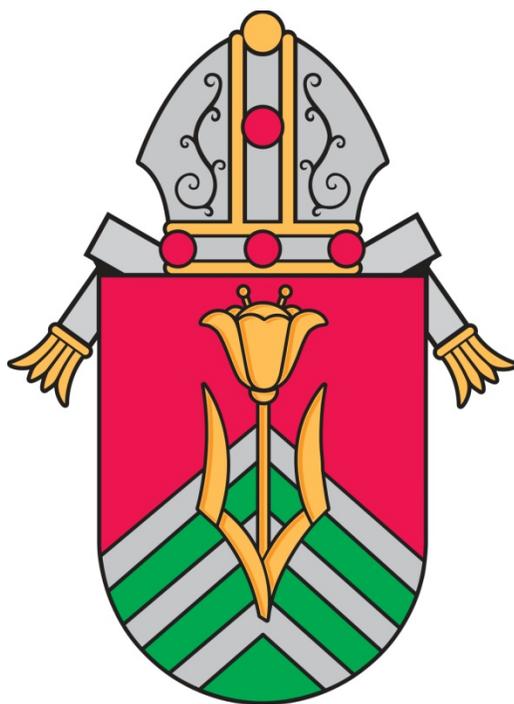


# **DIOCESE OF WHEELING – CHARLESTON**

Audited Financial Statements  
June 30, 2019 and 2018



**Diocese of Wheeling-Charleston**  
**Table of Contents**  
**June 30, 2019 and 2018**

---

	<u>Page</u>
Independent Auditor's Report.....	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities .....	4-5
Statements of Functional Expense.....	6
Statements of Cash Flow.....	7
Notes to Financial Statements.....	8-27



## INDEPENDENT AUDITORS' REPORT

Most Reverend Mark E. Brennan  
Bishop of the Diocese of Wheeling - Charleston  
Diocese of Wheeling - Charleston  
Wheeling, West Virginia

We have audited the accompanying financial statements of the Diocese of Wheeling - Charleston (a West Virginia corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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.

### ***Auditors' 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 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 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.

Most Reverend Mark E. Brennan  
Bishop of the Diocese of Wheeling - Charleston  
Diocese of Wheeling - Charleston

***Opinion***

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Wheeling - Charleston as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The 2018 financial statements of the Diocese of Wheeling - Charleston were audited by other auditors whose report dated November 2, 2018, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Pittsburgh, Pennsylvania  
February 13, 2020

**Diocese of Wheeling-Charleston**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

<i>Assets</i>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 586,139	\$ 918,337
Investments		
Securities, at fair value	240,043,591	231,483,841
Mineral rights, at fair value	51,559,000	57,958,000
Total investments	<u>291,602,591</u>	<u>289,441,841</u>
Receivables, net of allowances for uncollectible amounts		
Mineral rights	2,817,701	2,174,827
Investment income	678,906	617,542
Proceeds from sale of securities	3,219,613	979,018
Promises to give and bequests	773,431	432,236
Accounts	300,155	241,193
Premiums, reimbursements, and assessment	4,161,565	2,897,693
Notes receivable	18,395,036	21,263,887
Prepaid expenses and other	465,288	683,511
Property, buildings, and equipment, net of accumulated depreciation	79,145,430	81,761,485
Interest in net assets of Diocesan Real Estate, Inc	19,387,837	19,861,795
Beneficial Interest in perpetual trusts	988,168	984,230
Total assets	<u><u>422,521,860</u></u>	<u><u>422,257,595</u></u>
 <i>Liabilities and net assets</i>		
<i>Liabilities</i>		
Accounts payable and accrued liabilities	1,884,084	2,549,235
Payable for securities purchased	1,707,790	959,351
Catholic Share Appeal grants payable	306,622	1,045,486
Amounts payable for collections to other organizations	202,151	467,418
Deferred revenue	529,958	444,049
Certificates of deposit payable	26,555,223	27,708,948
Lines of credit payable	39,064,265	32,043,748
Total liabilities	<u>70,250,093</u>	<u>65,218,235</u>
 <i>Net Assets</i>		
Without donor restrictions		
Undesignated	271,017,340	273,303,131
Invested in property and equipment	79,145,430	81,761,485
Total without donor restrictions	<u>350,162,770</u>	<u>355,064,616</u>
With donor restrictions	2,108,997	1,974,744
Total net assets	<u>352,271,767</u>	<u>357,039,360</u>
Total liabilities and net assets	<u>\$ 422,521,860</u>	<u>\$ 422,257,595</u>

The accompanying notes are an integral part of these financial statements.

**Diocese of Wheeling-Charleston**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Cathedraticum	\$ 591,817	\$ -	\$ 591,817
Bequests and contributions	188,602	602,860	791,462
Catholic Share Appeal	2,621,601		2,621,601
Use of facilities	1,629,180	-	1,629,180
Insurance premiums	7,411,275	-	7,411,275
Cemetery fees	505,054	-	505,054
Grants from The Bishop's Fund, Inc	400,000		400,000
Gain on disposal of assets	43,355	-	43,355
(Loss) of Diocesan Real Estate, Inc	(473,958)		(473,958)
Other income	1,019,536	-	1,019,536
Net assets released from restrictions	472,545	(472,545)	-
Total revenues	<u>14,409,007</u>	<u>130,315</u>	<u>14,539,322</u>
<b>Income from investments</b>			
Investment income, net	13,792,656	3,938	13,796,594
Mineral rights royalties and lease bonus revenue, net	17,912,028	-	17,912,028
Unrealized loss on oil and gas properties	(6,399,000)	-	(6,399,000)
Total income from investments	<u>25,305,684</u>	<u>3,938</u>	<u>25,309,622</u>
Total revenues and income from investments	<u>39,714,691</u>	<u>134,253</u>	<u>39,848,944</u>
<b>Expenses</b>			
<b>Program services</b>			
Insurance programs	9,458,851	-	9,458,851
Parish and school deposit and loan program	2,856,137	-	2,856,137
Pastoral centers	3,813,416	-	3,813,416
Parish and school subsidies	5,326,316	-	5,326,316
Parish Catholic Share Appeal grants	1,901,244	-	1,901,244
Vocations and seminarians	1,003,815	-	1,003,815
Catholic Charities subsidy	1,397,190	-	1,397,190
Evangelization and education	3,139,167	-	3,139,167
Communications and technology	1,814,055	-	1,814,055
Mt Calvary Cemetery	736,098	-	736,098
Outside entity support	443,230	-	443,230
Wheeling University	1,125,000	-	1,125,000
Total program services expense	<u>33,014,519</u>	<u>-</u>	<u>33,014,519</u>
<b>Support services</b>			
Management and general	5,982,453	-	5,982,453
Mineral management	1,785,852	-	1,785,852
Diocesan properties	1,853,696	-	1,853,696
Investigations, suits, and related	1,488,229	-	1,488,229
Fundraising and development	491,788	-	491,788
Total supporting services expense	<u>11,602,018</u>	<u>-</u>	<u>11,602,018</u>
Total expenses	<u>44,616,537</u>	<u>-</u>	<u>44,616,537</u>
<b>Change in net assets</b>	(4,901,846)	134,253	(4,767,593)
<b>Net Assets, June 30, 2018</b>	<u>355,064,616</u>	<u>1,974,744</u>	<u>357,039,360</u>
<b>Net Assets, June 30, 2019</b>	<u>\$ 350,162,770</u>	<u>\$ 2,108,997</u>	<u>\$ 352,271,767</u>

The accompanying notes are an integral part of these financial statements.

