Archdiocese of St. Louis

Combined Financial Statements
(Excluding Parishes) as of and for the
Years Ended June 30, 2019 and 2018, and
Independent Auditors' Report

ARCHDIOCESE OF ST. LOUIS

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RubinBrown LLP
Certified Public Accountants & Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

The Most Reverend Robert J. Carlson
Archbishop of St. Louis
Archdiocese of St. Louis
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying combined financial statements of the Archdiocese of St. Louis (the Archdiocese), which comprise the combined statement of financial position as of June 30, 2019 and 2018, and the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. The financial statements of the St. Louis Archdiocesan Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Archdiocese of St. Louis as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019 on our consideration of the Archdiocese's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Archdiocese's internal control over financial reporting and compliance.

RubinBrown LLP

November 11, 2019

ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018
(In thousands)

ASSETS	2019	2018
CASH AND CASH EQUIVALENTS	$ 37,472	$ 31,291
RESTRICTED CASH AND INVESTMENTS	5,726	8,481
INVESTMENTS	748,026	700,242
RECEIVABLE ON UNSETTLED INVESTMENT SALES	2,485	3,288
ACCOUNTS RECEIVABLE — Net of allowance for doubtful accounts of $2,731 in 2019 and $3,734 in 2018	8,210	7,511
GRANTS, PLEDGES AND BEQUESTS RECEIVABLE — Net of allowance for doubtful accounts of $615 in 2019 and $1,498 in 2018	13,203	17,661
LOANS TO ARCHDIOCESAN PARISHES AND OTHER CATHOLIC ORGANIZATIONS — Net of allowance for loan losses of $3,779 in 2019 and $2,815 in 2018	14,676	19,593
OTHER NOTES RECEIVABLE — Net of allowance for doubtful accounts of $276 in 2019 and $96 in 2018	100	125
DUE FROM ARCHDIOCESAN PARISHES — Net of allowance for doubtful accounts of $8,678 in 2019 and $8,692 in 2018	833	844
CEMETERY LAND AND IMPROVEMENTS AVAILABLE FOR INTERMENT AND MAUSOLEUMS	9,281	9,462
OTHER ASSETS	6,051	7,100
PROPERTY AND EQUIPMENT — Net of accumulated depreciation of $197,147 in 2019 and $195,554 in 2018	178,517	186,546
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	6,149	6,126
TOTAL	$ 1,030,729	$998,270

LIABILITIES AND NET ASSETS	2019	2018
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 15,713	$ 15,645
CLAIMS PAYABLE	10,827	11,052
DEFERRED REVENUES	15,429	15,390
ACCRUED FUTURE CARE COSTS	59,822	57,689
DUE TO ARCHDIOCESAN PARISHES	8,942	12,297
DEPOSIT LIABILITIES	163,079	162,174
PAYABLE ON UNSETTLED INVESTMENT PURCHASES	18,000	5,013
NOTES PAYABLE — Net of unamortized debt issuance costs of $901 in 2019 and $928 in 2018	61,128	66,516
REFUNDABLE ADVANCES	15,002	15,097
PRIESTS' RETIREMENT LIABILITY	142,250	129,580
OTHER LIABILITIES	20,011	21,993
Total liabilities	530,203	512,446
NET ASSETS:		
Without donor restrictions:		
Undesignated	(25,060)	(17,808)
Designated	408,049	385,398
Noncontrolling interest in subsidiaries	5,954	6,445
Total without donor restrictions	388,943	374,035
With donor restrictions	111,583	111,789
Total net assets	500,526	485,824
TOTAL	$ 1,030,729	$998,270

See notes to combined financial statements.

ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating:		
Revenues and gains:		
Contributions, pledges, bequests and grants, net of direct fund-raising expenses of $2,002 in 2019 and $2,219 in 2018	$ 38,985	$ 40,494
Government fees and grants	39,196	38,743
Net investment earnings, net of fees	28,449	23,761
Tuition and student fees, net of scholarships of $11,678 in 2019 and $10,656 in 2018	28,570	28,816
Fees and services, net of expenses of $2,618 in 2019 and $2,762 in 2018	76,536	77,850
Insurance premiums	42,059	41,518
Net gain on sale, disposal or impairment of property	8,271	5,811
Other revenues	1,278	1,957
Total revenues and gains without donor restrictions	263,344	258,950
Net assets released from restrictions:		
Restrictions satisfied by time	3,204	9,024
Restrictions satisfied by purpose	16,847	15,640
Total net assets released from restrictions	20,051	24,664
Total revenues, gains and other support without donor restrictions	283,395	283,614
Expenses:		
Program	227,159	200,912
Management and general	33,153	34,221
Fund-raising	8,175	7,809
Total expenses	268,487	242,942
Change in net assets without donor restrictions	14,908	40,672
Capital distributions to noncontrolling interest	-	(100)
Change in net assets without donor restrictions	14,908	40,572

(Continued)

ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF ACTIVITIES — CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 and 2018
(In thousands)

	2019	2018
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions, pledges, bequests and grants	$ 16,763	$ 14,222
Net investment earnings, net of fees	3,082	4,623
Net assets released from restrictions	(20,051)	(24,664)
Change in net assets with donor restrictions	(206)	(5,819)
CHANGE IN NET ASSETS	14,702	34,753
NET ASSETS — Beginning of year	485,824	451,071
NET ASSETS — End of year	$500,526	$485,824

See notes to combined financial statements. (Concluded)

ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 14,702	$ 34,753
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	11,188	11,452
Amortization of debt issuance cost included as interest expense	26	25
Realized and unrealized gains	(15,046)	(13,620)
Allocation of earnings on Investment Fund investments	2,294	3,356
Provision for uncollectible loans and receivables	1,975	3,969
Net gain on sale, disposal or impairment of property	(8,271)	(5,811)
Forgiveness of notes payable	(27)	(159)
Contributions restricted for long-term investment	(1,176)	(910)
Contributions restricted for purchase of property and equipment	(733)	(634)
Contributions received - property and equipment	(160)	(11)
Change in value of beneficial interests in perpetual trusts	(213)	236
Distribution/(contribution) to beneficial interests in perpetual trusts	190	(355)
Distributions to noncontrolling interest	-	100
Pension-related changes other than net periodic benefit costs	475	(72)
Gain on winddown of New Market Tax Credit transaction	-	(456)
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(1,986)	(3,121)
Grants, pledges and bequests receivable	5,189	1,674
Due from Archdiocesan parishes	(152)	(165)
Cemetery land and improvements held for interment and mausoleums	181	101
Other assets	468	(449)
Accounts payable and accrued expenses	(35)	2,141
Claims payable	(225)	(659)
Deferred revenues	39	1,220
Accrued future care costs	2,133	466
Due to Archdiocesan parishes	(3,355)	242
Priests' retirement liability	12,670	(9,180)
Other liabilities	(2,457)	(1,734)
Net cash from operating activities	17,694	22,399
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase)/decrease in restricted cash and investments	2,458	(134)
Net increase in short-term money market investments	(1,498)	(653)
Payments for the purchase of investments	(617,493)	(556,575)
Proceeds from sale of investments	600,043	536,646
Disbursement of loans to Archdiocesan parishes and other Catholic organizations	(6,578)	(6,072)
Repayment of loans by Archdiocesan parishes and other Catholic organizations	10,531	5,190
Disbursement of other notes receivable	(160)	-
Repayment of other notes receivable	2	2
Payments for additions to property and equipment	(6,905)	(5,730)
Proceeds from sale of property and equipment	8,831	9,232
Net cash used in investing activities	(10,769)	(18,094)

(Continued)

ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF CASH FLOWS — CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Increase)/decrease in deposit liabilities	$ (1,389)	$ 6,385
Contributions restricted for long-term investment	1,125	1,075
Contributions restricted for purchase of property and equipment	675	966
Distribution to noncontrolling interest	-	(100)
Payments on notes payable	(1,060)	(581)
Borrowings on notes payable	-	30
Proceeds from continuing care advance fees	1,825	1,759
Repayment of continuing care advance fees	(1,920)	(1,984)
Net cash (used in)/from financing activities	(744)	7,550
INCREASE IN CASH AND CASH EQUIVALENTS	6,181	11,855
CASH AND CASH EQUIVALENTS — Beginning of year	31,291	19,436
CASH AND CASH EQUIVALENTS — End of year	$ 37,472	$ 31,291
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,587	$ 1,554
Noncash investing and financing transactions:		
Receivable on unsettled investment sales	2,485	3,288
Payable on unsettled investment purchases	18,000	5,013
Settlement of New Market Tax Credit Note Receivable	-	10,270
Settlement of New Market Tax Credit Note Payable	-	(10,726)
Property and equipment additions included in accounts payable and accrued expenses	497	394
Contributions received of property and equipment	160	-
Transfer of assets from PP&E to other assets	(217)	(1,584)
St. Patrick Apartment II assignment of restricted cash	297	-
St. Patrick Apartment II assignment of notes payable	(4,327)	-

See notes to combined financial statements. (Concluded)

THE ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(In thousands)

	Program						Support			
	Catholic Charities	Education	Adminis-tration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	Total	Total Expenses
Salaries	$ 37,473	$ 21,509	$ 185	$ 8,824	$ -	$ 67,991	$ 17,367	$ 4,142	$ 21,509	$ 89,500
Health and retirement benefits	7,965	5,035	70	2,685	-	15,755	3,700	703	4,403	20,158
Payroll taxes	2,731	1,522	10	485	-	4,748	1,205	303	1,508	6,256
Total salaries and related expenses	48,169	28,066	265	11,994	-	88,494	22,272	5,148	27,420	115,914
Occupancy	5,696	3,559	3	1,728	-	10,986	1,345	37	1,382	12,368
Supplies and equipment	4,967	3,995	2	2,082	-	11,046	1,860	1,063	2,923	13,969
Fees and services	5,342	2,220	3,483	4,446	523	16,014	4,845	1,605	6,450	22,464
Assistance to individuals	10,060	-	4	3	-	10,067	-	-	-	10,067
Insurance claims and premiums paid	1,090	761	49,049	273	-	51,173	327	26	353	51,526
Grants and assessments	212	470	14,882	1,207	18	16,789	75	116	191	16,980
Interest expense	858	4	-	-	3,043	3,905	6	-	6	3,911
Other expenses	1,189	297	(22)	654	56	2,174	493	150	643	2,817
Provision for doubtful accounts	-	-	-	-	964	964	1,011	-	1,011	1,975
Provision for future care costs	-	-	-	5,511	-	5,511	-	-	-	5,511
Depreciation	4,709	3,005	-	2,322	-	10,036	919	30	949	10,985
Total expenses	$ 82,292	$ 42,377	$ 67,666	$ 30,220	$ 4,604	$ 227,159	$ 33,153	$ 8,175	$ 41,328	$ 268,487

