
**CENTRAL ADMINISTRATION OF THE
ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**

FINANCIAL STATEMENTS
Together with Independent Auditors' Report
DECEMBER 31, 2016 AND 2015



GREENWALT^{CPAs}

We Deliver Peace of Mind

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
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DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Diocesan Finance Council of
Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc.:

We have audited the accompanying financial statements of Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 Administration as of December 31, 2016 and 2015, 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.

Greenwalt CPAs, Inc.

June 13, 2017

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash	\$ 5,868,884	\$ 3,856,505
Contributions receivable, net of allowance	7,577,780	2,346,100
Amounts due from parishes	150,473	265,398
Accounts receivable	4,980	5
Investments	25,404,056	25,480,015
Prepaid expenses	242,875	190,074
Beneficial interests in charitable trusts	614,669	564,914
Note receivable from St. John Vianney	670,268	644,488
Amount due from St. Alphonsus	720,000	840,000
Amount due from Our Lady of Grace	2,407,583	2,740,207
Amount due from St. Elizabeth Ann Seton	3,200,000	-
Amount due from All Saints	76,485	107,516
Overfunded status of Priests' Retirement Plan	177,480	-
Land, buildings and equipment, net	<u>13,810,616</u>	<u>14,355,889</u>
<i>Total assets</i>	<u>\$ 60,926,149</u>	<u>\$ 51,391,111</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,135,609	\$ 1,243,134
Grants payable	524,000	312,000
Deferred revenue	188,838	196,772
Amounts due to parishes	493,994	3,362,927
Term note payable - St. Alphonsus	720,000	840,000
Mortgage note payable - Our Lady of Grace	2,407,583	2,740,207
Term note payable - St. Elizabeth Ann Seton	3,200,000	-
Underfunded status of Priests' Retirement Plan	-	655,172
Accrued post-retirement benefit obligation	<u>3,564,483</u>	<u>3,603,608</u>
<i>Total liabilities</i>	12,234,507	12,953,820

COMMITMENTS AND CONTINGENCIES (NOTES 11,14,15)

NET ASSETS

Unrestricted	36,101,279	33,910,437
Temporarily restricted	12,426,930	4,231,215
Permanently restricted	<u>163,433</u>	<u>295,639</u>
<i>Total net assets</i>	<u>48,691,642</u>	<u>38,437,291</u>
<i>Total liabilities and net assets</i>	<u>\$ 60,926,149</u>	<u>\$ 51,391,111</u>

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 182,600	\$ 13,136,709	\$ -	\$ 13,319,309	\$ 726,514
Investment return, net	1,504,240	235,153	-	1,739,393	(660,221)
Rent revenue	237,397	-	-	237,397	269,964
Subscription revenue	645,549	-	-	645,549	623,318
Program service revenue	91,438	-	-	91,438	289,717
Insurance program assessments	8,161,868	-	-	8,161,868	8,230,344
Gain on sale of property and equipment	1,002,032	-	-	1,002,032	2,402,194
Other income	10,047	-	-	10,047	26,288
Parish revenue sharing	3,620	-	-	3,620	-
Change in value of charitable trusts	61,800	-	-	61,800	(11,372)
Net assets released from restrictions	5,308,353	(5,176,147)	(132,206)	-	-
<i>Total revenues, gains and other support</i>	17,208,944	8,195,715	(132,206)	25,272,453	11,896,746
EXPENSES					
Program services					
Pastoral office for worship and RCIA	142,821	-	-	142,821	179,783
Tribunal	380,184	-	-	380,184	385,445
Pastoral office for communication	659,603	-	-	659,603	682,733
Vocations office	947,774	-	-	947,774	906,965
Pastoral office for adult catechesis	299,047	-	-	299,047	540,051
Pastoral office for family life	326,263	-	-	326,263	351,402
Pastoral office for education and youth catechesis	277,639	-	-	277,639	288,983
Permanent Diaconate	35,705	-	-	35,705	37,644
Vicar for the clergy	103,171	-	-	103,171	166,787
Bishop's office organization	996,651	-	-	996,651	627,335
Property and health insurance program	8,233,846	-	-	8,233,846	7,423,595
Other program expenses	733,338	-	-	733,338	183,314
<i>Total program services</i>	13,136,042	-	-	13,136,042	11,774,037
Supporting services					
Fundraising	510,674	-	-	510,674	384,951
General and administrative	2,243,143	-	-	2,243,143	2,471,940
<i>Total expenses</i>	15,889,859	-	-	15,889,859	14,630,928
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,319,085	8,195,715	(132,206)	9,382,594	(2,734,182)
NONOPERATING					
Pension-related changes other than net periodic pension cost	871,757	-	-	871,757	1,037,760
CHANGE IN NET ASSETS	2,190,842	8,195,715	(132,206)	10,254,351	(1,696,422)
NET ASSETS, BEGINNING OF YEAR	33,910,437	4,231,215	295,639	38,437,291	40,133,713
NET ASSETS, END OF YEAR	\$ 36,101,279	\$ 12,426,930	\$ 163,433	\$ 48,691,642	\$ 38,437,291

