



The Catholic Key

November 18, 2016

Diocese of Kansas City — St. Joseph

Vol. 48 No. 23

Many good works, endeavors occurring in the diocese

Dear Brothers and Sisters in Christ,

In this edition of The Catholic Key please find our annual diocesan financial report. It details for you our stewardship of the donations, gifts, and resources that have been entrusted to the Church for the service of God's Kingdom and the ongoing mission that Jesus entrusted to his apostles.

In the past year we have been able to fund those offices, institutions, and functions that are essential to the life and growth of the Church, as well as direct ministries and grants that benefit all of our parishes and schools. In various ways, we have also been able to support the spiritual and corporal works of mercy that are part of our life each year in Christ.

Thankfully, there are too many good works and endeavors occurring in our diocese to count. But, we have more, much more, ahead of us. As we travel the "narrow way" of Jesus together into the future, know of my heartfelt gratitude for your prayers, your active participation in the faith-life of your own families and parishes, and your financial support of God's salvific mission that has been entrusted to us.

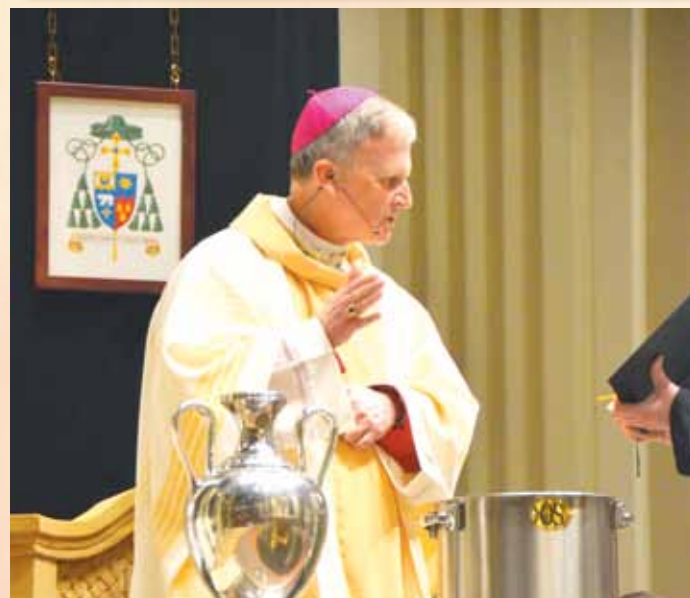
Our 2017 Annual Catholic Appeal is underway and your contribution is vital to the mission and ministry of the Church. It is integral to our success and your continued support is much appreciated.

As we approach the end of one year and the beginning of another, let us look back in gratitude and forward in hope. The love of Christ urges us on! (2 Cor 5:14).

Gratefully yours in Christ,

+ James V. Johnston, Jr.

Most Reverend James V. Johnston, Jr.
Bishop of Kansas City-St. Joseph



Key file photos

Above, fifth graders from Nativity of Mary school at the Vocation Days Mass held this past February at St. John Francis Regis Parish and Archbishop O'Hara High School.

At left, Bishop James V. Johnston, Jr. blesses the oils at the Chrism Mass this past March.

Below, Father Samuel Miloscia lies prostrate during his Ordination Mass this past May.

BISHOP'S REPORT 2016

Financial Report for 2015-2016

Our Diocese is committed to the proper stewardship of and accountability for the financial resources of the Diocese, and, thus, we continue our practice of disclosure of the financial status and activity of the Diocesan Chancery Operations (DCO). The DCO represents the functions and programs which are operated from the Catholic Chancery (at the Catholic Center) as well as our campus ministry locations. The information here is from the 2015/16 annual audit performed by RSM and reviewed/approved by the Diocesan Finance Council at its October 24th meeting. Bishop Johnston accepted the approval recommendation.

Please note, in April 2016, the Diocese completed the segregation of the Diocesan Deposit and Loan Fund from the former Diocesan Central Financing Operation and established it as a separate trust. The Diocesan Deposit and Loan Fund is overseen by a Board of Trustees. The seven member Board of Trustees of the Diocesan Deposit and Loan Fund has approved the 2015/16 audit of the Fund, and the Fund's



Dave Malanowski

Statement of Financial Position is presented as part of this Report. In other words, the former Diocesan Central Financing Operation is now two separate entities: the Diocesan Chancery Operations and the Deposit and Loan Fund (Trust). Therefore, the audits, statements and this article may look a little different this year.