(Continued)

THE ARCHDIOCESE OF ST. LOUIS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(In thousands)

	Program						Support			
	Catholic Charities	Education	Adminis-tration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	Total	Total Expenses
Salaries	$ 37,237	$ 22,506	$ 77	$ 8,998	$ -	$ 68,818	$ 16,740	$ 4,035	$ 20,775	$ 89,593
Health and retirement benefits	7,513	5,558	57	2,782	-	15,910	3,590	728	4,318	20,228
Payroll taxes	2,707	1,536	2	480	-	4,725	1,161	294	1,455	6,180
Total salaries and related expenses	47,457	29,600	136	12,260	-	89,453	21,491	5,057	26,548	116,001
Occupancy	5,627	3,682	-	1,817	-	11,126	1,340	69	1,409	12,535
Supplies and equipment	5,147	3,740	1	1,821	1	10,710	1,748	894	2,642	13,352
Fees and services	5,023	2,250	3,314	4,841	512	15,940	4,152	1,418	5,570	21,510
Assistance to individuals	9,977	15	-	2	-	9,994	-	-	-	9,994
Insurance claims and premiums paid	1,165	779	24,549	261	-	26,754	331	26	357	27,111
Grants and assessments	208	598	15,480	1,283	-	17,569	76	219	295	17,864
Interest expense	895	1	-	-	3,853	4,749	7	-	7	4,756
Other expenses	1,036	257	(990)	525	36	864	304	95	399	1,263
Provision for doubtful accounts	-	-	-	-	123	123	3,846	-	3,846	3,969
Provision for future care costs	-	-	-	3,334	-	3,334	-	-	-	3,334
Depreciation	5,104	2,901	-	2,291	-	10,296	926	31	957	11,253
Total expenses	$ 81,639	$ 43,823	$ 42,490	$ 28,435	$ 4,525	$ 200,912	$ 34,221	$ 7,809	$ 42,030	$ 242,942

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — The combined financial statements include the accounts of certain organizations (excluding parishes), which report to the Archbishop of St. Louis and which operate under the auspices of the Archdiocese of St. Louis (the "Archdiocese"). The parishes of the Archdiocese are excluded from the combined financial statements because the Archdiocese does not maintain an economic interest in the parishes. These organizations generally are grouped as follows:

Catholic Charities — Entities of the Archdiocese which provide social services to residents of the Archdiocese through three primary areas: elderly services, children services, and family and community services.

Education — The Office of Catholic Education and Formation, Archdiocesan and regional high schools, Archdiocesan elementary schools (excluding parish schools), Department of Special Education, and St. Mary's Special School, all of which maintain a mission to deliver high quality Catholic education to residents of the Archdiocese.

Administration — Entities of the Archdiocese which provide administrative services and financial support to parishes, schools, and agencies of the Archdiocese which are excluded from the combined financial statements.

Other Ministries — Catholic Cemeteries, Kenrick-Glennon Seminary, clergy-related offices, St. Louis Review, Mission Office, and other entities that serve the other pastoral needs of the residents of the Archdiocese.

The St. Louis Archdiocesan Fund (the "Fund") — A separate charitable trust that encompasses the majority of the financial and investment activities of the Archdiocese.

All significant intradiocesan balances and transactions have been eliminated.

Recent Accounting Pronouncements — In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Archdiocese has adopted ASU 2016-14 and applied its provisions to the combined financial statements for the fiscal year ended June 30, 2019. The ASU appends the current reporting model for not-for profit organizations and enhances their required disclosures. The primary changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. Accordingly, a reclassification of net assets has been made to conform beginning net asset balances to the current presentation. Additionally, the allocation of 2018 expenses on the combined statement of activities and functional expenses have been restated.

Basis of Accounting — The financial statements of the Archdiocese have been prepared on the accrual basis of accounting.

Cash — The Archdiocese maintains its cash accounts primarily with banks located in Missouri. The Archdiocese has cash balances on deposit with Missouri banks at June 30, 2019 in the amount of $22,975 that exceed the balance insured by the Federal Deposit Insurance Corporation.

Cash Equivalents — The Archdiocese maintains several money market accounts to provide liquidity for daily operations. Money market accounts may be invested in short-term U.S. government and agency securities, corporate bonds, and mortgage-backed securities with an average effective duration under three months. Money market accounts held for liquidity are carried at cost which approximates fair value and are recorded in cash and cash equivalents.

Each investment manager also may hold cash in a money market account from time to time due to the timing of settlements of securities purchased or sold and interest and dividends received. A money market account held temporarily by an investment manager is carried in investments.

Restricted Cash and Investments — Restricted cash and investments represent funds whose use is limited under U.S. Department of Housing and Urban Development (HUD) regulatory agreements, State of Missouri Department of Labor (MDOL) requirements, escrow amounts related to environmental liabilities and other purposes.

Investments — Investments are carried at fair value based on quoted market prices when available. When a market price is not readily available, management estimates the fair value based on information obtained from the investment custodian or the investment manager. Net realized gains or losses on sales of investments are based on the difference between the proceeds received and the cost of the investments sold. Sales and purchases of investments are recognized based upon the trade date of each transaction. Recording transactions based upon trade date results in payable or receivable at year-end on unsettled purchases and sales. Interest income is recognized when earned. Dividend income is recognized when dividends are declared. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in net assets without donor restrictions in net investment earnings unless such income or loss is explicitly restricted by donor stipulation or by law.

Accounts Receivable — Accounts receivable consists primarily of services earned at the various entities and billed monthly or as services are rendered. Each entity has established an allowance for doubtful accounts based on prior experience. Balances deemed uncollectible are written off through a charge against the allowance.

Grants, Pledges and Bequests Receivable — Grants, pledges and bequests receivable that are expected to be collected within one year are recorded at net realizable value. Grants, pledges, and bequests receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. Each entity has established an allowance for doubtful grants, pledges and bequests based on past due aging and prior experience. Balances deemed uncollectible are written off through a charge against the allowance.

Loans to Archdiocesan Parishes and Other Catholic Organizations — Archdiocesan loans are carried at the unpaid principal balance net of an allowance for loan loss. Interest income is accrued on the unpaid principal balance as earned.

Interest income on loans is discontinued at the time a loan becomes 90 days delinquent. Past due status is based on the contractual terms of the loan. Loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis method until qualifying for return to accrual status.

A loan is considered impaired when, based on the current information and events, it is probable that the Archdiocese will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreements. Factors considered by the Archdiocese in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due.

Restructured loans involve the granting of some concession to the borrower involving a loan modification, such as payment schedule changes or principal charge-offs. A trouble debt restructuring (TDR) includes a loan modification where the borrower is experiencing financial difficulty and a concession is granted to that borrower that would not otherwise be considered. A TDR may be accrual or nonaccrual based on the performance of the borrower and the Archdiocese's assessment of collectability.

Allowance for Loan Loss (ALL) – The ALL represents the Archdiocese's estimate of probable and inherent credit losses in the loan portfolio. Estimating the ALL requires the exercise of significant judgment, the use of estimates, assumptions and historical data related to the loans and respective borrowers, and the use of qualitative factors such as economic conditions, all of which are subject to change. Loan losses are charged against the ALL while recoveries of amounts previously charged off are credited to the ALL.

The Archdiocese's ALL consists of specific reserves on certain impaired loans and general reserves for non-impaired loans based on a regular analysis of the loan portfolio. The general reserve is based on qualitative factors driven by the Archdiocese's internal credit rating system as well as consideration of historical losses. All loans in the portfolio are assigned an initial credit rating at the time of origination and the Archdiocese has established a systematic review on an annual basis, which covers a majority of loans to assess their credit risk. When assessing credit risk, the Archdiocese considers such factors as payment history, financial stability, and leadership. All loans that have not been identified for specific reserves are included in the general reserve pool, segregated by internal credit ratings, and allocated a reserve amount based on credit rating. Once the allocations have been made, the ALL is reviewed and approved by The St. Louis Archdiocesan Fund's Board of Trustees.

Other Notes Receivable — Loans have been made to nonaffiliated entities of the Archdiocese. The notes have various payment terms with interest rates of 0%. Remaining loan terms range from 1 to 5 years. The balance at June 30, 2019 is substantially related to one entity.

Due from/to Archdiocesan Parishes — The Archdiocese has receivables and payables resulting from operating and investing transactions with the parishes. In addition, grants that have been awarded to parishes for various reasons and scholarships awarded to students were accrued at year end. All grants and scholarships will be paid in the next year.

Cemetery Land and Improvements Available for Interment and Mausoleums — Land and improvements available for interment and mausoleums are recorded at original cost plus the cost of improvements, reduced by the cost of items sold.

Other Assets — Other assets primarily include prepayments for goods or services not yet received, accrued investment income and assets held for sale.