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 163,618	\$ 562,896	\$ -	\$ 726,514
Investment return, net	(575,516)	(84,705)	-	(660,221)
Rent revenue	269,964	-	-	269,964
Subscription revenue	623,318	-	-	623,318
Program service revenue	289,717	-	-	289,717
Insurance program assessments	8,230,344	-	-	8,230,344
Gain on sale of property and equipment	2,402,194	-	-	2,402,194
Other income	3,751	22,537	-	26,288
Change in value of charitable trusts	(11,372)	-	-	(11,372)
Net assets released from restrictions	5,048,431	(5,048,431)	-	-
<i>Total revenues, gains and other support</i>	<u>16,444,449</u>	<u>(4,547,703)</u>	<u>-</u>	<u>11,896,746</u>
EXPENSES				
Program services				
Pastoral office for worship and RCIA	179,783	-	-	179,783
Tribunal	385,445	-	-	385,445
Pastoral office for communication	682,733	-	-	682,733
Vocations office	906,965	-	-	906,965
Pastoral office for adult catechesis	540,051	-	-	540,051
Pastoral office for family life	351,402	-	-	351,402
Pastoral office for education and youth catechesis	288,983	-	-	288,983
Permanent Diaconate	37,644	-	-	37,644
Vicar for the clergy	166,787	-	-	166,787
Bishop's office organization	627,335	-	-	627,335
Property and health insurance program	7,423,595	-	-	7,423,595
Other program expenses	183,314	-	-	183,314
<i>Total program services</i>	<u>11,774,037</u>	<u>-</u>	<u>-</u>	<u>11,774,037</u>
Supporting services				
Fundraising	384,951	-	-	384,951
General and administrative	2,471,940	-	-	2,471,940
<i>Total expenses</i>	<u>14,630,928</u>	<u>-</u>	<u>-</u>	<u>14,630,928</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,813,521	(4,547,703)	-	(2,734,182)
NONOPERATING				
Pension-related changes other than net periodic pension cost	1,037,760	-	-	1,037,760
CHANGE IN NET ASSETS	2,851,281	(4,547,703)	-	(1,696,422)
NET ASSETS, BEGINNING OF YEAR	<u>31,059,156</u>	<u>8,778,918</u>	<u>295,639</u>	<u>40,133,713</u>
NET ASSETS, END OF YEAR	<u>\$ 33,910,437</u>	<u>\$ 4,231,215</u>	<u>\$ 295,639</u>	<u>\$ 38,437,291</u>

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INCREASE (DECREASE) IN CASH

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from parishes, contributors, and program services	\$ 16,629,330	\$ 17,609,261
Cash paid to vendors and employees	(17,666,603)	(15,945,394)
Investment income	39,778	58,788
	<u> </u>	<u> </u>
<i>Net cash provided by (used in) operating activities</i>	<u>(997,495)</u>	<u>1,722,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(22,729,795)	(9,946,492)
Proceeds from sale of investments	24,400,247	7,366,487
Proceeds from sale of property and equipment	2,377,140	2,874,675
Purchases of property and equipment	(1,037,718)	(2,479,895)
	<u> </u>	<u> </u>
<i>Net cash provided by (used in) investing activities</i>	<u>3,009,874</u>	<u>(2,185,225)</u>
CHANGE IN CASH	2,012,379	(462,570)
CASH, BEGINNING OF YEAR	<u>3,856,505</u>	<u>4,319,075</u>
CASH, END OF YEAR	<u>\$ 5,868,884</u>	<u>\$ 3,856,505</u>
SCHEDULE OF NON-CASH INVESTING ACTIVITY		
St. Alphonsus principal payments on term note payable	\$ 120,000	\$ 120,000
Our Lady of Grace principal payments on mortgage note payable	\$ 332,624	\$ 415,632
Donated investments	\$ 121,626	\$ -

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE
OF LAFAYETTE-IN-INDIANA, INC.**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u>
CHANGE IN NET ASSETS	\$ 10,254,351	\$ (1,696,422)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	207,883	195,239
Gain on sale of property and equipment	(1,002,032)	(2,402,194)
Realized and unrealized (gains) losses on investments, net	(1,460,822)	1,118,345
Change in allowance for doubtful accounts	(60,495)	1,150,348
Change in value of charitable trusts	(61,800)	11,372
Donated investments	(121,626)	-
<i>(Increase) decrease in operating assets:</i>		
Contributions receivable, net of allowance	(5,171,185)	4,892,985
Amounts due from parishes	120,176	88,057
Accounts receivable	(4,975)	36,814
Prepaid expenses	(52,801)	51,368
Overfunded/underfunded status of Priests' Retirement Plan	(832,652)	936,329
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accrued expenses	(107,525)	260,425
Grants payable	212,000	(212,000)
Deferred revenue	(7,934)	(60,753)
Amounts due to parishes	(2,868,933)	(939,684)
Accrued post-retirement benefit obligation	(39,125)	(1,707,574)
<i>Total adjustments</i>	<u>(11,251,846)</u>	<u>3,419,077</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (997,495)</u>	<u>\$ 1,722,655</u>

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. NATURE OF ACTIVITIES

Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration) was formed in coordination with the establishment of the Roman Catholic Diocese of Lafayette-in-Indiana in 1945, and subsequently incorporated in 1958. The Administration is a nonprofit organization located in Lafayette, Indiana, which provides services at the Diocesan level of administration of the Roman Catholic Church.

The accompanying financial statements include the assets, liabilities, net assets and operations of the Central Administration Office only. The activities of the parishes, religious orders, lay societies, and religious organizations which operate within the Administration and their related assets and liabilities have not been included in the accompanying financial statements, but are assets and liabilities which would ultimately come under the umbrella of the Administration. The accompanying financial statements also do not include the activities of the Lafayette Diocesan Foundation, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

CASH AND CASH EQUIVALENTS

The Administration considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Administration maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, the Administration maintained cash and cash equivalents in excess of the FDIC coverage limits.