Since 1965, our central administrative functions have undergone an annual audit and publicized their financial statements. This is an important expression of accountability, and it represents the commitment of Bishop James V. Johnston, Jr., our Diocesan Finance Council and the staff of the Finance Office to report openly the sources of our funds and how these funds are used, along with the overall financial condition of the DCO and the Diocesan Deposit and Loan Fund. This is important in our world today, where continued attention and scrutiny is given to the financial practices of the Catholic Church, not-for-profits and other institutions.

Diocesan Chancery Operations (DCO)

Once again the auditors have given a "clean" opinion, meaning that there are no qualifications, and the financial statements "represent fairly, in all material respects, the financial position of the DCO as of June 30, 2016 and . . . are in conformity with accounting principles generally accepted in the U.S." In addition, the auditors indicated there were no significant internal control deficiencies or material weaknesses identified within the scope of the audit.

Total Unrestricted Net Assets decreased by approximately \$4 million to \$11.53 million. **Unrestricted/Undesignated Net Assets** in the **Current Fund** decreased by \$2.06 million to \$1.68 million. The decrease in **Total Unrestricted Net Assets** related to two primary factors. First, approximately \$1.5 million of designated funds were transferred to the new Deposit and Loan Fund because their designated purpose related directly to parish and school loan or endowment

activity. Second, the DCO recorded an expense (and corresponding increase in the liability) of approximately \$2.1 million related to the actuarial cost accrual of health insurance and long term care insurance provided to our retired priests. This was driven primarily by the decrease in the interest/discount rate used in the actuarial calculation and the simple fact that there was an increase in the number of active priests (due to ordinations).

There was also a change in the Mortality Table used.

From a pure 'operations perspective' (looking at results in light of our Operating Budget), the DCO ran a surplus of approximately \$306,000. The Annual Catholic Appeal realized \$1.57 million in 2015/16 against a budgeted figure of \$1.7 million. This negative variance in income was offset primarily by positive variances in net interest income (actual \$581,477 vs. \$440,000 budget) and the Tomorrow's Priests Collection (see below), as well as the final results of the various offices, programs and subsidies.

Fiscal year 2015/16 was the fourth year of the special collection for seminarian education and vocations called 'Tomorrow's Priests'. This collection realized \$130,802 (a significant increase from the 14/15 amount of \$70,082 and a positive variance against the 15/16 budgeted amount of \$85,000). The extremely generous support of this collection speaks to the recognition (of the Diocesan Faithful) of the importance of priestly vocation awareness and development. Regarding seminarian education, because of the large number of seminarians our Diocese has had studying for the priesthood over the last few years, the Diocese has had to use more and more of our seminarian education designated reserves to help fund the total costs. In 2015/16, \$333,000 was used, and the current year (2016/17) shows us using \$198,000. This will virtually deplete the reserves for next year. Thus, certain offices in the Chancery have continued to work collaboratively to identify strategies to build up these reserves. Please note, designated reserves are distinct from our seminarian education endowments (approximately \$6.4 million in the **Endowment Fund**). The DCO uses only the interest income from these endowments to fund seminarian education costs.

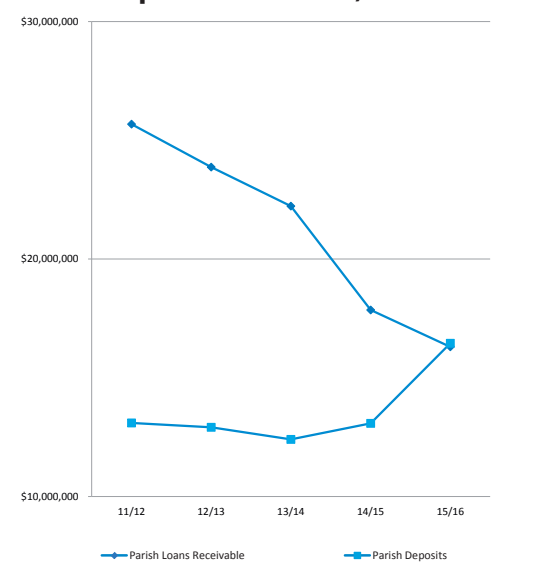
All offices, departments and programs did an effective and reasonable job in adhering to approved budgets.