Property and Equipment — Property and equipment are recorded at cost. All acquisitions of property in excess of $10 and expenditures for improvements and betterments in excess of $10 that prolong the useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Land improvements	10–25 years
Buildings and building improvements	5–40 years
Furniture, fixtures, and equipment	3–10 years

Beneficial Interests in Perpetual Trusts — The Archdiocese is the income beneficiary under various perpetual trusts, the corpus of which is not controlled by the Archdiocese. Although the Archdiocese has no control over the administration of investment of the funds held in the perpetual trusts, in accordance with generally accepted accounting principles, the current fair value of the beneficial interest in various perpetual trusts is recognized as an asset in the accompanying combined financial statements.

Impairment of Assets — If facts and circumstances suggest that a long-lived asset, or related group of assets, may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset, or related group of assets, is not recoverable based on projected undiscounted net cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value. During the year ended June 30, 2019, the Archdiocese determined the fair value of certain fixed assets had decreased and as a result recorded a write down of $798, within net gain (loss) on sale, disposal or impairment of assets. There were no impairments during the year ended June 30, 2018.

Claims Payable — Claims payable represents claims known and pending payment, in addition to the estimated aggregate liability expected to be incurred, based upon actual claims data and estimates of claims incurred but not yet reported for the Self-Funded Employee Benefit Plan and the Office of Risk Management (see Note 8). Estimates for legal actions include the attorney fees anticipated to resolve unsettled matters.

Deferred Revenues — Deferred revenues consist of tuition and student fees received in advance, non-refundable entrance fees for retirement living accommodations, grant funds that have not been spent on program services, proceeds received for interment services not yet performed, and subscription proceeds received in advance of circulation. Tuition and student fees collected in advance are recognized in the period in which the payment made for instruction occurs. Grant funds that have not been spent on program services are deferred until the expense is incurred. Revenues for interment services not yet performed are deferred until the services are performed. Revenues for subscriptions are deferred until the circulation is performed.

Residents of retirement living facilities pay a one-time entrance fee entitling them to accommodations for as long as they are able to live independently. A portion of the entrance fee is recorded as deferred revenue and is amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. The remaining portion of the entrance fee is recorded as a refundable advance liability and upon leaving the facility, the resident, or resident's estate, is entitled to the refundable advance amount once the subsequent tenant pays his/her entrance fee.

Accrued Future Care Costs — In connection with each sale of a lot or crypt, the Catholic Cemeteries of the Archdiocese of St. Louis (the "Cemeteries") contractually agrees to provide certain perpetual endowed care maintenance of the lot or crypt. Accrued future care costs represent the estimated contractual costs of the Cemeteries to maintain its existing graves and crypts in the future. A five-year rolling average of maintenance costs is used to estimate the liability along with the differential between the estimated discount and inflation rates. A differential of 5% was used in 2019 and 2018. The change in this estimated liability from the beginning to the end of each year is recorded as a provision for future care costs within program expenses in the combined statements of activities.

Funds designated for endowed care are invested and are contractually restricted; however, they are not segregated in the accompanying combined statement of financial position. The Cemeteries have deposited a portion of the proceeds from sales of plots and crypts in accounts maintained separately at the Fund. Total amounts invested are approximately $106,000 in 2019 and $103,000 in 2018.

Deposits — The Archdiocese holds deposits from Archdiocesan parishes and other Catholic agencies in two separate sub-funds, the Depositor Fund and the Investment Fund.

The Depositor Fund consists of demand, money market and time deposit accounts on which fixed rate interest is paid approximating market returns. Time deposit accounts have stated maturity dates from three months to five years. Depositors may make deposits and withdrawals from accounts at any time subject to early withdrawal penalties on time deposit accounts and excess withdrawal penalties on money market accounts.

The Investment Fund consists of investment accounts that earn a rate of return tied to the market performance of the investment portfolio held by the Archdiocese and are generally considered long-term investments by the depositors. Earnings and principal may generally be withdrawn from the Investment Fund once a year. Each account is invested according to one of the several assigned allocation plans that is selected by the depositor and which consists of an investment mix of fixed income securities and equity securities (e.g. Plan "A" consists of 25% fixed income securities and 75% equity securities). The entire return from the investment portfolio is allocated to the Investment Fund accounts each month.

Refundable Advances — Refundable advances represents amounts owed to residents of Our Lady of Life, an entrance fee community. As of June 30, 2019 and 2018, $15,002 and $15,097, respectively, is due to residents upon their leaving the facility and is payable upon the subsequent tenant paying his/her entrance fee.

Split Interest Gift Arrangements — The Archdiocese has entered into split interest gift arrangements that are mainly comprised of gift annuities and charitable trusts. Gift annuities provide that the annuitants will receive payments for life. The payments will continue even if related assets have been exhausted. At the death of the annuitants, all remaining assets, if any, are directed in accordance with the related agreements.

Charitable trusts provide that the income beneficiaries will receive payments for life, so long as there are assets available in the trust. At the death of the income beneficiaries, all remaining assets are directed in accordance with the related agreements.

At June 30, 2019 and 2018, the Archdiocese held investments of $2,507 and $2,785, respectively, associated with these split interest agreements, which are recorded as investments on the combined statement of financial position.

The liability for split interest gift arrangements represents the present value of these obligations due to the annuitants and income beneficiaries. The present value was calculated based upon life expectancies using discount factors determined at the date of the gift that range from 1.2% to 9.4%. At June 30, 2019 and 2018, the liability was $1,022 and $1,062, respectively, and reported as other liabilities on the combined statement of financial position.

Other Liabilities — Other liabilities primarily include the present value of annuity liabilities, environmental liabilities, including those for which an escrow is recorded in restricted cash and investments, funds held for others, early teacher retirement liabilities, and unfunded pension obligations.

Environmental Liabilities — The Archdiocese establishes a liability for environmental liabilities when it is probable that a liability has been incurred and the Archdiocese has the ability to reasonably estimate the liability. The Archdiocese is subject to environmental remediation related to a previously donated property. The Archdiocese subsequently sold the property but retained the liability for a portion of the obligation after the sale. At June 30, 2019 and 2018, the Archdiocese accrued $805 and $1,686, respectively, for the estimated cost of remediation. The estimate is not discounted, as the timing of the anticipated cash payments is not fixed or readily determinable. The Archdiocese is unable to predict with certainty the ultimate resolution of such liability, but expects it to extend several years into the future.

The costs associated with the eventual remediation and abatement of asbestos have been recognized in the financial statements for properties owned by the Archdiocese. As of June 30, 2019 and 2018, the conditional asset retirement liability is $3,198 and $3,159, respectively, and reported as other liabilities on the combined statement of financial position. There is no interest included in the balance.

A conditional asset retirement obligation includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and or method of settling the obligation is conditional on a future event that may or may not be within the control of the Archdiocese. Recognition of a liability is required for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated, even if conditioned on a future event. The Archdiocese records the fair value of a liability for a legal obligation associated with an asset retirement in the period in which the obligation is incurred.

Net Assets — Net assets, revenue, 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* represent those net assets whose use is not restricted by donors (or certain grantors). Net assets without donor restrictions include amounts designated by the Archdiocese or agency boards of directors for specific purposes. Net assets without donor restrictions of certain combined organizations are designated because such net assets are to be used solely to support the operations of that specific organization. Net assets equal to the net book value of property and equipment, net of the related notes payable, are designated as the existence of such net assets creates a limitation on the use of those net assets.
>
> *Net Assets with donor restrictions* represent those net assets subject to donor-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, whereby the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Noncontrolling Interest in Subsidiaries — The Archdiocese records the noncontrolling interest in the net assets of combined entities as a separate component of the appropriate class of net assets in the combined statement of financial position. Distributions to and contributions from noncontrolling owners are reported in the combined statement of activities and cash flows from financing activities.

Contributions, Pledges, Bequests and Grants — The Archdiocese recognizes contributions, pledges, bequests, and grants as revenue at the time an unconditional promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are specified for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions.

During 2019 and 2018, fund-raising event revenue was $7,910 and $7,713, respectively, net of direct fund-raising expenses of $2,002 and $2,219, respectively, and is included in contributions, pledges, bequests, and grants in the combined statements of activities.

Government Fees and Grants — Government fees and grant revenue are recognized as services are rendered.

Contributed Property — Contributed property and equipment are recorded at fair value at the date of donation and are generally reported as contribution revenue without donor restrictions. Contributions of such property and equipment of $160 in 2019 and $11 in 2018, which approximates the fair values on the dates of donation, are included in the combined financial statements. Contributions of cash and other assets restricted for the acquisition of property and equipment are reported as donor restricted revenue; those restrictions expire when the property and equipment are placed in service by the Archdiocese.

In-Kind Contributions — Included as contribution revenue in the combined financial statements are in-kind contributions of goods and services (excluding contributed property and equipment) of $2,411 in 2019 and $2,400 in 2018. Contributed goods are recorded at fair value at the date of contribution. Contributed services represent the amount of estimated professional worth in excess of the salary paid to the person providing such services. Estimated professional worth is determined by researching comparable professional salaries in the community.

Net Patient Service Revenue — Elderly and congregate revenue is recognized when services are provided. Payments received in advance of service are recorded as deferred revenue. Service revenue is reported at the estimated net realizable amounts from residents/patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Payment for services under the Medicaid program is based on defined prospective cost of service rather than on the basis of standard billing rates for such services. Services rendered to Part A Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a resident/patient's classification within the "resource utilization grouping" system. Services rendered to Part B Medicare program beneficiaries are paid based on the Medicare allowable fee schedule. Net patient services revenue is recorded in fees and services on the combined statement of activities.

Functional Expenses — The Archdiocese categorizes its expenses as follows:

Program expenses relate to activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the organization exists.

Management and general expenses relate to administrative activities that are not identifiable with a single program or fund-raising activity, but that are indispensable to the conduct of those activities and to the Archdiocese's existence.

Fund-raising expenses relate to activities that involve inducing potential donors to contribute financially or in-kind to the Archdiocese.

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, health and retirement benefits and payroll taxes, which are allocated on the basis of estimates of time and effort. All remaining expenses are directly identifiable with a specific function and are allocated directly to that function.