CONTRIBUTIONS RECEIVABLE

A primary source of support for the Administration is the receipt of contributions under the *Fruitful Harvest Campaign*, which is a biennial parish level campaign. The previous *Fruitful Harvest Campaign*, which began in August 2014, came to a close in August 2016. At that time, a new *Fruitful Harvest Campaign* commenced, which will run through 2018.

For each *Fruitful Harvest Campaign*, every parish is assessed a campaign goal. The goal is the amount that each parish must raise and is retained by the Administration. Amounts collected in excess of the respective goals are returned to the parish. The amount returned is based on several factors including whether or not a parish adds a dovetail campaign (100% returned), if the parish operates a school (92% is returned), or if neither, 50% of the collected amounts in excess of the goal is returned to the parish. Additionally, once the parish meets its goal amount, the Administration issues a 10% rebate for parishes not participating in the dovetail campaign program.

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS RECEIVABLE

The total amount pledged under the *Fruitful Harvest Campaign* is reported as contributions receivable. Amounts pledged in excess of the respective parish's goal, plus any rebates, less the amounts expected to be retained by the Administration, are recorded as amounts due to parishes and are not recorded as support of the Administration.

Pledges (contributions receivable) are unconditional promises to give that are recognized as contributions when the promise or pledge is received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor.

Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions.

Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows.

Conditional promises, such as matching gifts, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Administration's policy is to estimate an allowance for doubtful accounts receivable in the second year of the *Fruitful Harvest Campaign*, as the minimum assessed parish goals are not attained before the year end following the commencement of a new campaign. Experience has shown that when the allowance is recorded, the related impact is to record a reduction in the liability for amounts due to parishes.

Management estimates an allowance for doubtful accounts receivable based on current economic conditions, historical trends, and current and past experience with the Administration's donor base. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. Management has determined that an allowance of \$1,089,853 and \$1,150,348 is necessary at December 31, 2016 and 2015, respectively.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount due the Administration for services provided or under a reimbursable arrangement. Management estimates an allowance for uncollectible accounts receivable based on an evaluation of current economic conditions, historical trends, and past experience. Management has determined that an allowance of \$341,816 and \$68,565 is necessary at December 31, 2016 and 2015, respectively, for seminarian loans not expected to be paid back should the seminarians become a priest.

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS AND INVESTMENT RETURN

Investments are carried at fair value for financial reporting purposes. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Changes in unrealized appreciation or depreciation of investments are reflected in the statement of activities in the period in which such changes occur. Interest and dividend income is recorded when earned.

NOTE RECEIVABLE FROM ST. JOHN VIANNEY

During 2009, the Administration transferred land to the St. John Vianney Parish in exchange for a note receivable in the amount of \$954,000. The note receivable bears no interest and the maturity date is not yet finalized. The note receivable is unsecured. Management has determined that an allowance is not necessary at December 31, 2016 and 2015. At December 31, 2016 and 2015, the note receivable has been recorded at its net present value of \$670,268 and \$644,488, respectively, using a discount rate of 4.0% and an expectation of collection by 2025.

DUE FROM ST. ALPHONSUS AND DUE FROM OUR LADY OF GRACE

During 2012, the Administration obtained loans from two banks on behalf of St. Alphonsus Liguori Catholic Church and Our Lady of Grace Catholic Church. St. Alphonsus has signed an unconditional guarantee with the bank (Note 8) and both parishes are expected to make all payments of principal and interest directly to the banks. As the Administration does not anticipate paying on the bank loans, receivables from the parishes have been established to offset the amount of the loans that are recorded. The balance for St. Alphonsus was \$720,000 and \$840,000 at December 31, 2016 and 2015, respectively. The balance for Our Lady of Grace was \$2,407,583 and \$2,740,207 at December 31, 2016 and 2015, respectively. These receivables bear no interest and are unsecured. Management has determined that an allowance is not necessary at December 31, 2016 and 2015.

DUE FROM ST. ELIZABETH ANN SETON

During 2015, the Administration obtained a line of credit on the behalf of St. Elizabeth Ann Seton Catholic Church with a maximum borrowing amount of \$3,200,000. This line of credit is secured by property and bears interest at 3.5%. Subject to an informal agreement, any draws on the line of credit will be repaid by St. Elizabeth Ann Seton when the funds are available. In August 2016, the line of credit converted to a note payable requiring monthly payments of principal and interest at 3.75%. The balance was \$3,200,000 at December 31, 2016. There was no balance at December 31, 2015. Management has determined that an allowance is not necessary at December 31, 2016.

DUE FROM ALL SAINTS

During 2014, the Administration made an advance to All Saints Catholic Church of \$113,516. This advance is unsecured and bears no interest. Subject to an informal agreement, the advance will be repaid by August 31, 2024. The balance was \$76,485 and \$107,576 at December 31, 2016 and 2015, respectively. Management has determined that an allowance is not necessary at December 31, 2016 and 2015.

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

LAND, BUILDINGS AND EQUIPMENT

The Administration capitalizes all significant purchases of land, buildings and equipment at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Costs of ordinary maintenance and repairs are expensed as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the assets which range from three to seventy-five years.

Gifts of land, buildings, and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent donor restrictions on use and how long those donated assets must be maintained, the Administration reports expirations of donor restrictions when the donated or acquired assets are placed in service.

GRANTS PAYABLE

At December 31, 2016 and 2015, grants payable consist of grants made to two parishes requiring monthly payments through December 15, 2018 and 2016, respectively. The grants are awarded on a biannual basis and are payable monthly during that time.