The total value of **Endowment Fund** assets was \$9.97 million, down from \$13.1 million. This decrease relates solely to certain internal endowments associated with parishes and schools being appropriately transferred to the Diocesan Deposit and Loan Fund. The three major ministerial areas in our budget funded by the earnings of these endowments in the DCO are seminarian education (as previously mentioned), youth ministry and our allocation to Catholic Charities.

Parish/School Accounts Receivable (what is owed to the DCO) decreased slightly by \$46,000 to \$2.35 million. (Please note: this is an actual

comparison of 10/15/15 to 10/15/16. The timing of this comparison is meaningful because it reflects our billing cycle, which is mid-month rather than month end, and it allows parishes and schools to get through the summer months when cash flow is affected by vacations, etc.) These are amounts that parishes and schools owe to the DCO for normal monthly bills (the Diocesan Cathedral Assessment, employee benefits, property and casualty insurance premiums, school per pupil assessment, etc.). It is important to monitor this receivable amount and work with parishes and schools to address these fixed costs/no-choice obligations so that parishes and schools don't get too far behind and dig a hole that becomes difficult to escape. The receivable amount can be an important and effective gauge of parish or school financial health.

Parish Deposits and Loans, 2012-2016



Diocesan Deposit and Loan Fund

The Board of Trustees of the Deposit and Loan Fund approved the Fund's audit on September 28, 2016. This Fund, like the DCO, received a 'clean opinion' from our auditors, and represents a successful segregation of appropriate assets, liabilities and net assets. The chart contained in this report shows the level of parish loans and deposits. The estimate of net deposits at 6/30/16 and 6/30/17 indicate adequate capacity to handle anticipated loans and withdrawals in the near term, particularly taking into account upcoming construction or renovation projects being considered or in design.

Anyone having questions or wishing to discuss the DCO Audit approved by Bishop Johnston and the Diocesan Finance Council may contact me at (816)-714-2319 or e-mail me at malanowski@diocesekcsj.org. I will be happy to assist you. The Diocesan Finance Office will publish the complete DCO Audit, the complete Deposit and Loan Fund Audit and the complete Diocesan Insurance Review (pending its review by the Finance Council on November 21) on our new Diocesan website: www.kcsjatholic.org/finance-and-management-services/diocesan-finance-office. Thank you for your continued support, particularly during the recent challenging years. This report hopefully shows that your support helps in many important ways.

Dave Malanowski
Diocesan Finance Officer

CENTRAL FINANCING OPERATIONS
Statement of Financial Position at June 30, 2016

| | Current | Plant | Custodian | Endowment | Total |
|--|----------------------|----------------------|-------------------|---------------------|----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 5,049,144 | \$ 746,037 | \$ 167,353 | \$ 1,933,122 | \$ 7,895,656 |
| Loans and accounts receivable, net | 6,219,108 | 600,000 | - | 5,000,000 | 11,819,108 |
| Pledges receivable, net | 220,209 | - | - | - | 220,209 |
| Land, buildings and equipment, net | 1,023,794 | 10,703,941 | - | - | 11,727,735 |
| Beneficial interest in others | - | - | - | 539,549 | 539,549 |
| Investments | 100,000 | - | - | 2,496,643 | 2,596,643 |
| Total assets | \$ 12,612,255 | \$ 12,049,978 | \$ 167,353 | \$ 9,969,314 | \$ 34,798,900 |
| Liabilities | | | | | |
| Accounts payable | \$ 351,847 | \$ - | \$ - | \$ - | \$ 351,847 |
| Notes payable | - | 5,959,232 | - | - | 5,959,232 |
| Parish deposits | - | - | - | - | - |
| Other short-term deposits | 284,567 | - | 167,353 | - | 451,920 |
| Annuities payable | - | - | - | 669,243 | 669,243 |
| Long-term deposits payable: | | | | | |
| Cemetery perpetual care funds | - | - | - | - | - |
| Diocesan insurance reserves | 135,899 | - | - | - | 135,899 |
| Retired priests benefit obligations | 8,186,938 | - | - | - | 8,186,938 |
| Deferred revenue | 276,746 | - | - | - | 276,746 |
| Total liabilities | 9,235,997 | 5,959,232 | 167,353 | 669,243 | 16,031,825 |
| Commitments and contingencies | | | | | |
| Net Assets (Deficit) | | | | | |
| Unrestricted: | | | | | |
| Designated funds | 1,382,419 | 746,037 | - | 2,232,230 | 4,360,686 |
| Designated for annuities | - | - | - | 142,786 | 142,786 |
| Expended for plant | - | 4,744,709 | - | - | 4,744,709 |
| Undesignated reserve | 1,679,202 | 600,000 | - | - | 2,279,202 |
| Total unrestricted net assets | 3,061,621 | 6,090,746 | - | 2,375,016 | 11,527,383 |
| Restricted: | | | | | |
| Temporarily: | | | | | |
| Other | 314,637 | - | - | - | 314,637 |
| Endowments | - | - | - | 3,418,998 | 3,418,998 |
| Total temporarily restricted net assets | 314,637 | - | - | 3,418,998 | 3,733,635 |
| Permanently: | | | | | |
| Endowments | - | - | - | 3,506,057 | 3,506,057 |
| Total net assets | 3,376,258 | 6,090,746 | - | 9,300,071 | 18,767,075 |
| Total liabilities and net assets | \$ 12,612,255 | \$ 12,049,978 | \$ 167,353 | \$ 9,969,314 | \$ 34,798,900 |

