



# The Catholic Key

November 23, 2018

Diocese of Kansas City — St. Joseph

Vol. 50 No. 23

## Giving thanks for many blessings

Dear Brothers and Sisters in Christ,

In this issue of the Catholic Key you will find our annual Diocesan Financial Report. It is an opportunity for me and our Diocesan Finance Officer, Dave Malanowski, to share with you the details of our financial stewardship of the resources you provide through donations and other gifts which support the work and mission of the Church, entrusted to us by Jesus Christ to serve and extend his Kingdom.



Your gifts enable our diocese to fund what I have referred to as our "Catholic infrastructure," those offices and services that support and enable our parishes, schools and other institutions to flourish. These are essential for the life and growth of the Church in northern and western Missouri. We are also able to make grants to specific ministries in need, and fund corporal and spiritual works of mercy. Besides all this, it enables me to fulfill my office as your shepherd as together we strive to follow Jesus as missionary disciples.

This past year, again, has been one of many blessings. I continue to be inspired as I travel the length and width of the Diocese of Kansas City-St. Joseph, our corner of the Lord's vineyard. I witness parishes and missions coming together in generosity to worship God at Mass, celebrate the sacraments, teach and hand on the Faith to others in our schools and parish religious education programs, pray and serve, and perform works of Christian charity. I see firsthand, and rejoice in, the faith of our young people and young adults, passionate about their love for our Lord and possessing a burning desire to grow in their faith. In Spring of this year, we initiated our diocesan-wide Visioning Process, allowing us to reflect on and prayerfully consider the path we wish to travel as a diocese over the next few years.

Our 2019 Annual Catholic Appeal is underway and your contribution is essential to the mission and ministry of the Church. It is a key to our success and your continued support is much appreciated!

In this week when Americans give thanks, I wish to offer my special thanks to God for all of you, His children. Thank you for your faith—a faith lived out in love. And, thank you for your generosity in giving back to God from the blessings God has given you.

As we rapidly approach the end of one year and the beginning of another, know also of my prayers for each of you. 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



# MAX

## Diocese of Kansas City-St. Joseph Prison & Jail Ministry



The offices of Domestic Church and Discipleship, Young Adult Ministry, Prison Ministry and Construction Management are some of the ministries which benefit from your support of the Annual Catholic Appeal. These and some other ministries supported by the ACA are among the stories highlighted in this edition of *The Catholic Key*.

# BISHOP'S REPORT 2018



# Financial Report for 2017-2018

**OUR DIOCESE** is committed to the proper stewardship of and accountability for the financial resources of the Diocese. Therefore, we continue our practice of disclosure and transparency, and present the financial status and activity of the three major components of the administration of the Diocese for the 2017/18 fiscal year ending June 30. The information in this report is for:

The Diocesan Chancery Operation (DCO) - represents administrative functions, ministries and programs which are operated at the Catholic Chancery (at the Catholic Center), as well as our campus ministry locations.

The Diocesan Deposit and Loan Fund (DLF) - is a segregated trust (overseen by a seven-member Board of Trustees) and holds the deposits of parishes and schools 'in trust' primarily to make loans to parishes and schools for new construction and major renovation.

The Diocesan Insurance Operation (DIO) - includes the Diocesan self-insurance fund for property and casualty and the lay and clergy benefit programs.

The presentation of this financial information represents the commitment of Bishop Johnston, our Diocesan Finance Council and the staff of the Diocesan Finance Office to report openly the sources of our funds and how these funds are used, along with the overall financial condition.

## Diocesan Chancery Operations (DCO)

The financial information for the DCO is from the 2017/18 annual audit report prepared by the accounting firm RSM US. The audit resulted in a "clean opinion" meaning there were no qualifications and the financial statements "represent fairly, in all material respects, the financial position of the Catholic Diocese of Kansas City Chancery Operation as of June 30, 2018 and June 30, 2017, and ...are in accordance with the accounting principles generally accepted in the U.S.". In addition, the auditors indicated there were no internal control weaknesses identified within the scope of the audit. The Diocesan Finance Council reviewed and recommended approval of the audit at its October 29th meeting; recommendation was subsequently approved and accepted by Bishop Johnston.

As shown in the DCO's Statement of Financial Position presented in this article, Total Unrestricted Net Assets increased by approximately \$433,550 to \$11.17 million. Unrestricted/Undesignated Net Assets increased from \$1,093,000 to \$1,421,000. These increases are due primarily to the recording of a gain (and decreased liability) of \$496,817 related to the 'actuarial' cost accrual for health care and long-term care for our retired priests. This \$921,817 gain, in turn, was due to service cost, interest cost, premiums paid, changes in participant data, interest rate assumptions, industry trends, and new premiums for health and long-term care.