To properly reflect employee benefits by function, the premiums for health, dental and workers compensation insurance and priests benefits paid by each agency are included in health and retirement benefits expense in the applicable program or supporting function with an offsetting credit reducing insurance claims and premiums paid expense under the administration program on the combined statement of functional expenses.

Income Taxes — The individual agencies that comprise the Archdiocese are listed in the *Official Catholic Directory* and therefore are tax-exempt public charities under Section 501(c)(3) and Section 509(a) of the Internal Revenue Code, except for Holy Infant & St. Joseph Associates, LP, Rosati Apartments, LP and St. John Neumann Associates, LP. Holy Infant & St. Joseph Associates, LP, Rosati Apartments, LP and St. John Neumann Associates, LP that are partnerships established as pass-through entities for tax purposes. As such, the Archdiocese can only be taxed on income from any activities unrelated to their charitable purpose. At June 30, 2019 and 2018, the Archdiocese had not identified any such revenue; therefore, no tax expense has been recorded. The Archdiocese does not have any uncertain tax positions.

Fair Value of Financial Instruments — The carrying amounts of accounts receivable, due to/from Archdiocesan parishes, receivable/payable on unsettled investment sales/purchases, accounts payable and accrued expenses, deferred revenue, refundable advances, claims payable and other liabilities approximate fair value due to the short period to maturity. Assets held for sale are carried at fair value based on an appraisal. The grants, pledges and bequests receivable and the loans receivable from Archdiocesan parishes approximate fair value due to the similarity of the discount or variable interest rates with the current market rate on loans with similar maturities. Investment Fund liabilities' carrying value approximate fair value because they generate returns based upon current market returns. Customer time deposits are issued with a stated maturity between three months and five years with a fixed interest rate for the term of the instrument. The carrying value of customer demand deposits and money market accounts approximates fair value due to their short-term nature. The fair value of other notes receivable is determined using current interest rates compared to book value. The fair value of the notes payable, excluding the HUD mortgages eligible for forgiveness and other forgivable loans, is determined using current interest rates for similar debt, compared to the book value. Forgivable loans are excluded as the loans do not mature or bear interest. Therefore, the estimate of fair value is not practicable. The fair value of time deposits is estimated using the rates currently offered for deposits of similar remaining maturities.

	Time Deposits		Notes Receivable		Notes Payable	
	2019	2018	2019	2018	2019	2018
Fair value	$ 22,184	$ 19,029	$ 100	$ 125	$ 24,335	$ 23,137
Carrying value	22,279	18,949	100	125	23,321	24,382

The Archdiocese invests in various securities which, in general, are exposed to various risks, such as interest rate risk, credit risk, and default risk, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could materially affect the amounts reported in the combined statements of financial position and activities.

Fair Value Measurements — Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. These principles apply to fair value measurements required under other accounting guidance that require or permit fair value measurement, the Financial Accounting Standards Board (FASB) having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The Archdiocese reports its entire investment portfolio at fair value on a recurring basis.

The ASC defines fair value and establishes a hierarchal framework which prioritizes and ranks the market price observability used in fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The inputs used to measure fair value must be classified into one of three levels as follows:

Level 1 — Quoted prices in an active market for identical assets and liabilities; specifically, values for short-term money market investments, publicly held mutual fund investments, equities, exchange traded notes and U.S. Treasury securities represent unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 — Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable. Specifically, values for government and agency securities (other than U.S. Treasury securities), municipal bonds and most corporate bonds are primarily derived from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include market interest rates and volatilities, credit spreads and yield curves. Values for asset and mortgage-backed securities are derived primarily from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include credit default rates, credit prepayment rates and loss severity ratios.

Level 3 — Assets and liabilities whose significant value drivers are unobservable. Unobservable inputs reflect the Archdiocese's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Archdiocese's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment. In accordance with this guidance, the Archdiocese is not permitted to adjust quoted market prices in an active market, even if the Archdiocese owns a large investment, the sale of which could reasonably impact the quoted prices. See Note 5, Fair Value Measurements, for further details on the Archdiocese's assets measured at fair value.

The fair value of the beneficial interests in perpetual trusts held by others is determined by the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests.

The Archdiocese has adopted ASC 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* Under the guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain portfolio investments on the basis of the net asset value per share. In the normal course of business, the Archdiocese holds certain investments that would qualify for the usage of the practical expedient.

Derivative Contracts — The Archdiocese permits investment managers to invest in To Be Announced (TBA) future security trades for the purposes of acquiring agency mortgage backed securities (MBS) and managing investment yield. These TBA securities meet the definition of a derivative investment under ASC 815, *Derivatives and Hedging*. The Archdiocese recorded derivative contracts at fair value based on quoted market prices in "Investments" on the combined statement of financial position, with changes in the fair value of derivatives recorded in "Net investment earnings" on the combined statement of activities. TBA future contracts are obligations to buy or sell a quantity of MBS at a predetermined rate or price at a future date. These derivatives are not designated hedging instruments. The objective of these derivative holdings is to participate in the primary market for agency MBS, pursuant to yield management objectives. At June 30, 2019, the Archdiocese did not possess any notional units of TBA securities. At June 30, 2018, the Archdiocese possessed 9,980 notional units of TBA securities at a fair value of $36, with an underlying liability value of $10,192. The gross fair market asset value of these securities was $10,228.

Use of Estimates — The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle — In August 2016, the FASB issues Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statement for Not-For-Profit Entities*, which provides guidance for the presentation of financial statements of not-for-profits to enhance the understandability of the financial statements and provide more relevant information. We have adopted ASU 2016-14 and have applied its provisions to the consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restrictions by $413 and decreased net assets with donor restrictions by $413 resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

New Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is effective for the Archdiocese for fiscal year ending June 30, 2020. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842),* which creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the statement of financial position related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures in order to help users of financial statements better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for the Archdiocese in fiscal year ending June 30, 2021, with early application permitted. The new standard is to be applied using a modified retrospective approach.

In November 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. Prior to this guidance, there was no specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. The new standard is effective for fiscal year ending June 30, 2020 and must be applied on a retrospective basis. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its statement of cash flows.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and made. It provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, as well as provides guidance on determining whether a contribution is conditional. The new standard is effective for the Archdiocese for fiscal year ending June 30, 2020; however, early adoption is permitted. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires an employer to report the service cost component of net periodic pension cost and net periodic postretirement cost in the same line item in the statement of activities as other compensation costs arising from services rendered by the related employees during the period. The other net cost components are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, the line item used in the statement of activities to present the other net cost components must be disclosed in the notes to the financial statements. This ASU is effective for the Archdiocese for fiscal year ending June 30, 2020 and must be applied on a retrospective basis. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement benefits (Topic 715-20*). This ASU amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. This ASU is effective for the Archdiocese for fiscal year ending June 30, 2022 and must be applied on a retrospective basis. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its financial statements.

In June 2016, the FASB issues ASU 2016-13, *Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* that changes the impairment model for most financial assets and certain other instruments. For receivables, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in earlier recognition of allowances for losses. In addition, an entity will have to disclose significantly more information about allowances, credit quality indicators and past due securities. This ASU is effective for the Archdiocese for fiscal year ending June 30, 2022. The Archdiocese is currently assessing the potential impact of the adoption of this standard on its financial statements.

2. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at June 30, 2019 and 2018 consist of the following:

	2019	2018
Restricted accounts at FDIC insured financial institutions	$ 2,075	$ 2,419
Money markets — U.S. government securities	3,294	5,056
U.S. Treasury bonds	357	1,006
Total restricted cash and investments	$ 5,726	$ 8,481

HUD regulatory agreements limit the use of $4,271 of the total restricted cash and investments in 2019 and $5,408 in 2018. MDOL requirements limit the use of the U.S. Treasury bonds.

3. AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the financial assets of the Archdiocese of St. Louis available to meet general expenditures over the next twelve months at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 37,472	$ 31,291
Investments	748,026	700,242
Receivable on unsettled investments	2,485	3,288
Accounts receivable	8,210	7,511
Grants, pledges and bequests receivable	13,203	17,661
Loans receivable, net of allowance	14,676	19,593
Total financial assets	824,072	779,586
Less amounts not available to be used within one year:		
Grants, pledges and bequest receivables due in more than one year	2,272	1,048
Loans receivable due in more than one year	12,172	13,473
Designated for deposits	163,079	162,174
Net assets with donor restrictions	106,766	107,001
Designated net assets	290,660	265,368
Noncontrolling interest in subsidiary	5,954	6,445
Less net assets with purpose restrictions to be met in less than one year	(6,733)	(4,909)
	574,170	550,600
Financial assets available to meet general expenditures over the next twelve months	$ 249,902	$ 228,986

The Archdiocese of St. Louis receives income from tuition, government grants, contributions from donors, fee for services, and assessments to parishes and other organizations. The Archdiocese actively manages its resources to maintain adequate liquid assets to fund near-term operating needs, to maintain sufficient reserves to provide a reasonable assurance of delivering the long term mission of the Archdiocese, and to operate within a prudent range of financial soundness and stability.

The Archdiocese regularly monitors the availability of resources required to meet operating needs and other contractual commitments. A comprehensive budgeting process is conducted to ensure sufficient revenues will be collected to cover general expenses. The budget must be approved by the various Boards before they are finalized. Actual results are measured against the budget on a monthly basis. Additionally, the Archdiocese forecasts its future cash flows and monitors reserves on a quarterly basis.

As denoted above and as described in Note 15, a portion of net assets is designated to specific organizations because those net assets are to be used solely to support the operations of those specific organizations. Thus, each of those entities monitors its resources to meet its individual needs and commitments, participate in the budget process and forecast its future cash flows and monitor its reserves.