**Diocese of Wheeling-Charleston**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>As restated Total</u>
<b>Revenues</b>			
Cathedraticum	\$ 762,513	\$ -	\$ 762,513
Bequests and contributions	278,274	14,583	292,857
Catholic Share Appeal	3,045,044		3,045,044
Use of facilities	1,515,987	-	1,515,987
Insurance premiums	7,404,252	-	7,404,252
Cemetery fees	429,377	-	429,377
Grants from The Bishop's Fund, Inc	45,000	-	45,000
Gain on disposal of assets	1,159,871	-	1,159,871
(Loss) of Diocesan Real Estate, Inc	(517,399)		(517,399)
Other income	694,893	-	694,893
Net assets released from restrictions	187,101	(187,101)	-
Total revenues	<u>15,004,913</u>	<u>(172,518)</u>	<u>14,832,395</u>
<b>Income from investments</b>			
Investment income, net	16,585,426	18,985	16,604,411
Mineral rights royalties and lease bonus revenue, net	17,747,609	-	17,747,609
Unrealized loss on oil and gas proven reserves	10,589,000	-	10,589,000
Total income from investments	<u>44,922,035</u>	<u>18,985</u>	<u>44,941,020</u>
Total revenues and income from investments	<u>59,926,948</u>	<u>(153,533)</u>	<u>59,773,415</u>
<b>Expenses</b>			
<b>Program services</b>			
Insurance programs	9,601,649	-	9,601,649
Parish and school deposit and loan program	2,997,979	-	2,997,979
Pastoral centers	3,891,493	-	3,891,493
Parish and school subsidies	4,906,943	-	4,906,943
Parish Catholic Share Appeal grants	1,929,734	-	1,929,734
Vocations and seminarians	845,606	-	845,606
Catholic Charities subsidy	1,416,979	-	1,416,979
Evangelization and education	3,169,981	-	3,169,981
Communications and technology	1,718,289	-	1,718,289
Mt Calvary Cemetery	728,631	-	728,631
Outside entity support	684,030	-	684,030
Wheeling University	-	-	-
Total program services expense	<u>31,891,314</u>	<u>-</u>	<u>31,891,314</u>
<b>Support services</b>			
Management and general	6,125,715	-	6,125,715
Mineral management	1,343,369	-	1,343,369
Diocesan properties	1,904,286	-	1,904,286
Investigations, suits, and related	-	-	-
Fundraising and development	457,527	-	457,527
Total supporting services expense	<u>9,830,897</u>	<u>-</u>	<u>9,830,897</u>
Total expenses	<u>41,722,211</u>	<u>-</u>	<u>41,722,211</u>
<b>Change in net assets</b>	18,204,737	(153,533)	18,051,204
<b>Net Assets, June 30, 2017</b>	<u>336,859,879</u>	<u>2,128,277</u>	<u>338,988,156</u>
<b>Net Assets, June 30, 2018</b>	<u>\$ 355,064,616</u>	<u>\$ 1,974,744</u>	<u>\$ 357,039,360</u>

The accompanying notes are an integral part of these financial statements.

**Diocese of Wheeling-Chareleston**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019 and 2018**

	Insurance programs	Parish and school deposit and loan program	Pastoral centers	Parish and school subsidies	Parish Catholic Share Appeal Grants	Vocations and seminarians	Catholic Charities subsidy	Evangelization and education	Communications and technologies	Mt Calvary Cemetery	Outside entity support	Wheeling University	Total Program Expenses	Management and general	Mineral management	Diocesan properties	Investigations, Suits, and related	Fundraising and development	Total 2019 Expenses	Total 2018 Expenses
Salaries, wages, and reimbursed wages	-	-	1,220,803	385,282	-	62,738	-	1,332,445	580,437	249,945	-	-	3,831,650	2,389,458	-	96,381	-	225,154	6,542,643	6,411,487
Employee Benefits	-	-	394,995	373,154	-	10,537	-	371,659	197,178	83,568	-	-	1,431,091	1,069,254	-	-	-	57,187	2,557,532	2,563,085
Parish and school capital project subsidies	-	-	-	1,516,406	-	-	-	-	-	-	-	-	1,516,406	-	-	-	-	-	1,516,406	1,003,131
Grants, donations, and direct subsidies	-	-	-	1,553,488	1,901,244	-	1,397,190	30,061	-	10,501	443,230	-	5,335,714	-	-	35	-	-	5,335,749	5,418,473
Maintenance, grounds, and utilities	-	-	656,133	204,813	-	4,549	-	167,436	60,530	103,942	-	-	1,197,403	333,076	-	512,491	-	18,195	2,061,165	2,433,095
Information technology and office	-	-	84,012	66,113	-	3,642	-	89,780	409,227	8,610	-	-	661,384	321,390	-	46,395	3,600	97,992	1,130,761	1,169,253
Media and publication productions/purchases	-	-	940	50	-	817	-	27,680	328,802	19	-	-	358,308	5,854	-	-	-	53,718	417,880	421,837
Food and household	-	-	349,558	4,760	-	-	-	52,707	-	3,744	-	-	410,769	22,177	-	50,487	-	-	483,433	517,716
Travel and meals	-	-	51,794	1,055	-	74,058	-	115,053	8,354	18,618	-	-	268,932	198,962	-	759	3,370	7,148	479,171	677,568
Depreciation	-	-	891,987	1,118,817	-	3,554	-	560,564	94,471	151,096	-	-	2,820,489	524,994	-	934,249	-	14,218	4,293,950	4,235,453
Bad debt	883,400	1,906,447	219	-	-	-	-	-	1,294	(18,967)	-	1,125,000	3,897,393	332,384	-	-	-	(877)	4,228,900	3,250,460
Interest	-	949,690	-	-	-	-	-	-	-	-	-	-	949,690	177,566	-	-	-	-	1,127,256	956,533
Conferences, seminars, events, and meetings	-	-	54,064	1,065	-	154,780	-	302,110	11,995	1,098	-	-	525,112	79,777	-	287	3,429	8,745	617,350	662,695
Seminarian tuition, room/board, and benefits	-	-	-	-	-	683,085	-	-	-	-	-	-	683,085	-	-	-	-	-	683,085	647,465
Dues and subscriptions	-	-	4,224	1,613	-	1,701	-	46,613	4,138	679	-	-	58,968	62,712	-	233	-	1,610	123,523	133,846
Professional fees	-	-	124,987	70,788	-	500	-	2,459	22,074	1,611	-	-	222,419	378,771	530,196	2,320	1,238,310	-	2,372,016	1,005,382
Advertising and promotion	-	-	1,317	-	-	-	-	13,996	94,527	1,334	-	-	111,174	3,167	-	-	-	257	114,598	150,891
Monuments, markers, lettering, and related	-	-	-	-	-	-	-	-	-	100,834	-	-	100,834	-	-	-	-	-	100,834	85,416
Insurance claims and premiums	8,467,525	-	98,714	23,763	-	-	-	15,715	1,022	3,549	-	-	8,610,288	18,315	-	94,434	-	-	8,723,037	8,946,594
Administrative fees	104,468	-	-	-	-	-	-	-	-	-	-	-	104,468	-	-	-	-	-	104,468	76,700
Settlements	962	-	-	-	-	-	-	-	-	15,000	-	-	15,962	-	-	6,000	237,500	-	259,462	-
Diocesan use of Pastoral Centers	-	-	(126,686)	-	-	-	-	-	-	-	-	-	(126,686)	-	-	-	-	-	(126,686)	(161,465)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,255,656	107,212	-	-	1,362,868	982,025
Other	2,496	-	6,355	5,149	-	3,854	-	10,889	6	917	-	-	29,666	64,596	-	2,413	2,020	8,441	107,136	134,571
<b>Total expenses by function</b>	<b>9,458,851</b>	<b>2,856,137</b>	<b>3,813,416</b>	<b>5,326,316</b>	<b>1,901,244</b>	<b>1,003,815</b>	<b>1,397,190</b>	<b>3,139,167</b>	<b>1,814,055</b>	<b>736,098</b>	<b>443,230</b>	<b>1,125,000</b>	<b>33,014,519</b>	<b>5,982,453</b>	<b>1,785,852</b>	<b>1,853,696</b>	<b>1,488,229</b>	<b>491,788</b>	<b>44,616,537</b>	<b>41,722,211</b>