DEFERRED REVENUE

Deferred revenue is comprised of advance insurance assessments billed to participants. Revenue from these assessments is recognized ratably over the policy period.

NET ASSETS

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by the Administration's donors, as follows:

Unrestricted net assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Administration, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Administration has designated \$6,886,612 and \$9,737,435 at December 31, 2016 and 2015 respectively, of net assets for the benefit of the parishes.

Temporarily restricted net assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Administration's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor-restricted endowment funds.

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC DIOCESE OF
LAFAYETTE-IN-INDIANA, INC.**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Administration, unless the donor provides more specific directions about the period of its use.

Permanently restricted net assets

Permanently restricted net assets are resources whose use by the Administration is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

REVENUE RECOGNITION

Revenue is recognized when earned. The primary source of revenue (other than investment return) is assessments related to the various insurance programs. Assessments are billed to the parishes and/or participants based on the premiums that are billed from the insurance carriers. Revenue is recognized ratably over the policy period.

DONATED SERVICES

Contributions of services are recognized as revenue at their estimated fair value when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

The Administration receives a substantial amount of services donated by individuals in carrying out its programs. Values have not been assigned to these services as the criteria for recognition has not been met and, accordingly, they are not reflected in the accompanying financial statements.

RENT REVENUE

The Administration rents land and property to various third parties pursuant to operating lease agreements, generally for twelve month periods with varying expiration dates, at which point the lease agreements are subject to renewal. At December 31, 2016 and 2015, the Administration's lease agreements were all on a month to month basis.

Rent revenue is recognized when earned and was \$237,397 and \$269,964 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the cost of leased land was \$11,418,100 and \$12,544,660. At December 31, 2016, the cost and accumulated depreciation of leased property was \$184,420 and \$107,031, respectively. At December 31, 2015, the cost and accumulated depreciation of leased property was \$147,379 and \$101,538, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the programs and services of the Administration have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods of allocation are deemed appropriate, other methods could produce different results.

INCOME TAXES

The Administration is organized as a not-for-profit corporation other than a private foundation, and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and similar state law.

The Administration is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. As a religious organization, the Administration is not required to file annual Federal or state information returns.

SUBSEQUENT EVENTS

The Administration evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 13, 2017, which is the date the financial statements are available to be issued.

3. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Fruitful Harvest Campaign	\$ 8,667,633	\$ 3,496,448
Less allowance for doubtful accounts	<u>(1,089,853)</u>	<u>(1,150,348)</u>
Net contributions receivable	<u>\$ 7,577,780</u>	<u>\$ 2,346,100</u>

Fruitful Harvest Campaign contributions receivable at December 31, 2016 are due by August 2018. Fruitful Harvest Campaign contributions receivable at December 31, 2015 were due by August 2016.

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4. INVESTMENTS

Investments include the following at December 31:

	<u>2016</u>	<u>2015</u>
Cash	\$ 539,263	\$ 2,812,844
Common stocks (U.S. and international)	-	12,653,260
Mutual funds	10,167,049	10,013,911
Common trust funds	<u>14,697,744</u>	<u>-</u>
	<u>\$ 25,404,056</u>	<u>\$ 25,480,015</u>

The Administration's investments were invested with the Lafayette Diocesan Foundation, Inc. in managed asset accounts. The Controller maintains separate records of contributions, withdrawals, and earnings of each organization's transactions and provides the allocable share of the total investment balance. During 2016, the Administration's investments were moved to separately managed accounts.

The following schedule summarizes investment return for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 429,688	\$ 600,420
Realized and unrealized gains (losses) on investments, net	1,460,822	(1,118,345)
Investment fees	<u>(154,117)</u>	<u>(142,296)</u>
Investment return, net	<u>\$ 1,739,393</u>	<u>\$ (660,221)</u>

5. INTEREST IN CHARITABLE TRUSTS

The Administration is the primary beneficiary under two charitable trusts at December 31, 2016 and 2015. The trust's assets are held by the Administration, as trustee, and are held in bank custodial accounts. Under one of the trusts, the trust assets may be expended for the benefit of those in financial need. The donor of this trust is still living and is allowed to offer suggestions for how to expend funds from the trust. Upon the death of the donor, the expenditures will be solely at the discretion of the Administration. The second trust's assets are available for use to support impoverished children, as well as the care and education of children. The beneficial interest in the trusts is reported at fair value, which is estimated as the fair value of the underlying trust assets. The Administration's interest in the trusts is reflected as an asset in the amount of \$614,669 and \$564,914, at December 31, 2016 and 2015, respectively.

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6. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings and equipment include the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 11,609,642	\$ 12,858,003
Buildings and building improvements	5,974,418	5,144,676
Furniture, fixtures and equipment	<u>350,704</u>	<u>313,225</u>
	17,934,764	18,315,904
Accumulated depreciation	(4,136,175)	(3,968,265)
Capital projects in process	<u>12,027</u>	<u>8,250</u>
	<u>\$ 13,810,616</u>	<u>\$ 14,355,889</u>

7. LINE OF CREDIT

LAFAYETTE CATHOLIC SCHOOL SYSTEM

The Administration has a \$1,000,000 unsecured line of credit that is available for its short-term borrowings needs until January 10, 2017. Borrowings under this line of credit bear interest at the Wall Street Journal prime lending rate (3.75% at December 31, 2016) with a minimum interest rate of 3.50%. The line of credit agreement requires semi-annual payments of interest only. There were no borrowings outstanding on this line of credit at December 31, 2016 and 2015. Subsequent to year end, this line of credit was not renewed.

