	65,324
Years 11 - 15	309,177

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For measurement purposes, at the end of the years included in the tables in this note, a 6.1% annual rate of increase in the cost of covered health care benefits was assumed for 2014 and gradually lower rates of increase assumed for the years after 2014, until the rate of increase is assumed to be 4.7% in 2082. 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 2014 amounts included above:

Effect of 1% Change in Medical Trend

6/30/2014 Accumulated Post-Retirement Benefit Obligation	
Dollar impact of change trend + 1%	\$ 275,992
Dollar impact of change trend -1%	(217,049)