4. INVESTMENTS

Investments at June 30, 2019 and 2018 consist of the following:

	2019	2018
Short-term money market investments	$ 8,553	$ 7,547
Equities	123,450	126,264
Publicly held mutual fund investments	12,122	9,031
Privately held commingled fund investments	235,030	189,664
U.S. government and agency securities	41,195	37,313
Corporate and municipal bonds	206,485	206,618
Asset and mortgage-backed securities	105,131	98,773
Exchange traded notes	13,664	22,859
Total investments held in The St. Louis Archdiocesan Fund	745,630	698,069
Money market — U.S. government securities	111	64
Corporate bonds	167	217
Publicly held mutual fund investments	1,186	1,137
Investments in foundations held in trust	932	755
Total investments held outside of The St. Louis Archdiocesan Fund	2,396	2,173
Total investments	$ 748,026	$ 700,242

Net investment earnings consist of the following:

	2019	2018
Interest and dividend income	$ 18,469	$ 16,828
Realized gains	13,926	17,588
Unrealized gains/(losses)	1,120	(3,968)
Less investment expenses	(1,984)	(2,064)
Total investment earnings	$ 31,531	$ 28,384

5. FAIR VALUE MEASUREMENTS

The valuation of assets measured at fair value in the Archdiocese's combined statement of financial position at June 30, 2019 and 2018 is summarized below using quoted prices in active markets for identical assets (Level 1); significant observable inputs for similar assets (Level 2); and significant unobservable inputs (Level 3):

	Fair Value Measurements at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Short-term money market investments	$ 8,553	$ -	$ -	$ 8,553
Equities	123,450	-	-	123,450
Publicly held mutual fund investments	12,122	-	-	12,122
U.S. government and agency securities	38,117	3,078	-	41,195
Corporate and municipal bonds	-	204,925	1,560	206,485
Asset and mortgage-backed securities	-	105,131	-	105,131
Exchange traded notes	13,664	-	-	13,664
	195,906	313,134	1,560	510,600
Assets valued at net asset value per share				235,030
Investments held in The St. Louis Archdiocesan Fund				745,630
Money market — U.S. government securities	111	-	-	111
Corporate bonds	-	167	-	167
Publicly held mutual fund investments	1,186	-	-	1,186
Investments in foundations held in trust	-	-	932	932
Investments held outside of The St. Louis Archdiocesan Fund	1,297	167	932	2,396
Total investments	$ 197,203	$ 313,301	$ 2,492	$ 748,026
Money market — U.S. government securities	$ 3,294	$ -	$ -	$ 3,294
U.S. Treasury bonds	357	-	-	357
Restricted cash and investments (see Note 2)	$ 3,651	$ -	$ -	$ 3,651
Beneficial interests in perpetual trusts	$ -	$ -	$ 6,149	$ 6,149

	Fair Value Measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Short-term money market investments	$ 7,547	$ -	$ -	$ 7,547
Equities	126,264	-	-	126,264
Publicly held mutual fund investments	9,031	-	-	9,031
U.S. government and agency securities	32,430	4,883	-	37,313
Corporate and municipal bonds	-	205,081	1,537	206,618
Asset and mortgage-backed securities	-	98,773	-	98,773
Exchange traded notes	22,859	-	-	22,859
	198,131	308,737	1,537	508,405
Assets valued at net asset value per share				189,664
Investments held in The St. Louis Archdiocesan Fund				698,069
Money market — U.S. government securities	64	-	-	64
Corporate bonds	-	217	-	217
Publicly held mutual fund investments	1,137	-	-	1,137
Investments in foundations held in trust	-	-	755	755
Investments held outside of The St. Louis Archdiocesan Fund	1,201	217	755	2,173
Total investments	$ 199,332	$ 308,954	$ 2,292	$ 700,242
Money market — U.S. government securities	$ 5,056	$ -	$ -	$ 5,056
U.S. Treasury bonds	1,006	-	-	1,006
Restricted cash and investments (see Note 2)	$ 6,062	$ -	$ -	$ 6,062
Beneficial interests in perpetual trusts	$ -	$ -	$ 6,126	$ 6,126

Certain issues may be transferred between Level 1 and Level 2 if the observability of inputs changes relative to a security's pricing during the period. The value of transfers is based on the value of the particular security on the final day of the fiscal year in which the transfer occurred.

Additional information pertaining to the changes in the fair value of the Archdiocese's assets classified as Level 3 for the years ended June 30, 2019 and 2018 is presented below:

	Year Ended June 30, 2019			
	Corporate and Municipal Bonds	Investments in Foundations Held in Trust	Beneficial Interests in Perpetual Trusts	Total
Investments:				
Balance — July 1	$ 1,537	$ 755	$ 6,126	$ 8,418
Contributions (distributions)	-	140	(190)	(50)
Net gains (losses)	28	37	213	278
Transfers in/(out)	(5)	-	-	(5)
Balance — June 30	$ 1,560	$ 932	$ 6,149	$ 8,641

	Year Ended June 30, 2018				
	Corporate and Municipal Bonds	Equities	Investments in Foundations Held in Trust	Beneficial Interests in Perpetual Trusts	Total
Investments:					
Balance — July 1	$ 1,527	$ 3	$ -	$ 6,007	$ 7,537
Contributions	-	-	755	355	1,110
Net gains (losses)	10	-	-	(236)	(226)
Sales and settlements	-	(3)	-	-	(3)
Balance — June 30	$ 1,537	$ -	$ 755	$ 6,126	$ 8,418

The total unrealized gains included in the balances for investments classified as Level 3 at June 30, 2019 and 2018 were $516 and $475, respectively.

As permitted by ASU 2015-07, certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and, therefore, have not been classified in the fair value hierarchy. The following table summarizes the Archdiocese's investments in entities that calculate net asset value per share (or its equivalents):

Commingled Funds	Fair Value 2019	Fair Value 2018	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
International SMID Equity [a]	$ 6,662	$ 2,062	$ -	Daily	6 days
International EAFE Equity [b]	55,975	45,807	-	Monthly	30 days
Global Equity [c]	27,779	30,178	-	Daily	6 days
Emerging Markets All Cap Equity [d]	38,291	36,214	-	Monthly	30 days
International Equity [e]	12,876	10,858	-	Monthly	30 days
Defensive Equity Fund [f]	-	35,125	-	Monthly	5 days
International Equity (ex USA) [g]	43,597	29,420	-	Daily	10 days
International Equity Risk [h]	36,689	-	-	Daily	5 days
Emerging Markets All Cap Equity [i]	13,161	-	-	Monthly	30 days
	$ 235,030	$ 189,664	$ -		

a. International SMID Equity Fund invests in a diversified portfolio of equity securities of small to mid cap companies, with a focus on international companies excluding the USA and Canada, in order to obtain long-term growth.

b. International EAFE Equity Fund invests primarily in long positions in international equity securities of publicly-traded mid to large cap companies, excluding the USA, in order to obtain long-term growth.

c. Global Equity Fund invests in a diversified portfolio of global equity securities, consistent with the USCCB Guidelines for SRI in order to obtain long-term growth.

d. Emerging Markets All Cap Equity Fund invests in emerging markets, publicly-traded equities and over-the-counter equity swaps with goal of obtaining benchmark-relative returns. The benchmark used for the fund is the MSCI Emerging Markets IMI Index.

e. International Equity Fund invests primarily in international equity securities of publicly-traded companies with a focus on long-term growth.

f. Defensive Equity Fund provides defensive equity exposure that is expected to provide favorable risk adjusted performance of the S&P 500 by investing in financial instruments.

g. International Equity (ex USA) Fund invests in a diversified portfolio of equity securities of companies located in any country other than the USA in order to obtain long-term total returns.

h. International Equity Risk Fund invests in international equities and short term liquid T-bills with the objective to obtain risk-adjusted returns comparable to the ACWI over a full market cycle.

i. Emerging Markets All Cap Equity Fund invests primarily in emerging and frontier markets with the objective to achieve long term capital appreciation.

6. GRANTS, PLEDGES AND BEQUESTS RECEIVABLE

Grants, pledges and bequests receivable at June 30, 2019 and 2018 consist of the following:

	2019	2018
Due in less than one year	$ 10,931	$ 16,613
Due in one to five years	1,188	932
Due in more than five years	1,733	1,659
Less discounts	(34)	(45)
Grants, pledges and bequests receivable before allowance for doubtful accounts	13,818	19,159
Allowance for doubtful accounts	(615)	(1,498)
Grants, pledges and bequests receivable	$ 13,203	$ 17,661

7. LOANS TO ARCHDIOCESAN PARISHES AND OTHER CATHOLIC ORGANIZATIONS

Loans represent amounts receivable from parishes and other Catholic organizations with various payment terms bearing interest at variable rates that approximate market for loans of similar terms. The average variable rate was 3.81% in 2019 and 3.25% in 2018. Remaining loan terms range from 1 to 16 years. At June 30, 2019, the Archdiocese has committed to extend an additional $4,189 under line of credit arrangements with certain parishes and other Catholic organizations.

As of June 30, 2019 and 2018, the loan portfolio of the Archdiocese included no loans between 60 and 89 days past due and one loan in the amount of $298 more than 90 days past due in 2018. No loans were 90 days or more past due in 2019.

Changes in the allowance for loan losses for the years ended June 30, 2019 and 2018 consist of the following:

	Year Ended June 30,	
	2019	2018
Allowance for uncollectible loans — beginning of year	$ 2,815	$ 2,692
Provision for uncollectible loans	964	123
Allowance for uncollectible loans — end of year	$ 3,779	$ 2,815

Impaired loans as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Outstanding balance of impaired loans	$ 3,549	$ 4,794
Allowance for loan loss on impaired loans	(2,734)	(2,000)
Balance of impaired loans with no specific loan allowance	$ 815	$ 2,794

Impaired loans as of June 30, 2019 included no delinquent loans placed on non-accrual and three TDR loans in the amount of $3,549. Impaired loans as of June 30, 2018 included one delinquent loan placed on non-accrual in the amount of $298 and three TDR loans in the amount of $4,496.