The DCO paid down the mortgage on the Catholic Center by \$237,000, ending the year with a mortgage balance of \$4.50 million (in the Plant Fund). The original mortgage on the Catholic Center in October 2010 was \$7 million.

From a pure "operations perspective" (looking at results in light of the DCO operating budget), the DCO ended with a surplus of \$788,000. Income associated with the Annual Catholic Appeal was \$2.12 million, which was a combination of 2017/18 pledges (\$2.02 million) and a small amount of additional 2016/17 pledges (\$91,000). This represents a significant increase from the 2016/17 amount of \$1.91 million. Income included a \$400,000 transfer of net interest income from the Deposit and Loan Fund approved by the Trustees of the Deposit and Loan Fund. This amount was \$300,000 in 2016/17.

Fiscal Year 2017/18 was the sixth year of the special collection for seminarian education and vocations called "Tomorrow's Priests". This collection realized \$173,000 (compared to a budget of \$140,000). The continued generous support of this collection speaks to the recognition (by the Diocesan Faithful) of the importance

of priestly vocation awareness and development, and seminarian education.

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

Parish/School Accounts Receivable (what is owed to the DCO) increased by \$290,000 to \$2.75 million. These are amounts that parish, schools, Catholic Cemeteries and Catholic Charities owe to the DCO for certain, normal monthly bills (the Diocesan Cathedralium Assessment, employee benefits, property and casualty insurance premiums, school per pupil assessment, etc.). The increase was actually a comparison of 10/14/18 to the previous year 10/14/17, a comparison which provides the Diocesan Finance Council with the most current information available when meeting in October. The receivable amount can be an important and effective gauge of parish or school financial health.



Dave Malanowski

## Diocesan Deposit and Loan Fund (DLF)

The Board of Trustees of the Deposit and Loan Fund approved the Fund's audit on October 26, 2018. The audit of this Fund, like the DCO, was performed by RSM US and received a "clean opinion" from our auditors, and represents a successful first full year of operation as a separate trust. The Statement of Financial Position (as presented in this article) shows a healthy DLF, with \$48.6 million in assets, of which \$33.4 million are in investments. These investments would handle prospective withdrawals and loans. Net Assets totaled \$4.0 million. The chart contained in this article shows the level of parish loans and deposits over the last five years. Lending activity increased with the completion of the St. Peter Catholic Church, KC school renovation, thus the increase in total loans receivable (parishes and schools) from \$10.7 million to \$12.5 million. The amount of net deposits at 6/30/18 and internal projections of deposits, withdrawals, loans and principal paybacks (out to end of 2020) indicate adequate capacity to handle anticipated loans and withdrawals in the near term, particularly, taking into account current and upcoming construction or renovation projects being considered or in design.

## Diocesan Insurance Operation (DIO)

In January 1, 1975, the Diocese established a self-insurance program for property and casualty insurance coverages. Under this plan, the Diocese self-insures the property and casualty coverages (except for boiler insurance, which is a deductible program) for all Diocesan parishes, schools, early childhood centers, Catholic Cemeteries Association, Catholic Charities of Kansas City-St. Joseph, and other diocesan institutions. The self-insurance programs provide coverage for buildings, machinery and equipment, boiler, workers' compensation, automobile, student accident, comprehensive general liability, fiduciary

liability, professional liability, sexual misconduct liability and cyber liability. The program includes a limit on each claim payable by the Diocese. Claims in excess of the self-insured retention are insured by licensed insurance carriers. Under the program, the Diocese contracts for the administration of claims, appraisals, and loss control and prevention services. The Diocesan Insurance Office coordinates the placement of coverage, payment of claims and premiums with insurance companies and service providers.

Part of the administrative activity of the DCO is the Office of Child and Youth Protection, which oversees: a) compliance with the Charter for the Protection of Children and Young People, b) victims' services and counseling, c) safe environment training and education and d) investigations.

In addition to the self-insurance coverages, the Diocesan Benefits Office administers the clergy and lay employee benefit programs, which include pension, life insurance, short-term disability, long-term disability, health care insurance, voluntary dental care, voluntary supplemental life insurance, flexible spending accounts, health savings accounts, long-term care (clergy), and supplemental medical reimbursement (clergy). (Please note the actual pension plans for the Diocesan priests and the lay employees are two individual, separate trusts.)