ST. CHARLES BORROMEEO

The Administration has a \$750,000 unsecured line of credit that is available for its short-term borrowings needs until March 31, 2017. Borrowings under this line of credit bear interest at the Wall Street Journal prime lending rate (3.75% at December 31, 2016) with a minimum interest rate of 3.50%. The line of credit agreement requires semi-annual payments of interest only. There were borrowings of \$176,113 as of December 31, 2016. There were no borrowings outstanding on this line of credit at December 31, 2015. Subsequent to year end, this line of credit was not renewed.

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8. NOTES PAYABLE

TERM NOTE PAYABLE – ST. ALPHONSUS

During 2012, the Administration obtained a \$1,200,000 convertible line of credit note with a bank on behalf of St. Alphonsus Liguori Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of interest and principal are to be made by the parish directly to the bank. The parish entered into an agreement with the bank as guarantor of this loan. The loan is unsecured.

The line of credit was converted to an amortizing term loan on February 1, 2013, requiring quarterly principal installments of \$30,000, plus interest, through November 1, 2022. The note bears interest at the three month LIBOR rate plus one hundred fifty basis points (2.48% at December 31, 2016).

The note places certain restrictive covenants on the Administration and these covenants have been waived by the bank from time to time.

The Administration utilizes an interest rate swap agreement related to the above debt to manage interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. The agreement effectively converts the variable rate cost of the related debt to a fixed rate of 1.69%. The agreement has a notional principal amount outstanding of \$720,000 and \$840,000 at December 31, 2016 and 2015, respectively. The interest rate swap agreement matures at the time the related debt matures on November 1, 2022. The Administration is exposed to credit loss in the event of nonperformance by counter parties to the agreement, but nonperformance is not anticipated. The fair value of the interest rate swap is immaterial at December 31, 2016 and 2015, and has not been included in the accompanying financial statements.

MORTGAGE NOTES PAYABLE – OUR LADY OF GRACE

The Administration is the obligor of debt financing under a line of credit and term note for the benefit of Our Lady of Grace Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of principal and interest are made by the parish directly to the bank.

Once the total availability has been advanced, the facility is not revolving and no further advances may be made. The line of credit was refinanced in 2015. The line provides for maximum borrowings of \$1,450,000, bears interest at the one month ICE LIBOR rate plus 2.32% (2.75% at December 31, 2016) and matures on June 6, 2021. The amount outstanding on the line of credit at December 31, 2016 and 2015 was \$1,091,295 and \$1,364,303, respectively.

The term note requires monthly principal and interest payments of \$9,345 and one balloon payment of \$1,165,271 on May 19, 2019. At December 31, 2016 and 2015, borrowings outstanding under the term loan were \$1,316,288 and \$1,375,904, respectively, and bear interest at 3.83%.

The mortgage note payable placed certain restrictive covenants on the Administration and Our Lady of Grace. These covenants have been waived by the bank.

TERM NOTE PAYABLE – ST. ELIZABETH ANN SETON

During 2015, the Administration obtained a line of credit on the behalf of St. Elizabeth Ann Seton Catholic Church with a maximum borrowing amount of \$3,200,000. This line of credit is secured by property and bears interest at 3.5%. Subject to an informal agreement, any draws on the line of credit will be repaid by St. Elizabeth Ann Seton when the funds are available. In August 2016, the line of credit converted to a note payable requiring monthly payments of principal and interest at 3.75%. The balance was \$3,200,000 at December 31, 2016. There was no balance at December 31, 2015.

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8. NOTES PAYABLE, CONTINUED

Annual principal maturities under all notes payable as of December 31 are as follows:

2017	\$ 206,733
2018	251,850
2019	1,378,553
2020	192,189
2021	1,286,238
Thereafter	<u>3,012,020</u>
	<u>\$ 6,327,583</u>

The administration does not record interest income or expense related to these notes in the statements of activities.

9. NET ASSETS

TEMPORARILY RESTRICTED

Temporarily restricted net assets consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Future parishes	\$ 314,275	\$ 314,275
Seminarians' education	1,441,876	1,611,387
Rice bowl collections	60,863	100,780
Human development (local)	71,310	130,638
Poor of the Diocese	1,467,260	1,362,341
Long term funds for the poor	145,966	146,078
Catholic education	69,447	58,466
Clergy funeral expenses	113,652	113,652
National Initiative - Pastoral Leaders Project	1,007,322	-
Other	167,179	156,493
Time restrictions:		
Contributions receivable in future periods	<u>7,567,780</u>	<u>237,105</u>
	<u>\$ 12,426,930</u>	<u>\$ 4,231,215</u>

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9. NET ASSETS, CONTINUED

PERMANENTLY RESTRICTED

Permanently restricted net assets consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Seminarians	\$ 80,044	\$ 80,044
Scholarships	23,612	155,818
Priests' sabbaticals	40,438	40,438
Camp fund	19,339	19,339
	<u>\$ 164,433</u>	<u>\$ 295,639</u>

RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions as follows during the years ended December 31:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished	\$ 972,035	\$ 632,316
Time restrictions expired	4,204,112	4,416,115
Scholarship funds transferred to the Foundation	132,206	-
	<u>\$ 5,308,353</u>	<u>\$ 5,048,431</u>

During 2016, the Administration transferred \$132,206 of permanently restricted net assets to the Foundation per the original donor's request.

10. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Administration has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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10. FAIR VALUE MEASUREMENTS, CONTINUED

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Mutual funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Administration are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Administration are deemed to be actively traded.