8. SELF-INSURANCE

The Archdiocese administers a Self-Funded Employee Benefit Plan (the "Plan"). The Plan purchases health insurance coverage for claims in excess of certain amounts. Such coverage also is effective if aggregate cash payments exceed defined limits. The Archdiocese made cash basis claim payments of $38,977 in 2019 and $38,017 in 2018.

The Archdiocese has an Office of Risk Management (the "Office"). The Office provides self-insurance for property, general liability, and workers' compensation insurance coverage up to $1,500, $500, and $1,000 per occurrence, respectively. The Office procures additional property, general liability, and workers' compensation insurance coverage in amounts considered appropriate by management of the Archdiocese. Limited health care professional liability is included within general liability insurance. The coverages resulted in total receivables of $486 and $194 at June 30, 2019 and 2018, respectively, which are included in accounts receivable. In accordance with the MDOL requirements, the Office maintains escrowed securities, which are included in restricted cash and investments, and a letter of credit of $1,975, to be used in the event claim obligations are not met.

9. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consist of the following:

	2019	2018
Land and land improvements	$ 44,910	$ 43,412
Buildings and building improvements	292,784	300,084
Furniture, fixtures and equipment	36,173	35,923
Construction in progress	1,797	2,681
Property and equipment — at cost	375,664	382,100
Less accumulated depreciation	(197,147)	(195,554)
Property and equipment — net	$ 178,517	$ 186,546

The Archdiocese had outstanding construction commitments at June 30, 2019 and 2018 of $423 and $837, respectively.

10. DEPOSIT LIABILITIES

Total deposits as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Depositors' Fund:		
Demand accounts	$ 32,422	$ 34,151
Money market accounts	48,186	52,817
Time deposit accounts	22,279	18,949
Total Depositors' Fund	102,887	105,917
Investment Fund:		
Nonendowed accounts	12,150	10,288
Endowed accounts	45,535	43,184
Annuity accounts	2,507	2,785
Total Investment Fund	60,192	56,257
Total deposit liabilities	$ 163,079	$ 162,174

The scheduled maturities of time deposits as of June 30 are as follows:

	2019	2018
Aging of Maturities of Time Deposits:		
Maturing in 1 year	$ 9,180	$ 9,564
Maturing in 2 years	5,462	3,607
Maturing in 3 years	5,142	3,153
Maturing in 4 years	771	2,298
Maturing in 5 years	1,539	195
Maturing in more than 5 years	185	132
Total time deposits	$ 22,279	$ 18,949

As of June 30, 2019 and 2018, the aggregate amount of time deposit accounts each with a minimum denomination of $100 or more was $16,225 and $13,067, respectively.

11. NOTES PAYABLE

At June 30, 2019 and 2018, notes payable consist of the following:

	2019	2018
Note payable to Gershman Investment Corporation ("Gershman"); requires monthly payments of $43 including principal and interest at 3.65%; matures 2051; secured by deed of trust on property at Mary Queen and Mother Association; insured by Federal Housing Authority	$ 9,850	$ 10,006
HUD note payable maturing 2021; payable in monthly installments of $26 including principal and interest at 6.88%; secured by property at St. Patrick Apartments	-	745
Note payable to Lancaster Pollard Mortgage Company ("Lancaster"); requires monthly payments of $29 including principal and interest at 4.35% through 2052; secured by deed of trust on the property of Holy Infant & St. Joseph Associates, LP; insured by HUD	6,149	6,233
Note payable to Missouri Housing Development Commission ("MHDC"); maximum borrowing of $2.2 million; non-interest bearing with annual payments based on 50% of surplus cash; matures 2053; secured by a deed of trust on property of Holy Infant & St. Joseph Associates, LP; subordinate to the Lancaster debt	2,189	2,189
Note payable to St. Louis County through Home Investment Partnership Act (HOME); requires monthly principal payments equal to the lesser of (i) equal annual installments, (ii) 50% of net operating cash flow, or (iii) surplus cash; matures 2055; non-interest bearing; secured by a second priority HOME deed of trust on property of St. John Neumann	250	250
Note payable to Lancaster Pollard Mortgage Company ("Lancaster"); maximum borrowing of $5.1 million; interest only payments at 3.52% through June 2016 with monthly installments of principal and interest of $20 thereafter; matures 2055; secured by deed of trust on property of St. John Neumann Associates, LP; insured by HUD	4,873	4,939
HUD mortgages eligible for forgiveness (see below)	33,347	37,674
Other loans at St. Patrick Center, Rosati Apartments LP and Queen of Peace Center eligible for forgiveness; secured by deeds of trust	5,361	5,388
Other notes payable at various maturities; noninterest bearing	10	20
Total Principal	62,029	67,444
Less unamortized debt issuance costs	(901)	(928)
Long-term debt less unamortized debt issuance costs	$ 61,128	$ 66,516

Estimated maturities of the notes over the next five years are as follows:

2020	$ 388
2021	390
2022	404
2023	417
2024	431
Thereafter	21,291
Total	23,321
HUD mortgages eligible for forgiveness	33,347
Other loans eligible for forgiveness	5,361
	$ 62,029

Interest expense related to the notes was $837 and $875 for the years ended June 30, 2019 and 2018, respectively.

Holy Infant & St. Joseph Associates, LP — During March 2012, Holy Infant & St. Joseph Associates, LP, an entity of the Archdiocese, entered into a loan agreement with Lancaster Pollard Mortgage Company with maximum borrowing of $6,600 in order to refinance existing HUD debt and finance renovations. Repayment terms include interest only (4.35%) through June 2013, and monthly payments of $29 thereafter. All remaining principal and interest is due February 2052.

On March 15, 2012, the Industrial Development Authority of St. Louis, Missouri, authorized the issuance of its Senior Housing Revenue Bonds (GNMA Collateralized-Holy Infant and St. Joseph Apartments) and delivered Series 2012 in the maximum aggregate principal amount of $6,600, bearing interest at 3.95% and which mature on annual dates through February 2052. By terms of the issue, the County of St. Louis has no direct obligation for payment of the bonds. The Series 2012 Bonds are collateralized by a GNMA Security. The GNMA Security is backed by a 4.35% HUD insured loan with Lancaster Pollard Mortgage Company.

St. John Neumann Associates, LP — During May 2015, St. John Neumann Associates, LP, an entity of the Archdiocese, entered into a loan agreement with Lancaster Pollard Mortgage Company with maximum borrowing of $5.1 million in order to refinance existing HUD debt and finance renovations.

On April 17, 2015, the Industrial Development Authority of St. Louis, Missouri, authorized the issuance of its Senior Housing Revenue Bonds (GNMA Collateralized – St. John Neumann Apartments) and delivered Series 2015 in the maximum aggregate principal amount of $5,066, bearing interest at 3.10% and which mature on annual dates through April 2055. By terms of the issue, the County of St. Louis has no direct obligation for payment of the bonds. The Series 2015 Bonds are collateralized by a GNMA Security. The GNMA Security is backed by a 3.52% HUD insured loan with Lancaster Pollard Mortgage Company.

HUD Mortgages Eligible for Forgiveness — The certified HUD projects have mortgages with 40-year terms through HUD. These mortgages bear no interest and repayment is not required as long as the housing remains available for the purpose stipulated in each HUD agreement. However, if these facilities are used for other purposes, the mortgages would be considered to be in default and the entire principal would become immediately payable. Assuming no event of default by the end of the mortgage term, HUD will release the borrower from any repayment obligation. These mortgages have been recorded at their full, undiscounted face value. The amounts related to each mortgage are as follows:

Fiscal Year of Maturity		
2028	St. Patrick Center	$ 400
2035	St. Agnes Apartments, Inc.	4,803
2036	Rosati Group Home	400
2039	Pope John Paul II Apartments, Inc.	4,970
2045	Holy Angels Apartments, Inc.	5,510
2045	St. Clare of Assisi Senior Village, Inc.	1,536
2047	Holy Angels Apartments II, Inc.	5,265
2048	St. Patrick Center	1,017
2050	St. William Apartments, Inc.	4,646
2052	St. William Apartments II, Inc.	4,800
		$ 33,347

Debt issuance costs totaling $531 relate to the refinancing of Holy Infant and St. Joseph Apartments, as well as Mary Queen and Mother Association. They are amortized using the effective interest method. At June 30, 2019 and 2018, the Archdiocese had accumulated amortization totaling $44 and $29, respectively. Amortization expense totaled $15 for the years ended June 30, 2019 and 2018.

In July 2016, the refinancing of St. John Neumann Apartments was completed and debt issuance cost totaling $448 were capitalized and are being amortized using the effective interest method. At June 30, 2019 and 2018, the Archdiocese had accumulated amortization totaling $33 and $22, respectively. Amortization expense amounted to $11 for the years ended June 30, 2019 and 2018.

12. EMPLOYEE AND PRIESTS' BENEFITS

The Archdiocese participates in various defined contribution plans, including multi-employer plans, covering full-time employees of the Archdiocese who have completed one year of service and are not covered by other plans. Contributions under the plans are a percentage of participants' wages. Expense under these plans was $3,356 and $3,298 for the years ended June 30, 2019 and 2018, respectively.

The Archdiocese sponsors two defined benefit plans covering certain employees of Catholic Charities of St. Louis and the Catholic Cemeteries of St. Louis, entities of the Archdiocese (collectively the Plans). These plans generally cover all eligible employees of these entities who have completed one year of service. Retirement benefits for the plans are based on compensation and years of service. Assets for these plans are largely invested with insurance companies and funding is determined by actuarial valuations or a percentage of compensation. The benefit obligation is recognized in the combined statement of financial position in other liabilities. Effective July 1, 2011, Catholic Charities of St. Louis amended its plan, which resulted in the following changes to the major plan provisions: 1) Benefit accruals ceased for participants as of June 30, 2011; 2) Compensation after July 1, 2011 is not included in the benefit calculation; and 3) No employee is eligible to become a plan participant in the plan on or after the effective date. Effective July 1, 2016, Catholic Cemeteries of St. Louis amended its plan, which resulted in the following changes: 1) the amendment became effective as of January 1, 2016; 2) provisions of the amendment apply to participants who terminate employment on or after January 1, 2016; 3) a separate plan and trust, which shall maintain the rights, benefits and privileges based upon the plan in effect at time of termination, will be created for former participants and beneficiaries who are currently collecting a monthly benefit; and 4) termination of the plan for active employees.