The accompanying notes are an integral part of these financial statements.

**Diocese of Wheeling-Charleston**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<i>Cash Flows from Operating Activities:</i>		
Dividends and interest received	\$ 3,372,464	\$ 5,809,355
Cash received from mineral rights	17,269,154	17,415,662
Cash received from others	9,572,751	10,980,864
Cash received from Catholic Share Appeal	2,621,601	2,974,323
Mineral management fees paid	(1,785,852)	(2,405,586)
Interest paid	(1,127,256)	(956,533)
Payments for salaries, benefits, and reimbursed wages	(9,131,563)	(8,953,390)
Cash paid to vendors and others	(25,500,075)	(25,783,060)
Net cash (used) by operating activities	(4,708,776)	(918,365)
<i>Cash Flows from Investing Activities:</i>		
Amounts loaned	(1,610,806)	(3,016,478)
Principal amounts received on notes receivable	2,573,210	2,923,424
Proceeds from the sale of investments	56,993,907	311,669,632
Purchases of investments	(56,686,985)	(308,146,848)
Investment in Diocesan Real Estate, Inc	-	(75,000)
Deposits received from parishes/schools for CD's	6,870,832	11,315,559
Withdrawals by parishes/schools from CD's	(8,024,557)	(10,437,468)
Purchase/improvement of property, buildings, and equipment	(1,974,249)	(3,844,866)
Proceeds from property, buildings, and equipment	339,709	2,678,294
Net cash provided (used) by investing activities	(1,518,939)	3,066,249
<i>Cash Flows from Financing Activities:</i>		
Line of credit draws	33,499,167	34,695,626
Line of credit principal repayments	(27,603,650)	(36,808,005)
Net cash provided (used) by financing activities	5,895,517	(2,112,379)
Net increase (decrease) in cash and cash equivalents	(332,198)	35,505
Cash and cash equivalents, beginning of year	918,337	882,832
Cash and cash equivalents, end of year	\$ 586,139	\$ 918,337
<i>Non-cash Financing Activities:</i>		
Loss on guarantee	\$ (1,125,000)	\$ -

The accompanying notes are an integral part of these financial statements.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**1. Nature of the Organization**

The Diocese of Wheeling-Charleston (the Diocese) was originally established in 1850 by His Holiness, Pope Pius IX. It encompasses the entire state of West Virginia. The Diocese is committed to advancing the mission of Jesus Christ and to supporting the Diocesan Bishop in his ministry.

These statements exclude the financial position and transactions of the parishes and missions, schools, cemeteries (except for Mount Calvary Cemetery), day care centers, Catholic Charities West Virginia, homes for the aged and for dependent children, convents and residences of priests, brothers, and sisters, and parish educational foundations and trusts. These affiliates maintain separate accounts and carry on their own services and programs.

All property of the Diocese is titled in the name of the Bishop and his successors in office under the laws of the State of West Virginia. Unless initially purchased or constructed by the Diocese, the land, buildings, and equipment at the parishes, missions, schools, and rectories, etc. are not included in these financial statements.

The Diocese receives support from a variety of sources, including bequests and donations, fees for use of facilities, and investment income, including royalties from mineral rights. The major revenue, support, and expense categories are as follows:

*Revenue –*

*Cathedraticum* – On an annual basis, assessments are made by the Diocese on the parishes at a rate of 3% of parish collections and other assessable revenue.

*Use of Facilities* – Use of facilities income represents fees charged at the pastoral centers as well as lease revenue on other Diocesan properties.

*Insurance Premiums* – Health, property, auto, liability, and workers' compensation coverage for schools, parishes, and other Catholic entities is provided by or through the Diocese. The Diocese bills these entities for the premiums for the respective coverages provided.

*Cemetery Fees* – Cemetery fees include all fees charged for various services at Mount Calvary Cemetery.

*Program and supporting expenses –*

*Insurance programs* – Insurance programs expense represents the costs of property, auto, liability, and workers' compensation coverage for parishes, schools, and other Catholic entities in the Diocese. In addition, it represents health insurance costs for parishes, schools, and other Catholic entities as well as costs, if any, in excess of the premiums charged to respective Diocesan offices and locations.

*Parish and school deposit and loan program* - Parish and school deposit and loan program expense represents the interest expense paid on the deposits held and for parishes and schools.

*Pastoral Centers* – Pastoral centers expense represents the costs of operating Mary Help of Christians, Priest Field, and John XXIII Pastoral Centers located throughout the state. It also includes the cost of operating the farm located next to Mary Help of Christians Pastoral Center.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**1. Nature of the Organization (Continued)**

*Program and supporting expenses –*

*Parish and school subsidies* – Parish and school subsidies expense represents the subsidies provided to various parishes (including missions, chapels, and parish cemeteries) and schools to cover operational shortages or improvement projects. Parishes also receive grants from the annual Catholic Sharing Appeal.