Common trust funds: Valued at the price that could reasonably be expected to be realized from an orderly transaction to sell an asset or paid to transfer a liability between market participants. By its nature, a fair value price is a good faith estimate of the valuation in a current sale and may not reflect an actual market prices. Investments and other portfolio instruments are generally valued using a market approach.

Money market mutual funds: Generally transact subscription and redemption activity at a \$1 stable NAV however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Administration believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

During 2016, the Administration early adopted Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. As such, investments in common trust funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy.

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10. FAIR VALUE MEASUREMENTS, CONTINUED

The following table sets forth by level, within the hierarchy, the Administration's assets measured at fair value on a recurring basis as of December 31:

<u>2016</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds				
PIMCO Total Return III	\$ 10,167,049	\$ 10,167,049	\$ -	\$ -
MSCI ACWI screened index fund	7,361,863			
Russell 3000 screened index fund	7,335,881			
Charitable trusts	614,669	614,669	-	-
<u>2015</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks				
Large cap core	\$ 3,138,368	\$ 3,138,368	\$ -	\$ -
Large cap growth	2,969,277	2,969,277	-	-
Large cap value	4,307,034	4,307,034	-	-
Mid cap core	891,976	891,976	-	-
Mid cap growth	460,650	460,650	-	-
Mid cap value	858,755	858,755	-	-
Small cap core	2,113	2,113	-	-
Small cap value	25,087	25,087	-	-
Mutual funds				
PIMCO Total Return III	10,013,911	10,013,911	-	-
Charitable trusts	544,939	544,939	-	-
Money market mutual funds	19,974	-	19,974	-

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10. FAIR VALUE MEASUREMENTS, CONTINUED

The Administration's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels during 2016 or 2015.

The Administration's investments and amounts held within the charitable trusts are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

11. EMPLOYEE BENEFIT PLANS

PRIESTS' HEALTH AND WELFARE PLAN

The Administration sponsors a group insurance defined benefit plan for Diocesan priests. The plan provides for medical, dental and life insurance benefits for the duration of the priests' life. The plan is not funded.

The measurement dates used in determining the benefit measurement of the plan's benefit obligations for the years ended December 31, 2016 and 2015, is January 1, 2016 and 2015, respectively, with results projected to December 31, 2016 and 2015, respectively, with an unrecognized actuarial loss.

The following table sets forth the plan's funded status as included in accrued postretirement benefit obligation in the Administration's statements of financial position at December 31:

	<u>2016</u>	<u>2015</u>
Benefit obligation	\$ (3,564,483)	\$ (3,603,608)
Less: fair value of plan assets	<u>-</u>	<u>-</u>
Funding deficit	<u>\$ (3,564,483)</u>	<u>\$ (3,603,608)</u>

The plan paid benefits of \$117,446 and \$134,452 during the years ended December 31, 2016 and 2015, respectively.

Net periodic postretirement benefit cost includes the following components at December 31:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 133,099	\$ 225,014
Interest cost on accumulated postretirement benefit obligation	159,549	222,898
Amortization of prior service cost	(74,743)	-
Recognition of net loss	<u>11,938</u>	<u>36,498</u>
Net periodic postretirement benefit cost	<u>\$ 229,843</u>	<u>\$ 484,410</u>

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11. EMPLOYEE BENEFIT PLANS, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial gain of \$360,912 and \$587,177 at December 31, 2016 and 2015, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31 is combined with that of the Priests' Retirement Plan and is included in the statements of activities.

PRIESTS' HEALTH AND WELFARE PLAN

An 8.0% and a 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016 and 2015, respectively; the rate was assumed to decrease gradually to 5.0% in 2022 and remain at that level thereafter. A 4.0% and a 4.25% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2016 and 2015, respectively; the rate was assumed to decrease gradually to 3.5% in 2016 and remain at that level thereafter. A 3.75% annual rate of increase in the per capita cost of Medicare Part D benefits was assumed for 2015. Medicare subsidies were eliminated in future years after 2015 since the Diocese no longer participates in the subsidy plan.

Increasing the assumed health care and dental trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2016 by \$183,867 and would increase the total service and interest cost components by \$81,037 in 2016. Decreasing the assumed health care and dental trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2016 by \$153,541 and would decrease the total service and interest cost components by \$59,440 in 2016.

Effective January 1, 2016, 100% of the retired priests are assumed to elect the AARP Medicare Supplement Plan with PDP, with premium rates varying by person. The annual Medicare Supplement Plan and PDP premium rates are assumed to be \$2,935 and \$450 per person. For Medicare eligible priests enrolled in the PDP plan, the Diocese is assumed to reimburse \$433 annually for co-pays, and this reimbursement is assumed to increase by 3% annually. There is no longer a tax subsidy since Diocese participation in the Retiree Drug Subsidy program was discontinued effective on January 1, 2016.

Annual dental cost is assumed to be \$419 and \$424 per person for 2016 and 2015, respectively, and is assumed to increase with the dental trend rate described above.

The weighted average discount rate used in determining the benefit obligation was 4.25% and 4.5% as of December 31, 2016 and 2015, respectively.

The following benefits are expected to be paid for the years ending December 31:

2017	\$ 122,606
2018	140,531
2019	143,618
2020	151,156
2021	148,748
Years 2022 – 2026	<u>805,729</u>
	<u>\$ 1,512,388</u>

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11. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN

The Administration has a defined benefit pension plan for Diocesan priests. Each eligible priest electing to participate in the plan contributes \$50 annually. Each parish and the Administration is responsible for making a contribution to the Priests' Retirement Plan equal to 10% of the gross salary of each of its participating priests.

