

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE

FINANCIAL STATEMENTS
Year ended June 30, 2018



KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

714 4th Avenue, Suite 303 • (907) 456-6676 • Fax 456-6431
P.O. Box 70607, Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Bishop and Finance Council
Catholic Bishop of Northern Alaska -
A Corporation Sole

We have audited the accompanying financial statements of the diocesan administration and ministry arm of the Catholic Bishop of Northern Alaska – A Corporation Sole (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the diocesan administration and ministry arm of the Catholic Bishop of Northern Alaska – A Corporation Sole as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

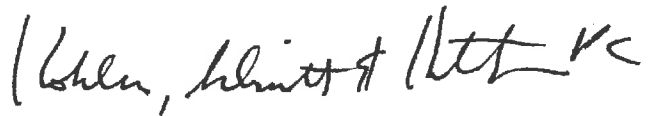
Report on Summarized Comparative Information

We have previously audited Catholic Bishop of Northern Alaska – A Corporation Sole’s 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of comparative financial position and activities on pages 19-20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fairbanks, AK
December 11, 2018

A handwritten signature in black ink, appearing to read "W. Lohman, CPA" with a stylized flourish at the end.

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE
STATEMENT OF FINANCIAL POSITION
June 30, 2018

	<u>Current Funds</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 402,990
Accounts receivable less allowance for doubtful accounts of \$ -0-	40,908
Contributions receivable less allowance for doubtful accounts of \$ -0-	76,108
Investments	3,449,162
Prepaid expenses	87,279
Current portion of notes receivable	30,400
Other	2,361
	<u>4,089,208</u>
PROPERTY AND EQUIPMENT	
Land, buildings and equipment less accumulated depreciation	<u>-</u>
INVESTMENTS	
Investments in real estate	-
Investments in marketable securities	-
	<u>-</u>
OTHER ASSETS	
Equity in ACCB and CUP II	431,743
Defined benefit asset	313,082
Notes receivable, less current portion and less allowance for doubtful accounts of \$ -0-	82,780
	<u>827,605</u>
 Total assets	 <u>\$ 4,916,813</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	69,728
Accrued expenses	464,603
Funds held for others	172,711
Annuities payable	132,606
Insurance payable	43,283
	<u>882,931</u>
 DUE TO (FROM) OTHER FUNDS	 <u>(229,581)</u>
	<u>(229,581)</u>
NET ASSETS	
Unrestricted:	
Quasi-endowment	-
Undesignated	3,945,171
	<u>3,945,171</u>
Temporarily restricted:	
Restricted grants and donations	318,292
Undistributed earnings	-
	<u>318,292</u>
 Permanently restricted	 <u>-</u>
Total net assets	<u>4,263,463</u>
 Total liabilities and net assets	 <u>\$ 4,916,813</u>

See accompanying notes and independent auditor's report

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Current Funds
CHANGES IN UNRESTRICTED NET ASSETS	
Revenues, gains, and other support:	
Contributions	\$ 3,187,755
Bequests	2,304,501
Assessments	248,639
Service fees	91,224
Rental income	37,461
Interest and dividends	45,820
Realized investment gains (losses)	10,336
Unrealized investment gains (losses)	(10,989)
Income (loss) from ACCB and CUP II	(113,182)
Benefit from increase in defined benefit plan	231,979
Other income	83,266
Total revenues, gains, and other support	6,116,810
Net assets released from restrictions	848,261
Total revenues, gains, other support, and net assets released from restrictions	6,965,071
Expenses	
Program expenses	
Diocesan mission support	800,188
Catholic Schools	259,899
Ministry development	772,873
Pastoral ministry	354,651
Diocesan priest support	315,726
Faith formation	216,093
Other programs	79,972
Management and general	852,639
Fundraising	1,190,630
Total expenses	4,842,671
Increase (decrease) in unrestricted net assets	2,122,400
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Restricted contributions	743,397
Interest and dividends	-
Realized investment gains (losses)	-
Unrealized investment gains (losses)	-
Gain (loss) on sale of real estate	-
Return of endowment funds to Monroe Foundation	-
Rental income	-
Net assets released from restrictions	(848,261)
Increase (decrease) in temporarily restricted net assets	(104,864)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Contributions	-
Increase (decrease) in permanently restricted net assets	-
Change in net assets before transfers	2,017,536
Transfer (to) from other funds	(177,731)
Change in net assets	1,839,805
NET ASSETS, July 1	2,423,658
NET ASSETS, June 30	\$ 4,263,463

See accompanying notes and independent auditor's report

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE
STATEMENT OF CASH FLOWS
Year ended June 30, 2018

	Current Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants	\$ 3,159,923
Bequests	2,251,344
Assessments	248,639
Service fees	91,224
Rental income	37,461
Interest income	-
Other income	113,451
Transfer to endowment fund	(177,731)
Temporarily restricted contributions	743,397
Cash paid to employees, suppliers and vendors	(5,022,275)
Interest expense	(36,125)
Net cash provided (used) by operating activities	1,409,308
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits to investments	(1,324,469)
Distributions from investments	-
Purchase of property and equipment	-
Proceeds from sale of property and equipment	-
Proceeds from notes receivable	3,585
(Increase) decrease in notes receivable	-
Increase (decrease) in funds held for others	26,385
Change in inter-fund accounts	(363,821)
Net cash provided (used) by investing activities	(1,658,320)
 Net increase (decrease) in cash	 (249,012)
CASH, July 1	652,002
CASH, June 30	\$ 402,990