*Parish Catholic Share Appeal grants* - Parish Catholic Share Appeal grants represent amounts granted to parishes from the annual campaign held by the Diocese.

*Vocations and seminarians* – Vocations and seminarians expenses includes the costs of seeking vocations and educating seminarians. It also includes expenses for the Diaconate program and priest and religious continuing education, retreats, and pilgrimages.

*Catholic Charities subsidy*– The Diocese provides Catholic Charities of West Virginia (Catholic Charities), Inc. with a subsidy to cover various administrative and operating expenses. It also provides some in-kind rent for use of Diocesan-owned properties.

*Evangelization and education*– Evangelization and Education expense includes the costs of the central administration of Catholic Schools, Worship & Sacraments, Faith Formation, Marriage & Family, Youth Ministry, campus ministry programs at a number of colleges/universities in the state, Camp Bosco, Prison Ministry, Hispanic Ministry, Social Ministries, and Ecumenism.

*Communications and technology* – Communications and technology expense includes the cost of televised masses, the *Catholic Spirit* publication, website services, public information, advertising, and computer services.

*Mt Calvary Cemetery*- Mt Calvary consists of the costs to operate and maintain the Diocesan cemetery.

*Outside Entity Support*- Outside entity support consists of donations and sponsorships of other Catholic and non-Catholic not-for-profit entities, exclusive of parishes and schools, Catholic Charities, and Wheeling University (University). These include but are not limited to St John-St Vincent Home for Children and programs (i.e. School Based Health), and funds within the West Virginia Catholic Foundation.

*Wheeling University*- Wheeling University (University) consists of support to the University via an anticipated loss on the guarantee on debt of the University. See Note 16.

*Management and general* – Management and general expense represents the expenses associated with administration offices of the Diocese. The expenses include, but are not limited to, Bishop's Office, Vicar General, Vicar for Clergy, Finance, Human Resources, Buildings & Properties, Chancellor, Archives, Safe Environment, Purchasing, and the Tribunal.

*Mineral management* – Mineral management expense include legal, management, and other professional fees as well as property taxes for mineral rights.

*Diocesan Properties* – Property expense includes the maintenance and upkeep of various Diocesan-owned properties throughout the state not utilized in the various programs and support services. It does not include any costs for parish and school buildings paid by the Diocese. These costs are included in parish and school subsidies.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**2. Summary of Significant Accounting Policies**

*Investigations, suits, and related* - Investigations, suits, and related includes amounts for the former Bishop's investigation, the Attorney General's investigation, other lawsuits, and related.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements and accounts of the Diocese are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Accounting Standards Codification (ASC) 958-205.

*Cash and Cash Equivalents*

Cash and cash equivalents reflected on the statements of cash flows consist of cash on hand, on-deposit in checking, and short-term deposits with original maturities of three months or less. It does not include cash on deposit, if any, with fund managers within the investments.

*Investments*

Investments reflected on the statements of financial position are recorded at fair value. See Notes 5 and 6 for fair value and investment disclosures.

Investment income from interest is reflected on the accrual basis, while dividends are recorded on the ex-dividend date. Gains and losses on security transactions are reflected on a trade date basis. Investments are originally recorded on the trade date at cost.

*Mineral rights royalties and lease bonus revenue receivable*

Mineral rights revenue consists of largely of oil royalties as well as lease bonuses. Royalties are recorded for the Diocese's share of production through the respective dates of financial position. Lease bonuses are recorded for leases that have been fully executed as of the respective financial position date for which the lease bonus has yet to be received.

*Proceeds from sale of securities receivable*

Security sales are accounted for as of trade date. Proceeds from sale of securities receivable represent an asset for investment securities sold at or before the respective dates of financial position which are not settled and received until after year end.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Promises to Give*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

*Premiums, assessments, and reimbursements receivable*

Premiums, assessments, and reimbursements receivable represent receivables for various insurance premiums which include property/liability, health, and workers compensation. The receivable also consists of the Cathedraticum assessment, priests' payroll, and other fees or expenses paid up front by the Diocese, to be reimbursed by parishes, schools, and other related entities.

*Allowances*

Allowances for receivables are recorded to reflect receivables at net realizable value. The allowance is determined by the entities' ability to pay as well as by any anticipated forgiveness of notes and other receivables. Allowances for uncollectible accounts are as follows:

	<u>2019</u>	<u>2018</u>
Promises to give and bequests	\$ 17,123	\$ 45,730
Accounts	52,194	71,018
Premiums, reimbursements, and assessment	6,638,340	5,460,260
Notes receivable	36,787,010	33,812,875

*Property, buildings, and Other Equipment*

Fixed assets are recorded at cost, when purchased, or at fair value at the date of gift, when donated. The policy of the Diocese is to capitalize all assets or groups of assets, acquired or donated at cost or fair market value in excess of \$5,000, with an estimated useful life of at least three years. Works of art, historical treasures, and similar items are not capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected. The cost of maintenance and repairs is charged to expense as incurred.

Construction projects and costs of improvements to facilities owned by related parishes, schools, etc. and paid for by the Diocese are recorded as subsidy expenses and not additions to real estate.

The Diocese uses the straight-line method to calculate depreciation over the estimated useful lives of assets, which range from three to ten years for automobiles and other equipment, and ten to forty years for real estate and real estate improvements.

*Interest in Net Assets of Diocesan Real Estate, Inc.*

In the event of dissolution, the Diocese has an interest in the net assets of Diocesan Real Estate, Inc (DRE) non-profit corporation under 501(c)(3). The Diocese's interest in the net assets of this entity are recorded at the Diocese's initial contribution plus its share of subsequent changes in net assets. The loss from DRE is included in other income in the statements of activities.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Beneficial Interests in Perpetual Trusts*

The Diocese is an irrevocable beneficiary of a couple perpetual trusts held and administered by a local financial institution. Perpetual trusts provide for the distribution of the net income of the trusts to the Diocese; however, the Diocese will never receive the assets of the trusts. The Diocese has neither possession nor control over the assets of the trusts. At the date the Diocese receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in perpetual trusts is recorded in the statements of financial position at the fair value based on the underlying assets of the trust. Thereafter, beneficial interests in perpetual trusts reported at fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

*Payable for securities purchased*

Security purchases are accounted for as of trade date. Payable for securities purchased represent liabilities for investment securities purchased at or before the respective dates of financial position which are not settled and paid until after year end.

*Deferred Revenue*

Deferred revenue represents prepayments for future services at the Diocesan cemetery and future events at pastoral centers.

*Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Income Taxes*

The Diocese, a §501(c)(3) under Internal Revenue Code, is exempt from taxation as organizations under the federal group exemption granted from year to year by the United States Internal Revenue Service to the United States Conference of Catholic Bishops. The Diocese is listed in the *Official Catholic Directory*. Accordingly, no income tax accounts are reflected in these financial statements.

*Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

*Estimates*

The presentation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*Recently Issued Accounting Pronouncements*

The Diocese adopted Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in fiscal year 2019. These changes were applied retrospectively to ensure comparability with the prior year presented herein, with the exception of the Liquidity and Availability footnote, which is only presented for the year ended June 30, 2019. The adoption did not impact the Diocese's financial position as of June 30, 2019 and 2018, or the changes in its net assets, functional expenses, or cash flows for the years then ended.

In June, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*, rather than the guidance provided in ASC606. This standard is effective for fiscal years beginning after December 15, 2018. The Diocese is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

In February, 2016, the FASB issued ASU 2016-02, *Leases*. This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard is effective for fiscal years beginning after December 15, 2018. The Diocese is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

### 3. Liquidity and Availability

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Diocese has various sources of liquidity at its disposal, including a revolving line of credit (see note 15), draws from investments (not subject to donor restriction), cash and cash equivalents, and various revenues, largely oil and gas royalties and lease bonuses. The revolving line of credit is used to manage cash flow in the Diocese in conjunction with monthly investment draws and oil and gas revenues mentioned above.

As mentioned above, the investments of the Diocese are not subject to donor restriction and the Diocese's goal is to draw only 5% annually. However, additional amounts are available for general expenditure, if necessary.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 586,139
Mineral rights receivable	2,817,701
Investment income receivable	678,906
Proceeds from sale of securities	3,219,613
Promises to give and bequests	397,668
Accounts receivable	300,155
Premiums, reimbursements and assessments receivable	4,161,565
Investments-securities less certificates of deposits payable	212,835,662
Total assets available	<u>\$ 224,997,409</u>

### 4. Concentration of Credit Risk

As of June 30, 2019 and 2018, the Diocese has accounts with four banks. The Diocese had balances of \$56,411 and \$29,275 exceeding Federal Deposit Insurance Corporation (FDIC) insurance coverage at June 30, 2019 and 2018, respectively.

At specific dollar levels, checking account balances are "swept" into repurchase agreements, the balances of which are collateralized by bank owned securities, which are not insured by the FDIC. The interest of the Diocese in the securities underlying the repurchase agreements is not perfected and in the event of a bank's insolvency the Diocese may only be able to look to the general assets of the bank and not to the underlying security. On June 30, 2019 and 2018, the Diocese had \$1,400,058 and \$1,081,904 in such repurchase agreements.

### 5. Fair Value and Investments

The Diocese's investments and beneficial interest in perpetual trusts are measured at fair value. Generally accepted accounting principles establish a fair-value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**5. Fair Value and Investments (continued)**

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Diocese has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.

Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The level of the fair-value hierarchy within which the fair-value measurement in its entirety falls is based on the lowest level input that is significant to the fair-value measurement in its entirety.

Investments recorded at fair value by the Diocese at June 30, 2019 and 2018 are comprised of the following:

	Level (Below)	2019	2018
Equities	1	\$ 10,421,028	\$ 9,545,408
Mutual funds – equities	1	34,953,036	34,365,860
Mutual funds – fixed income	1	2,202,863	-
Pooled fund	3	652,706	689,512
Private investment funds - equities	*	108,554,446	103,078,404
Private investment funds - fixed income	*	24,079,557	22,765,752
Government bonds	2	12,070,635	25,288,871
Mortgage backed bonds	2	27,188,775	17,718,681
Corporate bonds	2	15,080,337	12,907,824
Municipal bonds	2	3,400,639	1,966,740
Money markets	1	1,439,569	3,156,789
Total securities		240,043,591	231,483,841
Mineral rights	3	51,559,000	57,958,000
Total investments		\$ 291,602,591	\$ 289,441,841

\* Investments in affiliated and private investment funds valued at Net Asset Value (NAV) as a practical expedient are not required to be included in the fair value hierarchy.

*Investment Valuations and Methodologies*

Fair-value valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. With the exception of the mineral rights which are valued using the income approach, the Diocese's investments are valued using the market approach. There have been no changes in the methodologies of the Fund's investments between June 30, 2019 and 2018.

Money Markets: Valued at \$1 per share.

Equities: Valued at the quoted price in the active market in which the security is traded (major exchanges).

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**5. Fair Value and Investments (continued)**

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Diocese are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds of the Diocese are actively traded. The mutual funds include domestic and foreign funds.

Government, Mortgage backed, Corporate, and Municipal Bonds: Valued at quoted prices, where available. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services.

Mineral rights: Valued based on discounted cash flows derived from proven reserve estimates considered in relation to futures prices.

Pooled fund: Represents an investment in the Catholic Umbrella Pool, a self-insured fund for certain dioceses of the Roman Catholic Church in Northern America. The Catholic Umbrella Pool provides excess liability coverage to its membership. The value is based on the Diocese's share of the pool in relation to the performance of the pool's investments and operations.

*Level 3 Investments*

Under Level 3, the owner of an asset must determine the valuation based on their own assumptions about what market participants would take into account in determining the fair value of the asset, using the best information available. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table presents a roll-forward for June 30, 2019 and 2018 of the Diocese's fair value measurement using significant unobservable inputs on Level 3 investments.

	Mineral rights	Pooled fund
Balance, July 1, 2017	\$ 47,369,000	651,291
Unrealized gain/(loss)	10,589,000	(46,584)
Purchases and reinvestments	-	84,805
Balance, July 1, 2018	57,958,000	689,512
Unrealized gain/(loss)	(6,399,000)	(51,410)
Purchases and reinvestments	-	14,604
Balance, June 30, 2019	<u>\$ 51,559,000</u>	<u>\$ 652,706</u>

*Private Investment Funds*

Private investment funds represent investment funds managed by bank trust departments and other money managers. The funds use NAV as a practical expedient for fair value. As of June 30, 2019 and 2018, the private investment funds consist of the Kiltearn Global Equity SRI Fund, State Street (SSGA) S&P 500 Screened Index NL CTF (SSGA S&P 500 Fund), the SSGA MSCI ACWI ex USA IMI Screened NL CTF (SSGA ACWI ex US Fund), Two Sigma Active Extension U.S. All Cap Equity Cayman Fund, Ltd. (Two Sigma Fund), the Colchester Global Bond Fund (Colchester Bond Fund), and the Western Total Return Unconstrained Bond Fund (Western Bond Fund).