The measurement date used in determining the benefit measurements for plan assets and benefit obligations for the years ended December 31, 2016 and 2015 was December 31, 2016 and 2015, respectively.

The following sets forth the funded status of the plan and amounts shown in the accompanying statements of financial position at December 31:

	<u>2016</u>	<u>2015</u>
Benefit obligation	\$ 7,714,224	\$ 7,997,712
Fair value of plan assets	<u>7,891,704</u>	<u>7,342,540</u>
Funded status	<u>\$ 177,480</u>	<u>\$ (655,172)</u>

Net pension cost for the defined benefit plan included the following components for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Service costs	\$ 202,755	\$ 182,883
Interest costs	349,087	368,525
Return on assets	(429,238)	(462,100)
Recognition of net loss	<u>15,545</u>	<u>-</u>
Net benefit cost	<u>\$ 138,149</u>	<u>\$ 89,308</u>

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11. EMPLOYEE BENEFIT PLANS, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial (loss) gain of \$(374,889) and \$(1,110,669) at December 31, 2016 and 2015, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31, 2016 and 2015 is combined with that of the Priests' Health and Welfare Plan and is included in the statements of activities as follows:

	<u>2016</u>	<u>2015</u>
Priests' Health and Welfare Plan	\$ 151,522	\$ 2,057,532
Priests' Retirement Plan	<u>720,235</u>	<u>(1,019,772)</u>
Pension-related changes other than net periodic postretirement benefit cost	<u>\$ 871,757</u>	<u>\$ 1,037,760</u>

The following table summarizes the assumptions used to determine the projected benefit obligation for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Weighted average used to determine benefit obligations		
Discount rate	4.50%	4.50%
Rate of compensation increase	0.00%	0.00%
Weighted average used to determine net periodic benefit cost for the year		
Discount rate	4.50%	5.00%
Expected long-term rate of return	6.00%	6.00%
Rate of compensation increase	0.00%	0.00%

The Administration's contribution to the plan was \$235,021 and \$172,751 for the years ended December 31, 2016 and 2015, respectively. The Administration expects to contribute approximately \$100,000 to the plan during the year ending December 31, 2017. Distributions from the plan were \$463,958 and \$454,345 during the years ended December 31, 2016 and 2015, respectively.

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11. EMPLOYEE BENEFIT PLANS, CONTINUED

The amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) are as follows:

Year Ending December 31	
2017	\$ 418,151
2018	465,363
2019	460,278
2020	472,463
2021	483,846
Years 2022-2026	<u>2,402,624</u>
	<u>\$ 4,702,725</u>

The Priests' Retirement Plan weighted-average asset allocations at December 31, by asset category are as follows:

	<u>2016</u>	<u>2015</u>
Equity securities	74%	76%
Debt securities	22%	21%
Other	<u>4%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

The target allocation for the Administration's plan assets is broadly characterized as a 75% allocation between equity and debt securities. This strategy utilizes fixed income securities, which generally consist of government backed securities and cash, and equity securities which consist of common stocks and mutual funds shares. Investments are purchased with the intent to hold the asset for a long-term period.

The Administration attempts to mitigate investment risk by rebalancing between equity and debt classes as the Administration's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

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11. EMPLOYEE BENEFIT PLANS, CONTINUED

The fair value of the major classes of plan assets is as follows as of December 31:

	<u>2016</u>	<u>2015</u>
JP Morgan US Treasury Plus Money Market	\$ 27,922	\$ 193,997
Equities		
Common stocks	-	3,653,686
Foreign stocks	-	494,636
Preferred stock	-	97,230
Mutual Funds		
PIMCO Total Return III Fund	2,045,924	1,572,686
Capital Non U.S. Equity Fund	-	1,330,305
Common trust fund		
MSCI ACWI Screened Index Fund	2,914,071	-
Russell 3000 Screened Index Fund	2,903,786	-
	<u>\$ 7,891,703</u>	<u>\$ 7,342,540</u>

The fair value of the Priests' Retirement Plan assets is determined on the basis of Level 1 inputs, except for the JP Morgan US Treasury Plus Money Market, and Russell 3000 Screened Index Fund which is valued based on Level 2 inputs. Investments in collective investment funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy. See Note 10 for further explanation of fair value.

LAY EMPLOYEES' RETIREMENT PLAN

The Administration participates in a multi-employer contributory defined benefit pension plan. The Roman Catholic Diocese of Lafayette-In-Indiana, Inc. Lay Employees' Retirement Plan (Plan) covers substantially all lay employees of the Administration, individual parishes and other related organizations. Each eligible employee electing to participate in the Plan contributes \$50 annually. Each parish and the Administration is also responsible for making a contribution to the Plan equal to 6.0% of the gross salary of each of its participating employees. The Administration collects all contributions, which are remitted to a third party for custody and administration. Pension contributions made by the Administration for its participating employees were \$105,248 and \$94,664 in 2016 and 2015, respectively. Benefits are paid to plan participants based on a percentage of the average earnings prior to retirement multiplied by years of service. No determination has been made by the Plan's consulting actuary of the Plan's assets, benefit obligations or net periodic pension cost by parish and Administration.

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12. SELF-FUNDED HEALTH INSURANCE PLAN

Through December 31, 2015, the Administration maintained a self-funded health insurance plan for employees of the Administration and all participating parishes. The Administration was liable for claims under this plan, subject to individual and aggregate stop loss insurance. Specific losses for claims were covered by the stop loss policy for individual claims in excess of \$150,000 and an aggregate claim limit of \$7,902,279. The Administration has recorded an accrual of \$393,253 at December 31, 2015, representing its estimated portion of self-insured claims incurred for the periods then ending but not yet reimbursed.