The Archdiocese has a potential obligation to a number of education personnel for an early retirement incentive. The obligation is based on compensation at retirement or compensation as of the last year of teaching.

The accrued benefit cost for the Plans and the teachers' early retirement contractual obligation is included in the balance of other liabilities in the combined statement of financial position.

In addition to the above employee benefit plans, the Archdiocese sponsors retirement benefits for priests. The benefits include medical, disability, death, infirm and housing, and, in certain limited circumstances, salary continuation for early retirees.

The Archdiocese uses a June 30 measurement date for its two defined benefit plans and the teachers' early retirement contractual obligation ("Benefit Plans") and for the priests' retirement benefits.

Summary information at June 30 is as follows:

	Benefit Plans		Priests' Retirement Benefits	
	2019	2018	2019	2018
Projected benefit obligation	$ (23,825)	$ (24,986)	$ (142,250)	$ (129,580)
Fair value of plan assets	10,616	10,817	-	-
Funded status	(13,209)	(14,169)	(142,250)	(129,580)
Accrued benefit cost	$ (13,209)	$ (14,169)	$ (142,250)	$ (129,580)
Accumulated benefit obligation	$ (23,517)	$ (24,596)		
Benefit costs	$ 640	$ 1,358	$ 18,293	$ (4,310)
Employer contributions	2,076	2,194	5,623	4,870
Benefits paid	(2,777)	(3,245)	(5,623)	(4,870)

The pension plans recognized as a component of benefit cost for the years ended June 30, 2019 and 2018 the following:

	Benefit Plans		Priests' Retirement Benefits	
	2019	2018	2019	2018
Service cost	$ 422	$ 1,061	$ 2,340	$ 2,618
Interest cost	581	552	5,512	5,502
Expected return on plan assets	(680)	(694)	-	-
Recognized actuarial (gain) or loss	176	196	10,441	(12,430)
Loss due to settlement	141	243	-	-
	$ 640	$ 1,358	$ 18,293	$ (4,310)

Amounts recognized on the combined statement of activities for pension-related changes other than net periodic cost consist of the following:

	2019	2018
Net (gain)loss - pension plan	$ 651	$ 124
Net prior service cost	(176)	(196)
	$ 475	$ (72)

Items not yet recognized as a component of net periodic pension cost at June 30, 2019 and 2018:

	2019	2018
Net loss	$ 3,967	$ 3,492

Estimated effect in the next fiscal year of amortizing items not yet recognized as a component of net periodic pension cost:

Net loss	$ 220

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the priests' retirement benefits:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 1,135	$ (831)
Effect on postretirement benefit obligation	13,779	(10,888)

No plan assets are expected to be returned to the Archdiocese during the year ending June 30, 2020. The weighted average actuarial assumptions used in determining the benefit obligation areas follows:

	Benefit Plans		Priests' Retirement Benefits	
	2019	2018	2019	2018
Weighted-average assumptions:				
Discount rate	3.65%-3.75%	4.15%-4.35%	3.75 %	4.35 %
Expected return on plan assets	7.25%-8.00%	7.25%-7.75%	N/A	N/A
Rate of compensation increase	0.0%-2.00%	0.0%-2.00%	N/A	N/A

The weighted average actuarial assumptions used in determining the net periodic pension cost are as follows:

	Benefit Plans		Priests' Retirement Benefits	
	2019	2018	2019	2018
Weighted-average assumptions:				
Discount rate	3.75%-4.35%	3.8%-4.35%	4.35 %	4.05 %
Expected return on plan assets	7.25%-8.00%	7.25%-8.00%	N/A	N/A
Rate of compensation increase	0.0%-2.00%	0.0%-2.00%	N/A	N/A

The Archdiocese's long-term, annual rate-of-return-on-assets assumption is determined based upon a combination of review of historical returns on pension plan assets, and advice from the plan actuaries and investment managers as to general expectations of long-term prospective returns on plan assets.

Asset allocations for the funded defined benefit plans are as follows:

	2019		2018	
	Amount	%	Amount	%
Equity	$ 7,060	67 %	$ 6,614	61 %
Fixed income	3,552	33 %	3,276	30 %
Cash	4	0 %	927	9 %
Total	$ 10,616	100 %	$ 10,817	100 %

For the two funded defined benefit plans, the Archdiocese makes investment decisions to seek to increase the value of plan assets while recognizing the need to preserve asset value in order to enhance the ability of the plans to meet their obligations to plan participants and their beneficiaries when due. The preservation of capital is of prime importance to achieve the stated objectives over a long-term time horizon. To achieve this obligation, the Catholic Charities of St. Louis plan maintains an investment composition of approximately 65% equity securities and 35% fixed income securities, including cash and cash equivalents. The Catholic Cemeteries of St. Louis plan maintains an investment composition of approximately 95% equity securities, 4% fixed income securities, and 1% cash.

In accordance with ASC 820-10, the Plans classify the pension plan investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The valuation of plan assets measured at fair value at June 30, 2019 and 2018 is summarized below:

	Fair Value Measurements at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value June 30, 2019
Short-term money market investments	$ 4	$ -	$ -	$ 4
Fixed income funds	19	-	-	19
Common stock (a)	510	-	-	510
	$ 533	$ -	$ -	$ 533
Assets valued at net asset value per share				10,083
Total investments				$ 10,616

	Fair Value Measurements at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value June 30, 2018
Short-term money market investments	$ 3	$ -	$ -	$ 3
Fixed income funds	17	-	-	17
Common stock (a)	359	-	-	359
	$ 379	$ -	$ -	$ 379
Assets valued at net asset value per share				10,438
Total investments				$ 10,817

(a) This category represents a portfolio of equity investments comprised of U.S. equities. The equities are comprised of investments focusing on large, mid and small cap companies.

Commingled Funds	Fair Value 2019	Fair Value 2018	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Mutual of America Equity Index [(a)]	$ 1,374	$ 1,248	$ -	Daily	1 day
Vanguard VIF Diversified Value[(b)]	672	628	-	Daily	1 day
Deutsche Variable Services I Capital Growth [(c)]	714	627	-	Daily	1 day
Mutual of America Mid-Cap Equity Index[(d)]	635	628	-	Daily	1 day
Fidelity VIP Mid-Cap [(e)]	599	615	-	Daily	1 day
Mutual of America Small Cap Value [(f)]	342	363	-	Daily	1 day
Mutual of America Small Cap Growth [(g)]	256	259	-	Daily	1 day
Vanguard VIF International [(h)]	1,232	1,238	-	Daily	1 day
Vanguard VIF REIT Index [(i)]	726	649	-	Daily	1 day
Mutual of America Bond Fund [(j)]	1,912	2,308	-	Daily	1 day
Mutual of America Mid-Term Bond [(k)]	1,007	951	-	Daily	1 day
General Account [(l)]	-	924	-	Daily	1 day
Mutual of America Money Market Fund [(m)]	614	-	-	Daily	1 day
	$ 10,083	$ 10,438	$ -		

a. Mutual of America Equity Index Fund invests in the 500 common stocks included in the S&P 500 Index to replicate, to the extent practicable, the weightings of such stocks in the index.

b. Vanguard VIF Diversified Value Portfolio invests mainly in large- and mid-capitalization companies whose stocks are considered by the advisor to be undervalued in order to provide long-term capital appreciation and income.

c. Deutsche Variable Series I Capital Growth adds value through stock selection. In choosing securities, portfolio management employs a risk-balanced bottom-up selection process to identify companies it believes are well-positioned and that have above average and sustainable growth potential.

d. Mutual of American Mid-Cap Equity Index Fund invests primarily in the 400 common stocks included in the S&P MidCap 400 Index to replicate, to the extent practicable, the weightings of such stocks in the index.

e. Fidelity VIP Mid Cap Portfolio invests primarily in growth or value common stock of companies with medium market capitalizations to obtain long-term growth of capital.

f. Mutual of America Small Cap Value Fund invests in equities issued by companies with small sized market capitalizations that Mutual of America Capital Management believes to be undervalued in the marketplace in order to seek capital appreciation.

g. Mutual of America Small Cap Growth Fund invests in equities issued by companies with small sized market capitalizations that Mutual of America Capital Management believes to possess above-average growth potential in order to seek capital appreciation.

h. Vanguard VIF International Portfolio invests in equities of companies in developed and emerging markets outside of the U.S. in order to provide long-term capital appreciation.

i. Vanguard VIF REIT Index Portfolio invests in stocks of publicly traded equity real estate investment trusts in order to provide a high level of income and moderate long-term capital appreciation.

j. Mutual of America Bond Fund invests primarily in investment grade securities issued by U.S. corporations or by the U.S. government in order to provide current income with preservation of capital.

k. Mutual of America Mid-Term Bond Fund invests primarily in investment-grade securities issued by U.S. corporations or by the U.S. government with an average maturity of 3 to 7 years in order to provide current income with preservation of capital.

l. General Account, also known as Mutual of America Interest Accumulation Account, is credited with interest at a rate determined by Mutual of America from time to time, but not below the minimum guaranteed interest rate as per the agreement. The principal and previously credited interest are guaranteed.

m. Mutual of America Money Market Fund invests in money market instruments that meet certain requirements. The Money Market Fund seeks current income to the extent consistent with maintenance of liquidity, investment quality and stability of capital.