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**5. Fair Value and Investments (continued)**

The Diocese's investments in private investment funds as of June 30, 2019 and 2018 are as follows:

	2019	2018
Private Investment Funds - equities		
Kiltearn Global Equity SRI Fund	\$ 11,285,160	\$ 11,191,661
SSGA S&P 500 Fund	61,169,050	57,517,996
SSGA ACWI ex US Fund	23,799,476	22,166,974
Two Sigma Fund	12,300,760	12,201,773
Total private investment funds - equities	\$ 108,554,446	\$ 103,078,404
	2019	2018
Private investment funds – fixed income		
Colchester Bond Fund	\$ 11,936,208	\$ 11,341,177
Western Bond Fund	12,143,349	11,424,575
Total private investment funds – fixed income	\$ 24,079,557	\$ 22,765,752

*Investment Strategies – Private Investment Funds*

Kiltearn Global Equity SRI Fund	Obtain long-term growth primarily by investing in a diversified portfolio of global securities in a manner consistent with the guidelines for ethical investing developed by the United States Conference of Catholic Bishops, while also incorporating additional policies pursued by other socially responsible investors.
SSGA S&P 500 Fund	Seek performance of the S&P 500 over the long term while investing in securities which meet certain social or environmental criteria.
SSGA ACWI ex USA Fund	Seek performance of the MSCI ACWI ex USA IMI Index over the long term while investing in securities which meet certain social or environmental criteria.
Two Sigma Fund	Using a master-feeder fund structure, the fund seeks to achieve its objective by investing all or substantially all of its assets in the master fund, The Two Sigma Active Extension US All Cap Equity Portfolio, LLC. Achieve dollar-denominated returns that are highly correlated to, and in excess of, the Russell 3000 Total Return Index by combining multiple hedged and leveraged model-driven investment strategies with Two Sigma Investments, LLC proprietary risk management and execution techniques.
Colchester Bond Fund	Achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities and the preservation and enhancement of principal.
Western Bond Fund	The fund seeks to maximize long-term total return, consistent with prudent investment management. Under normal market conditions, the fund's dollar-weighted average duration is expected to range between 3 and 8 years. Additionally, the Fund expects to maintain a dollar-weighted average credit quality of portfolio holdings of at least BBB or its equivalent. The Fund will endeavor to be diversified among the major market sectors subject certain limits as a percentage of total net assets.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**6. Redemption Restrictions Related to Investments**

SSGA S&P 500 Fund and SSGA ACWI ex USA Fund	Permitted daily with 2 days' notice.
Marathon-London Fund and Kiltearn Global Equity SRI Fund	Permitted on a monthly basis on the last/first business day and requires written notification of at least 5 and 6 business days. Kiltearn has a minimum redemption amount of \$500,000.
Two Sigma Fund	Permitted on a monthly basis on the last calendar day and requires written notification of at least 30 calendar days.
Colchester Bond Fund	Permitted on a monthly basis on the last business day and 15 <sup>th</sup> calendar day (or succeeding business day) and requires written notification of at least 5 business days.
Western Bond Fund	Permitted daily and will take notice up to 2:00pm EST on trade date.

**7. Investment Policies and Objectives**

The Diocese's investments consist of assets without donor restriction. The managed investments represent accounts managed by various external investment managers selected and monitored by an investment advisor, the Diocesan Finance Council, and the Bishop. These investments are made within the parameters of the Diocese's investment policy statement.

*Return Objective and Risk Parameters*

The Diocese has adopted an Investment Policy Statement which applies to all investments except for the mineral rights and the pooled fund. The objective of the Diocese's investments is to provide for religious, educational, and administrative works of the Diocese as carried out by parishes, missions, schools, the Chancery, and agencies, while preserving the purchasing power of the investments over the long term. The Diocese expects its investments to attain an average annual real total return (net of investment management fees) between 5%-6% over the long term. It is recognized that this real return objective is a very long-term average expectation, and that there will be periods of time during which the performance of the investments falls short of this target, sometimes by a large amount. An additional objective is to increase its long-term purchasing power after spending, which would require a total annual rate of return to exceed inflation plus spending, and to prudently diversify the overall risk of the investments, as to mitigate the magnitude of intermediate-term investment losses that could jeopardize the Diocese's long-term mission.

The investments have a long-term asset allocation policy consisting of 55-75% (target 65%) equity, 20-50% (target 35%) fixed income, and 0-20% (target 0%) cash equivalents.

In addition, the Diocese may elect to add explicit constraints/exposures to socially responsible investments. Investment decisions and selections are to be considered in light of the teachings consistent with the religious and morals of the Roman Catholic Church, as well as the principles and mission of the Diocese. The Diocese elects to exclude investments in companies whose products or performance are morally or socially inconsistent with those principles.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**7. Investment Policies and Objectives (continued)**

*Strategies Employed for Achieving Objectives*

The return objective (5%-6% over the long term) will be achieved by dividing the investments into three segments: a return enhancement (equity) segment, a core capital segment (fixed income) segment, and a liquidity (cash) segment. These segments will allow for differing investment styles and the diversifications of assets. Decisions concerning diversification of assets among the multiple asset classes (i.e. domestic equity, international equity, cash, etc.) will be the responsibility of the Diocese.

**8. Notes Receivable**

The Diocese supports the activities and capital needs of various schools, parishes, and other related parties through secured and unsecured, low interest loans. Although the Diocese offers certain related entities interest free loans, many loans bear an interest rate of 5.5%. Interest income is recognized on an accrual basis on these loans. At each month-end, unpaid interest is added to the principal balance. Interest-free loans are normally provided to those schools, parishes, and other related entities who are struggling financially.

Loans outstanding were \$54,057,046 and \$55,076,762 as of June 30, 2019 and 2018, respectively. Included in these loans outstanding are term loans in which the Diocese is carrying a corresponding Line of Credit. The term loans and the line of credit are described in Note 15. No interest income or expense is recognized on these term loans as the indebted related entity pays and records the interest expense.

**9. Promises to Give and Bequests Receivables and Catholic Sharing Appeal Grants Payable**

The Diocese holds an annual campaign called the Catholic Sharing Appeal (CSA). The collection period for CSA pledges is less than one year, and, as such, the receivable has not been discounted. Pledges made during the CSA are recorded as unconditional promises to give receivables, net of an estimate of uncollectability.

Frequently, the Diocese contributes portions of these pledges to parishes and other related entities. The pledges are valued according to the terms of the pledge and an estimate of the likelihood of eventual payment to the respective parishes or other related entity.