	<u>Current Funds</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in net assets, before transfers	\$ 2,017,536
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	-
Interest and dividends earned by investments	(45,829)
Realized investment (gains) and losses	19,672
Unrealized investment (gains) and losses	11,175
Investment expenses	10,095
Donations	(27,832)
Loss on sale of real estate	-
Transfer to endowment fund	(177,731)
Return of endowment funds to Monroe Foundation	-
Increase in notes receivable	(112,165)
Changes in equity in ACCB and CUP II	113,182
Defined benefit asset	(231,979)
Changes in:	
Accounts receivable	(27,691)
Contributions receivable	(53,157)
Prepaid expenses	(54,287)
Other	1,683
Accounts payable	(2,012)
Accrued expenses	(13,472)
Annuities payable	(28,686)
Insurance payable	10,806
Net cash provided (used) by operating activities	<u>\$ 1,409,308</u>
SCHEDULE OF NONCASH INVESTING TRANSACTIONS	
Donated assets	<u>\$ 27,832</u>

See accompanying notes and independent auditor's report

SUPPLEMENTARY INFORMATION

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE
SCHEDULE OF COMPARATIVE FINANCIAL POSITION
June 30, 2018 and 2017

	<u>Current Funds</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 402,990	652,002
Accounts receivable less allowance for doubtful accounts of \$ -0-	40,908	13,217
Contributions receivable less allowance for doubtful accounts of \$ -0-	76,108	22,951
Investments	3,449,162	2,091,974
Prepaid expenses	87,279	32,992
Current portion of notes receivable	30,400	-
Other	2,361	4,044
	<u>4,089,208</u>	<u>2,817,180</u>
PROPERTY AND EQUIPMENT		
Land, buildings and equipment less accumulated depreciation	-	-
INVESTMENTS		
Investments in real estate	-	-
Investments in marketable securities	-	-
	<u>-</u>	<u>-</u>
OTHER ASSETS		
Equity in ACCB and CUP II	431,743	544,925
Defined benefit asset	313,082	81,103
Notes receivable, less current portion and less allowance for doubtful accounts of \$ -0-	82,780	4,600
Total assets	<u>\$ 4,916,813</u>	<u>3,447,808</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	69,728	71,739
Accrued expenses	464,603	478,075
Funds held for others	172,711	146,327
Annuities payable	132,606	161,292
Insurance payable	43,283	32,477
	<u>882,931</u>	<u>889,910</u>
DUE TO (FROM) OTHER FUNDS	<u>(229,581)</u>	<u>134,240</u>
	<u>(229,581)</u>	<u>134,240</u>
NET ASSETS		
Unrestricted:		
Quasi-endowment	-	-
Undesignated	3,945,171	2,000,502
	<u>3,945,171</u>	<u>2,000,502</u>
Temporarily restricted:		
Restricted grants and donations	318,292	423,156
Undistributed earnings	-	-
	<u>318,292</u>	<u>423,156</u>
Permanently restricted	-	-
Total net assets	<u>4,263,463</u>	<u>2,423,658</u>
Total liabilities and net assets	<u>\$ 4,916,813</u>	<u>3,447,808</u>

See independent auditor's report.

CATHOLIC BISHOP OF NORTHERN ALASKA -
A CORPORATION SOLE
SCHEDULE OF COMPARATIVE ACTIVITIES
Years ended June 30, 2018 and 2017

	Current Funds	
	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains, and other support:		
Contributions	\$ 3,187,755	2,548,809
Bequests	2,304,501	646,028
Assessments	248,639	250,671
Service fees	91,224	95,934
Rental income	37,461	36,324
Interest and dividends	45,820	38,702
Realized investment gains (losses)	10,336	17,690
Unrealized investment gains (losses)	(10,989)	(24,607)
Income (loss) from ACCB and CUP II	(113,182)	(83,465)
Benefit from increase in defined benefit plan	231,979	-
Other income	83,266	84,024
Total revenues, gains, and other support	<u>6,116,810</u>	<u>3,610,110</u>
Net assets released from restrictions	848,261	867,644
Total revenues, gains, other support, and net assets released from restrictions	<u>6,965,071</u>	<u>4,477,754</u>
Expenses		
Program expenses		
Diocesan mission support	800,188	461,814
Catholic Schools	259,899	279,903
Ministry development	772,873	653,490
Pastoral ministry	354,651	481,594
Diocesan priest support	315,726	318,409
Faith formation	216,093	232,233
Other programs	79,972	58,767
Management and general	852,639	925,088
Fundraising	1,190,630	1,075,053
Total expenses	<u>4,842,671</u>	<u>4,486,351</u>
Increase (decrease) in unrestricted net assets	<u>2,122,400</u>	<u>(8,597)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted contributions	743,397	770,663
Interest and dividends	-	-
Realized investment gains (losses)	-	-
Unrealized investment gains (losses)	-	-
Gain (loss) on sale of real estate	-	-
Return of endowment funds to Monroe Foundation	-	-
Rental income	-	-
Net assets released from restrictions	(848,261)	(867,644)
Increase (decrease) in temporarily restricted net assets	<u>(104,864)</u>	<u>(96,981)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	-	-
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>
Change in net assets before transfers	2,017,536	(105,578)
Transfer (to) from other funds	(177,731)	-
	<u>(177,731)</u>	<u>-</u>
Change in net assets	1,839,805	(105,578)
NET ASSETS, July 1	<u>2,423,658</u>	<u>2,529,236</u>
NET ASSETS, June 30	<u>\$ 4,263,463</u>	<u>2,423,658</u>

See independent auditor's report.