The accrual is included in accounts payable and accrued expenses on the statements of financial position. Health claims and insurance expense under the self-funded plan aggregated \$6,168,270 for the year ended December 31, 2015.

The Administration and parishes are assessed their respective share of insurance premiums and claims paid plus an additional amount to cover the administration and other expenses of the program. Total amounts assessed for the year ended December 31, 2015 was \$7,046,019.

Effective on January 31, 2016, the Administration discontinued its self-funded health plan, and began a fully insured insurance program.

13. RELATED PARTY TRANSACTIONS

In addition to other related party transactions disclosed elsewhere in these notes, the Administration has the following related party activities:

AMOUNTS DUE FROM/TO PARISHES

At December 31, 2016 and 2015, the Administration had amounts due from parishes of \$150,473 and \$265,398, respectively. Additionally, \$493,993 and \$3,362,927 were due to parishes at December 31, 2016 and 2015, respectively.

NOTE RECEIVABLE FROM PARISH ST. JOHN VIANNEY

During 2009, the Administration transferred land to the St. John Vianney Parish in exchange for a note receivable in the amount of \$954,000. The note receivable bears no interest and the maturity date is not yet determined. The note receivable has been recorded at its net present value of \$670,268 and \$644,488 at December 31, 2016 and 2015, respectively. The note receivable represents 1.1% and 1.3% of the Administration's total assets at December 31, 2016 and 2015, respectively, and is unsecured.

The credit quality indicator of the note receivable is considered to be the ability of the borrower to perform on the note, determined by the borrower's overall financial performance. The overall financial performance is reviewed quarterly.

An allowance for estimated loss is considered based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of the recipient to repay the amount. Any uncollectible amount would be written off only when the amount was deemed to be permanently uncollectible. There has been no allowance amount established against the note receivable and no amounts have been charged off since the note was issued.

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13. RELATED PARTY TRANSACTIONS, CONTINUED

DUE FROM ST. ALPHONSUS AND DUE FROM OUR LADY OF GRACE

During 2012, the Administration obtained loans from two banks on behalf of St. Alphonsus Liguori Catholic Church and Our Lady of Grace Catholic Church. St. Alphonsus has signed an unconditional guarantee with the bank (Note 8) and both parishes are expected to make all payments of principal and interest directly to the banks. As the Administration does not anticipate paying on the bank loans, receivables from the parishes have been established to offset the amount of the loans that are recorded. The balance for St. Alphonsus was \$720,000 and \$840,000 at December 31, 2016 and 2015, respectively. The balance for Our Lady of Grace was \$2,407,583 and \$2,740,207 at December 31, 2016 and 2015, respectively. These receivables bear no interest and are unsecured.

DUE FROM ST. ELIZABETH ANN SETON

During 2015, the Administration obtained a line of credit on the behalf of St. Elizabeth Ann Seton Catholic Church with a maximum borrowing amount of \$3,200,000. This line of credit is secured by property and bears interest at 3.5%. Subject to an informal agreement, any draws on the line of credit will be repaid by St. Elizabeth Ann Seton when the funds are available. In August 2016, the line of credit converted to a note payable requiring monthly payments of principal and interest at 3.75%. The balance was \$3,200,000 at December 31, 2016. There was no balance at December 31, 2015.

DUE FROM ALL SAINTS

During 2014, the Administration made an advance to All Saints Catholic Church of \$113,516. This advance is unsecured and bears no interest. Subject to an informal agreement, the advance will be repaid by August 31, 2024. The balance was \$76,485 and \$107,576 at December 31, 2016 and 2015, respectively.

OTHER TRANSACTIONS

The Administration purchases group medical (Note 13) and liability insurance for all participating parishes. The related costs are assessed to the parishes. Total amounts assessed for liability insurance for the years ended December 31, 2016 and 2015 were \$1,136,061 and \$1,184,324, respectively.

14. GUARANTEES

The Administration is a guarantor of several notes payable issued by its parishes to various banking institutions. At December 31, 2016 and 2015, the Administration had guaranteed \$1,492,422 and \$2,367,771, respectively, of the parishes' debt, with maturities through September 2023. These debt obligations are maintained on the books of the respective parishes along with the related property purchased with the proceeds of the debt.

The Administration had also guaranteed a \$13.1 million bond issue, of which \$11,765,000 was outstanding at December 31, 2015, for the Hamilton County Catholic High School Corporation (High School). In May 2016, the High School refinanced its debt and as a result, the guarantee by the Administration on \$11,765,000 of bonds, \$1,700,000 of note payable and \$1,000,000 line of credit held by the High School was removed.

Should the Administration be required to pay any portion of notes payable it has guaranteed, the Administration could attempt to recover some or all of the amounts from the guaranteed parties. However, the Administration holds no collateral with respect to the guarantees.

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15. LITIGATION

The Administration is subject to claims and lawsuits in the normal course of business. Liability insurance is maintained by the Administration to provide protection against such claims. Management believes the ultimate resolution of these matters will not have a material adverse impact on the Administration's financial position, changes in net assets, or cash flows.

16. CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

The Administration's investments (Note 4) are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

At December 31, 2016 and 2015, approximately 40% and 39% of the Administration's investment holdings are comprised of the PIMCO Total Return III fund. At December 31, 2016, approximately 58% of the Administrations holdings are comprised of the MSCI ACWI screened index common trust fund and Russell 3000 screened index common trust fund.