**10. Property, buildings, and equipment**

The Diocese's property, buildings, and equipment and related accumulated depreciation as of June 30, 2019 and 2018, are as follows:

	2019	2018
Property, buildings, and equipment		
Land	\$ 11,285,833	\$ 11,255,833
Land improvements	4,984,488	4,766,588
Buildings	126,876,186	126,020,031
Vehicles and equipment	1,865,486	2,066,182
Construction in progress	705,514	271,190
Leasehold improvements	697,106	697,106
Total properties, buildings, and equipment	\$ 146,414,613	\$ 145,076,930

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**10. Property, buildings, and equipment (continued)**

	2019	2018
Accumulated depreciation		
Land improvements	2,996,200	2,715,995
Buildings	62,670,648	59,096,566
Vehicles and equipment	1,391,221	1,404,880
Leasehold improvements	211,114	98,004
Total accumulated depreciation	\$ 67,269,183	\$ 63,315,445
Property, buildings, and equipment, net	\$ 79,145,430	\$ 81,761,485

**11. Interest in Net Assets of Diocesan Real Estate, Inc.**

In 2017, the Diocese transferred assets to fund DRE, a non-profit corporation formed under 501(c)(3) of the Internal Revenue Code. DRE was created and formed to purchase substantially all the land and real estate of the University, therefore providing the University with the means to redeem its outstanding debt, as mentioned in Note 16.

The charitable purpose of DRE is to directly support, promote, and contribute to the interests of the Diocese and Wheeling Hospital. All funds and assets are to be held, managed, and applied exclusively for the charitable purpose.

Upon dissolution, 60% of the residual assets of DRE are to be distributed to the Diocese. The Diocese's initial and future transfers of assets have been and will be adjusted annually based on the proportionate change in the net assets of DRE. The following represents the current year activity for the Diocese's interest in DRE.

	2019	2018
Interest in net assets of DRE, July 1	19,861,795	20,304,194
Contributions	-	75,000
Diocese's share of DRE's net assets	(473,958)	(517,399)
Interest in net assets of DRE, June 30	\$ 19,387,837	\$ 19,861,795

**12. Beneficial Interest in Perpetual Trusts**

The beneficial interest in perpetual trusts consists of interests in trusts, whereby the Diocese and Mount Calvary Cemetery have the irrevocable right to receive the income from the trusts' assets in perpetuity. The trusts are held and managed by a local financial institution and have been recorded at the fair value of the underlying assets. The valuation falls into the Level 3 category of the fair value hierarchy. The beneficial interests and changes in the value of the beneficial interests are recorded as net assets with donor restriction in the statements of financial position and activities, respectively.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**12. Beneficial Interest in Perpetual Trusts (continued)**

The following represents the rollforward of changes in fair value of the beneficial interests, which are Level 3 assets, for the years ended June 30, 2019 and 2018:

	Beneficial Interests
Balance, July 1, 2017	\$ 965,245
Change in fair value	18,985
Balance, July 1, 2018	984,230
Change in fair value	3,938
Balance, June 30, 2019	\$ 988,168

**13. Self-Insurance Program and Claims Payable**

The Diocese maintains a self-insurance program for health care, which is administered by a third-party administrator. In addition to offering coverage to Diocesan employees, the program also provides coverage for parishes, schools, and related Catholic entities. The coverage consists of medical and prescription coverage through a number of plan offerings with varying levels of premiums, deductibles, co-pays, and co-insurance. The Diocese has stop loss coverage for specific and aggregate claims in excess of \$175,000. The liability for claims payable and incurred but not reported is estimated using subsequent claim projections as well as historical claims experience. The estimated liability for claims payable and incurred but not reported totals \$517,510 and \$990,557, respectively, as of June 30, 2019 and 2018 and is included in accounts payable and accrued liabilities in the statements of financial position.

**14. Certificates of Deposit Payable**

The Diocese receives excess cash from parishes, schools, and other related organizations for safekeeping and investment purposes.

Interest is paid on these deposits at the rate of 3.5%. Interest expense amounted to \$949,690 and \$904,080 for years ended June 30, 2019 and 2018, respectively.

**15. Line of Credit and Compensating Balances**

The Diocese has a revolving credit line with a limit of \$15,000,000. The outstanding credit balance on this line as of June 30, 2019 and 2018 was \$8,084,946 and \$47,310, respectively. The interest rate as of June 30, 2019 and 2018 was 3.79% and 2.983%, respectively. The interest expense for the revolving line of credit amounted to \$177,566 and \$52,453 for the years ended June 30, 2019 and 2018, respectively.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**15. Line of Credit and Compensating Balances**

The Diocese also has a term line of credit with a limit of \$40,000,000. Each advance under this second line of credit is automatically converted to a term loan to be amortized over a period of twenty-five years. The outstanding credit balance on this line was \$29,854,319 and \$31,996,438 as of June 30, 2019 and 2018, respectively, all of which has been loaned to twenty parishes and six schools (see Note 8). The rates on these loans range from 3.83% to 5.787%. The maturity dates on these loans at June 30, 2019, are as follows:

Years Ending June 30:	
2020	\$ 1,567,718
2021	1,629,410
2022	1,687,841
2023	1,760,619
2024	1,797,903
2025 – 2029	10,048,119
2030 – 2034	6,714,490
2035 – 2039	4,115,896
2040 – 2043	532,323
	<u>\$ 29,854,319</u>

The Diocese is required to maintain securities in accounts at the trust department of the lending institution with a market value equal to at least 100% of the principal indebtedness outstanding. As of June 30, 2019 and 2018, the Diocese has at least the required total of investments pledged as collateral.

The interest expense for amounts loaned to parishes under the second line of credit (25-year term loans) is paid and recorded by the parishes.

**16. Guarantee of Indebtedness of Related Entities**

As of June 30, 2019 and 2018, the Diocese is contingently liable as guarantor for \$3.5 million of a line of credit for the University, which represents one half of the \$7 million total of their line of credit. The balance on the line of credit as of June 30, 2019 and 2018 is \$2,250,000 and \$4,100,000, respectively, of which the Diocese's guarantee total is \$1,125,000 and \$2,050,000, respectively. The line of credit has an interest rate of 5.75% and 5.00% as of June 30, 2019 and 2018, respectively.

The Diocese anticipates the University not being able to repay the outstanding balance on the line of credit. As a result, the Diocese has recorded a liability for its share of the balance as of June 30, 2019.