Premiums for the self-insurance property and casualty coverages are based on an exposure basis for the specific line of coverage such as the appraised value of structures and contents for property coverage. Premiums are collected by the Diocesan Insurance Office and used to pay claims as they are incurred. Premiums for insured coverages are collected by the Diocese from all entities of the Catholic Diocese of Kansas City-St. Joseph, Catholic Cemeteries Associated of Kansas City-St. Joseph, and Catholic Charities of Kansas City-St. Joseph.

The DIO Statement of Financial Position presented in this article shows net assets of <\$5.5 million>. This 'negative' net asset amount relates very directly, but not solely, to the \$9.9 million clergy sexual abuse settlement of 2014. The DIO had an operating surplus in 2017/18 of \$4.7 million, a fourth successive year of surplus. A plan, approved by the Diocesan Finance Council in January 2014, has enabled the net asset amount to increase by \$10 million over the last 4 years. (The net asset figure in 2013/2014 was <\$15.0 million> and now is <\$5.5 million>.) The one-time loan from the DCO to the DIO made four years ago decreased by \$3.1 million in 2017/2018 from \$5.6 million to \$2.5 million. The Diocesan Finance Office and the DIO continue to follow the plan set forth by the Diocesan Finance Council.

## Closing

In summary, as Diocesan Finance Officer, I would make the following comments: 1) the DCO continues responsible budgeting and seeks to maintain a level of overall financial stability, 2) the DLF is addressing the savings and loaning needs of parishes and is in solid financial shape, 3) the DIO continues to experience positive results to reduce the significant negative net asset position, and continues to follow the plan set forth by the Diocesan Finance Council and 4) our Diocese awaits the results of the Visioning process which has been taking place over the last 9 months. A clear Diocesan Vision Statement with accompanying priorities for the next few years will allow us to move forward together, passionate about our faith and hopeful for the future.

Anyone having questions or wishing to discuss the information contained in this report may contact me at (816) 714-2319 or e-mail me at malanowski@dioceseksj.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 20th) on our Diocesan website: <https://kcsj catholic.org/office/finance-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 so many important ways.

Dave Malanowski, Diocesan Finance Officer

Parish Deposits and Loans, 2014-2018





**Catholic Diocese of Kansas City-St. Joseph CHANCERY OPERATION Statement of Financial Position** *Years ended June 30, 2018 and 2017*

	Current	Plant	2018 Custodian	Endowment	Total	2017 Total
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 9,448,428	\$ 1,106,240	\$ 153,111	\$ 2,641,978	\$ 13,349,757	\$ 9,937,937
Loans & Accounts Receivable	3,116,794	-	-	3,714,735	6,831,529	11,107,262
Pledges Receivable-Annual Catholic Appeal	148,276	-	-	-	148,276	121,397
Land, Buildings & Equipment	1,023,794	9,380,740	-	-	10,404,534	10,683,360
Beneficial Interest in Others	-	-	-	624,679	624,679	578,930
Investments, At Market	-	-	-	3,065,855	3,065,855	2,916,044
<b>Total Assets</b>	<b>\$ 13,737,292</b>	<b>\$ 10,486,980</b>	<b>\$ 153,111</b>	<b>\$ 10,047,247</b>	<b>\$ 34,424,630</b>	<b>\$ 35,344,930</b>
<b>LIABILITIES</b>						
Accounts Payable	420,509	-	-	-	420,509	376,781
Notes Payable	-	4,499,952	-	-	4,499,952	4,737,296
Other Short Term Deposits	1,281,519	-	153,111	-	1,434,630	1,620,540
Annuities Payable	-	-	-	729,875	729,875	732,287
Long Term Deposits Payable:						
Diocesan Insurance Reserves	145,023	-	-	-	145,023	141,144
Retired Priests Benefits Obligations	8,433,885	-	-	-	8,433,885	8,930,702
Deferred Revenue	407,104	-	-	-	407,104	369,797
<b>Total Liabilities</b>	<b>10,688,040</b>	<b>4,499,952</b>	<b>153,111</b>	<b>729,875</b>	<b>16,070,978</b>	<b>16,908,547</b>
<b>NET ASSETS</b>						
Unrestricted						
Designated Funds	1,359,505	1,106,240	-	2,222,893	4,688,638	4,547,925
Designated for Annuities	-	-	-	174,847	174,847	169,081
Expended for Plant	-	4,880,788	-	-	4,880,788	4,922,270
Undesignated Reserves	1,421,476	-	-	-	1,421,476	1,092,923
<b>Total Unrestricted Net Assets</b>	<b>2,780,981</b>	<b>5,987,028</b>	<b>-</b>	<b>2,397,740</b>	<b>11,165,749</b>	<b>10,732,199</b>
Restricted						
Temporarily Restricted						
Other Restricted Net Assets	268,271	-	-	-	268,271	486,405
Endowments temporarily restricted	-	-	-	3,319,841	3,319,841	3,763,683
<b>Total Temporarily Restricted Net Assets</b>	<b>268,271</b>	<b>-</b>	<b>-</b>	<b>3,319,841</b>	<b>3,588,112</b>	<b>4,250,088</b>
Permanently Restricted						
Endowments permanently restricted	-	-	-	3,599,791	3,599,791	3,554,096
<b>Total Net Assets</b>	<b>3,049,252</b>	<b>5,987,028</b>	<b>-</b>	<b>9,317,372</b>	<b>18,353,652</b>	<b>18,536,383</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 13,737,292</b>	<b>\$ 10,486,980</b>	<b>\$ 153,111</b>	<b>\$ 10,047,247</b>	<b>\$ 34,424,630</b>	<b>\$ 35,444,930</b>