CATHOLIC DIOCESE OF KANSAS CITY-ST. JOSEPH DEPOSIT & LOAN FUND
STATEMENT OF FINANCIAL POSITION

| | Endowment | Deposit & Loan | Total |
|--|---------------------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 2,764,086 | \$ 2,764,086 |
| Loans and accounts receivable, net | - | 19,909,495 | 19,909,495 |
| Investments | 3,006,706 | 6,866,625 | 9,873,331 |
| Total assets | \$ 3,006,706 | \$ 29,540,206 | \$ 32,546,912 |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 5,417 | \$ 5,417 |
| Notes payable | - | 2,500,000 | 2,500,000 |
| Parish deposits | - | 16,451,650 | 16,451,650 |
| School deposits | - | 4,444,410 | 4,444,410 |
| Other short-term deposits | - | 102,281 | 102,281 |
| Long-term deposits payable: | | | |
| Cemetery perpetual care funds | - | 6,018,754 | 6,018,754 |
| Total liabilities | - | 29,522,512 | 29,522,512 |
| Net Assets (Deficit) | | | |
| Unrestricted: | | | |
| Designated funds | 1,547,972 | - | 1,547,972 |
| Undesignated | - | 17,694 | 17,694 |
| Total unrestricted net assets | 1,547,972 | 17,694 | 1,565,666 |
| Restricted: | | | |
| Temporarily: | | | |
| Endowments | 1,458,734 | - | 1,458,734 |
| Total temporarily restricted net assets | 1,458,734 | - | 1,458,734 |
| Permanently: | | | |
| Endowments | - | - | - |
| Total net assets | 3,006,706 | 17,694 | 3,024,400 |
| Total liabilities and net assets | \$ 3,006,706 | \$ 29,540,206 | \$ 32,546,912 |

DIOCESAN CHANCERY OPERATIONS
Statement of Activities - June 30, 2016

Change in Unrestricted Net Assets

CURRENT FUND (in \$000's)

| | |
|--|--------------------|
| REVENUE | |
| Bishop's Annual Appeal | \$ 1,574 |
| Diocesan Collections | 324 |
| Diocesan Share - National Collections | 35 |
| Assessments | 6,478 |
| Bequests | 606 |
| Contributions | 1,223 |
| Lease | 103 |
| Fees | 635 |
| Auxiliary Services (Insurance & Key) | 16,169 |
| Other | 2,130 |
| Release from Restrictions | 266 |
| Investment Income | 1,070 |
| Unrealized Losses | (254) |
| TOTAL REVENUE | \$ 30,359 |
| EXPENSES | |
| Pastoral Services | \$ (3,349) |
| Religious Personnel Development | (2,418) |
| Education | (2,368) |
| Social Services | (673) |
| Diocesan Administration | (4,704) |
| Auxiliary Services | (16,309) |
| TOTAL EXPENSES | \$ (29,821) |
| OTHER | |
| Interest on Debt | \$ (55) |
| Interest on Deposits | (434) |
| To Plant Fund | (348) |
| From Unrestricted Endowments | 71 |
| TOTAL OTHER | \$ (766) |
| Change in Post Employment Benefits Liability | (2,096) |
| Change in Unrestricted Net Assets | \$ (2,324) |

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Bp James Johnston ✓
@BpJamesJohnston



Celebrated Mass at the #Catholic Center on my 1 yr anniversary of coming to KC. I'm happy & humbled to be serving the people of @DioceseKCSJ



4 Nov 2016