As of June 30, 2019 and 2018, the Diocese is contingently liable as guarantor for the credit card accounts of nine and four parishes/schools, respectively, with a total cumulative credit limit of \$24,000 and \$24,000, respectively. As of June 30, 2019 and 2018, the cumulative outstanding balances total \$11,303 and \$4,336, respectively. No loss is anticipated or has been recorded on this guarantee.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**17. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Subject to expenditure for specified purpose:		
School curriculum	\$ 174,815	\$ 188,916
Teacher continuing education	4,667	22,090
Tuition assistance	92,739	140,037
Education technology	19,549	19,549
Marriage and family	85,866	87,532
Youth ministry training	-	14,645
Ministry expenses	-	119,393
Safe environment	-	9,013
Pastoral services	-	223,685
Prison ministry	17,144	17,144
Schools outreach	7,753	9,428
Faith and formation	115,243	125,082
Music ministry	193	4,417
Women's conference	480	-
Staff continuing education	4,628	-
Religious continuing education	4,628	-
Promises to give, the proceeds which have been restricted by donors, but which are unavailable for expenditure until received		
Seminarian education	5,433	9,583
Education and ministry	137,613	-
	\$ 670,751	\$ 990,514
Subject to the passage of time:		
Promises to give, that are not restricted by donors, but which are unavailable for expenditure until received	\$ 62,625	\$ -
	\$ 62,625	\$ -
Not subject to spending policy or appropriation:	2019	2018
Beneficial interest in perpetual trusts	\$ 988,168	\$ 984,230
Bequest receivable for trust for the education of priests which will be set up in WVCF when received	387,453	-
	\$ 1,375,621	\$ 984,230
Total net assets with donor restrictions	\$ 2,108,997	1,974,744

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**17. Net Assets with Donor Restrictions (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
School curriculum	\$ 14,100	\$ 14,423
Teacher continuing education	17,423	40,156
Tuition assistance	47,298	50,000
School marketing	-	1,479
Math enrichment	-	11,491
Marriage and family	1,666	-
Youth ministry training	14,645	12,098
Camp Magis transportation	-	1,652
Ministry expenses	119,394	-
Safe environment	9,013	750
Pastoral services	223,685	3,000
Schools outreach	1,676	3,277
Faith and formation	9,839	-
Music ministry	4,223	58
Poor	-	44,002
Contributions receivable, the proceeds which have been restricted by donors but which are unavailable for expenditure until received		
Seminar education	9,583	4,715
Total Net Assets Released from Restriction	\$ 472,545	\$ 187,101

**18. Related Party Transactions**

Based upon the relationship between the Bishop and other entities of the Catholic Church in West Virginia, such as parishes, schools, cemeteries, and many service organizations, numerous related party transactions occur. These transactions generally entail the following types of activities:

- Unsecured, low interest or interest free loans to support activities and capital needs (see Note 8,15).
- Monies held for safekeeping and investment purposes in the form of certificates of deposit payable (see Note 14).
- Cathedraticum fees received from parishes.
- Insurance premiums for various types of insurance coverage.
- Subsidies provided for operating assistance or other special projects.
- Catholic Sharing Appeal grants (see Note 9).

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**18. Related Party Transactions (continued)**

*The Bishop's Fund, Inc. (Bishop's Fund)* – The Bishop's Fund is non-profit corporation under 501(c)(3) and a related party with the Diocese. The Bishop's Fund's primary mission is to support the Roman Catholic Bishop of the Diocese of Wheeling-Charleston in his efforts to provide for the pastoral care of the Diocese, for the Canonical administration of the faith, and for the health, education, and charitable care of the people of the Diocese. The Bishop's Fund makes grants to supported organizations that are listed under the Diocese in the current version of the *Official Catholic Directory*, first published in 1817 by P.J. Kennedy & Sons. The Diocese received grants without donor restriction from the Bishop's Fund in 2019 and 2018 amounts are reflected as such in statements of activities.

**19. Risks and Uncertainties**

The Diocese has significant investments in equities, mutual funds, common trust funds and money markets. These investments are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

On June 30, 2019 and 2018, the Diocese has no direct investments or commitments to purchase or sell financial instruments or commodities relating to derivative financial instruments. The Diocese does have indirect investments or commitments that arise through positions held by common trust funds in which the Diocese invests. However, the Diocese's risk is limited to the current value of its investment, which is reflected in the statements of financial position.

Also, as noted above, the Diocese holds investments in mineral rights. These mineral rights are oil and gas royalty interests primarily related to Texas oil and gas leases. The current international energy environment enhances the volatility of the oil and gas industry. Changes in this environment could also have a significant impact on both the value of the assets recorded and the oil and gas royalties received.

**20. Litigation**

The Diocese is involved in lawsuits, claims, investigations, and proceedings which arise in the ordinary course of business. There are no such matters pending that the Diocese expects to be material in relation to its financial condition or results of operations.

**21. Commitments**

The Diocese is committed to contracts with remaining balances of \$299,000 and \$1,133,243 as of June 30, 2019 and 2018, respectively.

**22. Retirement Benefits**

The Diocese administers a 403(b) Plan for the benefit of its employees as well as employees and clergy of the churches, schools, and other religious organizations under the general supervision and control of the Diocese. Substantially all employees 21 years of age, whose employers participate in the Plan, are covered.

The Plan is funded through contributions of both employees and employers, with the Diocese being one of the employers. For all its eligible employees, the Diocese contributes 6% of the employee's salary. The contributions to the plan were \$494,053 and \$484,369 for 2019 and 2018, respectively, for the Diocese.

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**23. Operating Leases**

The Diocese leases copiers and an apartment under operating leases that expire at various dates through September 2023. Future minimum lease payments under these operating leases for each of the succeeding fiscal years are as follows:

Years Ending June 30:	
2020	\$ 164,037
2021	170,135
2022	91,031
2023	2,656
2024	291
	<u>\$ 428,150</u>

Lease expense incurred under these operating lease agreements amounted to \$217,283 and \$209,137 for years ended June 30, 2019 and 2018, respectively.

**24. Advertising**

All advertising costs of the Diocese are expensed when incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$103,197 and \$144,607, respectively.

**25. Functional Allocation of Expenses**

The costs of programs and supporting services have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, which generally include time incurred by employees, usage of copiers and vehicles, and space occupied on a square footage basis.

**26. Restatement**

Various program and supporting expense totals for 2018 have been restated due to the allocation of certain expenses from Diocesan properties attributable to respective programs and support services expenses by the following amounts:

	2018
Program	
Vocations and seminarians	\$ 6,983
Education and evangelization	104,743
Communications and technology	85,651
Management and general	731,224
Fundraising and development	27,931
Diocesan properties	(956,532)
Total net change in expenses	<u>\$ -</u>

**Diocese of Wheeling-Charleston**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**27. Subsequent Events**

Having been appointed by the Holy Father, Pope Francis, in July, 2019, Bishop Mark E Brennan was installed as the Bishop of the Diocese of Wheeling-Charleston on August 23, 2019.

In July, 2019, the Board of Directors of the Bishop's Fund voted to dissolve the entity. Upon approval of the dissolution by the State of West Virginia (which has not yet occurred), the residual assets of more than \$5 million will be distributed to the Diocese.

In July, 2019, the Diocese committed to giving Wheeling University \$2 million in fiscal year 2020. In January, 2020, the Diocese committed to giving \$5 million to Wheeling University over the next five fiscal years (fiscal year 2021-fiscal year 2025).

In September, 2019, the Diocese sold the residence at 52 Elmwood Place, Wheeling, WV, for \$1.2 million. The proceeds from the sale have been designated for pastoral outreach for victims of sexual abuse.

Management has evaluated subsequent events through the date that the financial statements were issued, February 13, 2020, and determined that, other than the event described above, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.