**Catholic Diocese of Kansas City-St. Joseph - DEPOSITS AND LOAN FUND**

Statement of Financial Position, Years ended June 30, 2018 and 2017

	2018 Endowment	2018 Deposit & Loan	Total	2017 Total
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ -	\$ 2,729,247	\$ 2,729,247	\$ 377,980
Loans & Accounts Receivable	-	12,461,982	12,461,982	10,725,992
Investments, At Market	3,055,592	30,376,528	33,432,120	33,284,861
<b>Total Assets</b>	<b>3,055,592</b>	<b>45,567,757</b>	<b>48,623,349</b>	<b>44,388,833</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 9,804
Parish Deposits	-	26,223,578	26,223,578	23,533,720
School Deposits	-	2,432,042	2,432,042	3,677,680
Other Short Term Deposits	-	9,698,207	9,698,207	7,065,603
Long Term Deposits Payable:				
Cemetery Perpetual Care Funds	-	6,271,006	6,271,006	6,118,469
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 44,624,833</b>	<b>\$ 44,624,833</b>	<b>\$ 40,405,276</b>
<b>NET ASSETS</b>				
Unrestricted				
Designated Funds	1,547,972	-	1,547,972	1,547,972
Undesignated Funds	-	942,924	942,924	956,872
<b>Total Unrestricted Net Assets</b>	<b>1,547,972</b>	<b>942,924</b>	<b>2,490,896</b>	<b>2,504,844</b>
Restricted				
Temporarily Restricted				
Endowments temporarily restricted	1,507,620	-	1,507,620	1,478,713
<b>Total Temporarily Restricted Net Assets</b>	<b>1,507,620</b>	<b>-</b>	<b>1,507,620</b>	<b>1,478,713</b>
<b>Total Net Assets</b>	<b>3,055,592</b>	<b>942,924</b>	<b>3,998,516</b>	<b>3,983,557</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 3,055,592</b>	<b>\$ 45,567,757</b>	<b>\$ 48,623,349</b>	<b>\$ 44,388,833</b>

**Catholic Diocese of Kansas City-St. Joseph**

**DIOCESAN INSURANCE OFFICE**

Statement of Financial Position, Years ended June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 70,511	\$ 21,693
Prepaid Premiums	368,224	222,304
Accounts receivable	137,345	282,380
<b>Total current assets</b>	<b>576,080</b>	<b>526,377</b>
Investments:		
Deposits with Catholic Diocese of Kansas City-St. Joseph	145,023	141,143
Investments, National Catholic Risk Retention Group Stock	1,693	1,693
	146,716	142,836
<b>Total Assets</b>	<b>\$ 722,796</b>	<b>\$ 669,213</b>
<b>LIABILITIES</b>		
Current Liabilities		
Auto premium reserve	\$ 107,223	\$ 124,751
Claims and expenses payable - Property & Casualty	1,374,962	2,034,394
Claims and expenses payable - Self Funded Health Insurance	479,336	511,816
<b>Total Current Liabilities</b>	<b>1,961,521</b>	<b>2,670,961</b>
Note Payable to Diocese		
Claims Incurred But Not Reported	2,487,556	5,566,365
	1,737,292	2,548,224
<b>Total Long-term Liabilities</b>	<b>4,224,848</b>	<b>8,114,589</b>
Unrestricted net deficit	(5,463,573)	(10,116,337)
<b>Total Liabilities &amp; Net (Deficit)</b>	<b>\$ 722,796</b>	<b>\$ 669,213</b>





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