The Archdiocese plans to contribute $1,548 to the defined benefit plans and $6,071 for priests' retirement benefits in 2020.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Benefit Plans	**Priests' Retirement Benefits**
2020	$ 5,558	$ 6,071
2021	3,263	6,188
2022	2,417	6,376
2023	2,048	6,649
2024	1,271	6,946
Years 2025–2029	5,518	37,020

The assumed future healthcare cost trend rate is approximately 5%–9%, gradually declining to 4.5%-5% over seven years.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent (as that term is defined in the Act) to Medicare Part D. ASC 715-60, *Compensation-Retirement Benefits*, permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act.

The Archdiocese recognized the effects of the Act on the Archdiocese's priests' retirement benefit obligation in 2005. The Archdiocese has qualified for the subsidy under the Act since the prescription drug benefits provided under the Archdiocese's postretirement healthcare plan generally requires lower premiums from covered retirees and has lower deductibles than the benefits provided in Medicare Part D and, therefore, are "actuarially equivalent" to or better than the benefits provided under the Act. In addition, the Archdiocese does not anticipate any material change in the participation rate or per capita claims costs as a result of the Act. The subsidy lowered the priests' retirement benefit obligation cumulatively by approximately $3,291 and $3,220 in 2019 and 2018, respectively, and reduced the net periodic benefit cost for 2019 by approximately $203, including a $65 reduction in service cost and $138 reduction in interest cost on the benefit obligation. It reduced the net periodic benefit cost for 2018 by approximately $244, including an $85 reduction in service cost and $159 reduction in interest cost on the benefit obligation.

13. LEASES

The Archdiocese leases office facilities and various office equipment under operating leases expiring through 2034. At June 30, 2019, future minimum rental payments related to the noncancelable operating leases are as follows:

2020	$ 874
2021	282
2022	182
2023	57
2024	13
Thereafter	23
Total	$ 1,431

Rent expense was $1,399 and $1,378, respectively, ($34 and $38, respectively, of contributed rent) in 2019 and 2018.

14. CONTINGENCIES

The Archdiocese is involved in various claims, proceedings, and legal actions. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. While the ultimate resolution of claims, proceedings, or legal action cannot be predicted with certainty, management, based upon consultation with outside counsel, does not believe that any such claim, proceeding, or legal action, either alone or in the aggregate, will have a material adverse effect on the combined financial position of the Archdiocese but could be material to its changes in net assets or cash flows in one or more future years.

Some Catholic Charities agencies are general partners in several for profit enterprises. As general partner, they have made certain guarantees to fund operating deficiencies and priority returns. In addition, since these for profit enterprises were created for tax credit purposes, they have made guarantees to the limited partners for certain tax benefits. All of these for profit enterprises require compliance with certain terms, covenants and/or regulations. Non-compliance is a condition for default and recapture of credits. As of June 30, 2019, no such events have occurred.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Management believes the Archdiocese is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquires have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Financial awards from federal, state and local governments in the form of grants are subject to special audits. Such audits could result in claims against the Archdiocese for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

As a condition for the Fund to make a $1.4 million loan to a parish, the Archdiocese agreed to guarantee payment of the note. The guarantee will remain in effect as long as the credit agreement remains in effect. The Archdiocese does not carry a liability for the parish guarantee of $0.8 million at June 30, 2019 and $0.9 million at June 30, 2018 as management does not consider it probable that payment will be required under the guarantee.

15. NET ASSETS

Net assets at June 30, 2019 and 2018 are as follows:

	2019	2018
Net Assets without donor restrictions:		
Undesignated	$ (25,060)	$ (17,808)
Designated:		
The St. Louis Archdiocesan Fund	124,811	112,136
Perpetual care fund investments in excess of future care cost liability	50,271	51,245
Self-funded insurance reserves	64,435	59,575
Catholic Charities Federation	18,072	6,641
Specific purposes designated by the Archdiocese	15,150	17,645
Property and equipment, net of notes payable	117,389	120,030
Endowments	17,103	17,479
Investment in foundations held in trusts	818	647
Total designated	408,049	385,398
Noncontrolling interest in subsidiaries	5,954	6,445
Total net assets without donor restrictions	388,943	374,035
Net assets with donor restrictions:		
Subject to the passage of time	3,824	4,203
Subject to expenditures for specific purposes		
Capital expansion or replacement	681	1,505
Other purposes	10,659	10,124
	11,340	11,629
Endowments:		
Subject to endowment spending policy and appropriation:		
Accumulated earnings on endowments	24,464	25,459
Not subject to spending policy or appropriation:		
Endowments	67,033	65,633
Total endowments	91,497	91,092
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trusts	4,817	4,788
Gift Annuities	105	77
	4,922	4,865
Total net assets with donor restrictions	111,583	111,789
Total net assets	$ 500,526	$ 485,824

16. ENDOWMENTS

The Archdiocese of St. Louis' endowments and earnings on endowments consist of 95 individual funds established for a variety of purposes including education, operations, scholarships, operations of the Kenrick Glennon Seminary, parish viability and fundraising campaigns. Its endowments include both donor-restricted endowment funds and funds designated by the Boards of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

All endowments within the combined financial statements of the Archdiocese are governed by endowment fund operating policies which are considered to be the gift instruments. The policies follow a standard format with a few optional changes. The definition of "Contribution Base" is standard among all policies.

For purposes of the operating policies, the "Contribution Base" is the total amount of all contributions and other transfers that have been made to the Endowment Fund by (i) donors, (ii) the parishes, and (iii) the Endowment Committee out of Endowment Fund Income.

This policy was established at the time that Missouri law favored "historical dollar value". Missouri enacted the Uniform Prudent Management of Institutional Funds Act in August 2009. All endowments within the combined financial statements have adopted the Total Return Spending Policy (TRSP) (formerly called the Prudent Person Guideline). The TRSP suggests an amount to be distributed which is designed to allow for a reasonable stream of distributions, while preserving the value of the Endowment against inflation and a volatile market. The calculation applies an applicable distribution percentage (based on investment allocation of the endowment) to the average value of the endowment over a period of twelve calendar quarters. A distribution is allowed out of undistributed income only if undistributed income is positive. Appropriations from the Contribution Base may only be made upon receipt of further clarification from the donor or written approval from a donor to release principal from the endowment. Appropriations from non-perpetually restricted may only be made by the agency's governing bodies and responsible officers. All endowments are invested in the Fund. The Endowment Committees of all accounts select from a variety of plans, each of which consists of three components: equity securities, fixed income securities, and cash accounts. Performance returns are calculated separately for each of these three components within the portfolio and allocated to each account based upon the percentage of equity securities, fixed income securities, and cash within the account during each month. In the absence of donor stipulations or laws to the contrary, losses on the investments shall reduce with donor restricted net assets.

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Donor-restricted gift required to be:			
maintained in perpetuity	$ -	67,033	$ 67,033
non-perpetually restricted	-	2,435	2,435
Accumulated investment gains	-	22,029	22,029
Board-designated endowment funds	17,103	-	17,103
	$ 17,103	$ 91,497	$ 108,600

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Donor-restricted gift required to be:			
maintained in perpetuity	$ -	65,633	$ 65,633
non-perpetually restricted	-	2,329	2,329
Accumulated investment gains	-	23,130	23,130
Board-designated endowment funds	17,479	-	17,479
	$ 17,479	$ 91,092	$ 108,571

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets — June 30, 2017	$ 16,816	$ 89,134	$ 105,950
Investment return:			
Investment income	350	1,812	2,162
Net gain (realized and unrealized)	591	3,027	3,618
Total investment return	941	4,839	5,780
Contributions	298	1,206	1,504
Appropriation of endowment assets for expenditure	(576)	(4,087)	(4,663)
Endowment net assets — June 30, 2018	$ 17,479	$ 91,092	$ 108,571
Investment return:			
Investment income	358	1,809	2,167
Net gain (realized and unrealized)	244	1,247	1,491
Total investment return	602	3,056	3,658
Contributions	-	1,481	1,481
Appropriation of endowment assets for expenditure	(978)	(4,132)	(5,110)
Endowment net assets — June 30, 2019	$ 17,103	$ 91,497	$ 108,600

17. NONCONTROLLING INTEREST IN SUBSIDIARIES

	Total	Controlling Interest	Noncontrolling Interest
Balance — June 30, 2017	$ 6,421	$ (521)	$ 6,942
Excess of expenses over revenues from operations	(540)	(143)	(397)
Distribution to noncontrolling interest	(100)	-	(100)
Change in without donor restricted net assets	(640)	(143)	(497)
Balance — June 30, 2018	$ 5,781	$ (664)	$ 6,445
Excess of expenses over revenues from operations	(344)	147	(491)
Balance — June 30, 2019	$ 5,437	$ (517)	$ 5,954

18. RELATED PARTY TRANSACTIONS

The financial activities of the Archdiocese include transactions with related parties. These transactions are entered into in the normal course of business and are included in the combined financial statements as follows:

	2019	2018
Revenues and gains for the year ended June 30:		
Contributions and grants from parishes and parish schools	$ 631	$ 691
Fees and assessments (1)	29,009	30,328
Insurance premiums (2)	33,577	32,535
Expenses for the year ended June 30:		
Grants to parishes and parish schools	13,114	12,435
Occupancy expense	497	478
Fees and services	356	424

(1) Annually, the Archdiocese charges the parishes and elementary schools an assessment to fund the cost of Archdiocesan administration and administration in the Catholic Education Office and to provide a portion of the funding for the Archdiocesan secondary schools. In addition, fees are charged for participation in the priests' retirement program, subscriptions to the St. Louis Review and other support services.

(2) The Archdiocese assesses individual parishes and schools insurance premiums for participation in the Archdiocesan self-insurance programs for property, general liability, workers' compensation and health insurance.

19. SUBSEQUENT EVENTS

The preparation of combined financial statements in accordance with GAAP requires the consideration of events or transactions that occur after the financial statement date but before the financial statements are issued or available to be issued. Depending on the nature of the subsequent event, financial statement recognition or disclosure of the subsequent event is required. In preparing its financial statements, the Archdiocese has evaluated subsequent events through November 11, 2019, the date the financial statements were available to be issued. There have been no subsequent events of a significant or material nature.

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