

Roman Catholic Diocese of Sacramento
Administrative Office
Financial Statements
For the Year Ended June 30, 2018



CHAVEZ/SILVA & CO
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditors' Report

Most Reverend Jaime Soto
Roman Catholic Bishop of Sacramento

We have audited the accompanying financial statements of the Roman Catholic Diocese of Sacramento, Administrative Office (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Sacramento, Administrative Office, as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Chavez, Silva and Company

CHAVEZ, SILVA & COMPANY
Certified Public Accountants

November 6, 2018

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Financial Position
June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 13,016,359	\$ 8,327,977	\$ 66,017	\$ 21,410,353
Marketable securities	8,467,545	14,690,950	12,236,704	35,395,199
Accounts receivable, net	1,325,238	741,513	-	2,066,751
Interest receivable	65,283	-	-	65,283
Prepaid expenses	270,758	129,617	-	400,375
Notes receivable, net	7,314,585	-	-	7,314,585
Equipment, net	137,100	-	-	137,100
Real estate, net	56,386,158	488,273	-	56,874,431
Total Assets	<u>\$ 86,983,026</u>	<u>\$ 24,378,330</u>	<u>\$ 12,302,721</u>	<u>\$ 123,664,077</u>
Liabilities and Net Assets				
Accounts payable	\$ 579,390	\$ 408,175	\$ 49,082	\$ 1,036,647
Self insurance losses payable	-	4,059,439	-	4,059,439
Other liabilities	3,012,977	-	-	3,012,977
Notes payable	6,127,974	-	-	6,127,974
Interfund (receivable) payable	(1,437,243)	(1,559,454)	2,996,697	-
Total Liabilities	8,283,098	2,908,160	3,045,779	14,237,037
Net Assets	<u>78,699,928</u>	<u>21,470,170</u>	<u>9,256,942</u>	<u>109,427,040</u>
Total Liabilities and Net Assets	<u>\$ 86,983,026</u>	<u>\$ 24,378,330</u>	<u>\$ 12,302,721</u>	<u>\$ 123,664,077</u>

See accompanying notes to financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Activity
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Parish assessments / service fees	\$ 7,653,373	\$ -	\$ -	\$ 7,653,373
School assessments / service fees	756,233	-	-	756,233
Self-insurance Premiums - Prop, Liab, Work Comp	-	6,828,335	-	6,828,335
Self-insurance Premiums - Employee Health Benefits	-	6,933,372	-	6,933,372
Investment income				
Interest and dividends	237,304	263,298	-	500,602
Gains and (losses)	(69,105)	1,338,511	-	1,269,406
Interest on loans	20,046	-	-	20,046
Rental operations, net	920,594	-	-	920,594
Donations and bequests	928,150	138,543	3,000	1,069,693
Donations - Annual Catholic Appeal	-	3,694,295	-	3,694,295
Donations - CFCS, Inc.	350,000	-	-	350,000
Donations - St. Patricks Home for Children	175,000	-	-	175,000
Donations - Special Collections, net	-	2,024,973	-	2,024,973
Program support - endowment earnings distributions	873,118	-	-	873,118
Net assets released from restrictions				
Satisfaction of program requirements	17,004,780	(17,004,780)	-	-
Total Revenues, Gains and Other Support	28,849,493	4,216,547	3,000	33,069,040
Expenses				
Parochial services	2,008,178	-	-	2,008,178
Social services	2,670,116	-	-	2,670,116
Educational services	3,576,246	-	-	3,576,246
Ministerial services	3,400,883	-	-	3,400,883
Administrative services	1,640,793	-	-	1,640,793
Interest on loans	1,953	-	-	1,953
Depreciation on improved real estate	1,252,700	-	-	1,252,700
Self-insurance program - Prop, Liab, Work Comp	4,180,166	-	-	4,180,166
Self-insurance program - Employee Health Benefits	6,324,268	-	-	6,324,268
Distributions - Special Collections	2,020,854	-	-	2,020,854
Distributions - Endowments	478,252	-	-	478,252
Distributions - ACA operations	497,684	-	-	497,684
Provision for uncollectible amounts	77,000	-	-	77,000
Total Expenses	28,129,093	-	-	28,129,093
Change in Net Assets	720,400	4,216,547	3,000	4,939,947
Net Assets at beginning of year	77,979,528	17,253,623	9,253,942	104,487,093
Net Assets at end of year	\$ 78,699,928	\$ 21,470,170	\$ 9,256,942	\$ 109,427,040

See accompanying notes to financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	<u>\$ 4,939,947</u>
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	1,286,798
Gain on investments	(1,269,406)
(Increase) Decrease in	
Accounts receivable	(201,056)
Interest receivable	(13,987)
Prepaid expenses	(298,189)
Increase (Decrease) in	
Accounts payable	(684,119)
Self insurance losses payable	(532,234)
Other liabilities	1,040,277
Total adjustments	<u>(671,916)</u>
Net cash from operating activities	<u>4,268,031</u>
Cash flows from investing activities:	
Net change in marketable securities	(1,745,638)
Real estate improvements and equipment purchases	(1,185,435)
Payments received on notes receivable	885,865
Net cash provided by investing activities	<u>(2,045,208)</u>
Cash flows from financing activities:	
Payments on notes payable	(825,559)
Net cash used in financing activities	<u>(825,559)</u>
Net increase in cash and cash equivalents	1,397,264
Cash and cash equivalents, beginning of year	<u>20,013,089</u>
Cash and cash equivalents, end of year	<u><u>\$ 21,410,353</u></u>

See accompanying notes to financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 1 - Reporting Entity

The Administrative Office of the Roman Catholic Diocese of Sacramento (the Organization) provides parochial, social, educational, ministerial, and administrative services. These services are provided throughout the twenty counties which comprise the Roman Catholic Diocese of Sacramento.

Included in these financial statements are all accounts maintained by and directly under the administration of the Administrative Office of the Roman Catholic Diocese of Sacramento. The accounts of parishes, schools, and other affiliated organizations are not included in these financial statements except to the extent that financial transactions between the Organization and these entities have occurred.

Note 2 - Summary of Significant Accounting Policies

The following items set forth the significant accounting policies that are followed in preparing and presenting the financial statements, and are not disclosed elsewhere in the notes to the financial statements.

a. Standards of reporting

The accompanying financial statements have been prepared substantially in accordance with the standards adopted by the United States Conference of Catholic Bishops in concert with standards provided by the Financial Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Organization classifies its assets and liabilities as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets generally result from revenues earned for providing services, the receipt of unrestricted contributions and assessments/service fees, earned interest, dividends, and gains from the sale of income producing assets, less expenses incurred in providing services, programs, and administrative functions.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Unrestricted net assets, though not donor restricted, do include net assets which have been designated by the Roman Catholic Bishop of Sacramento for specific pastoral purposes. Temporarily restricted net assets are resources that may be used in a later period or after a specified date (time restrictions) or resources that must be used for a specific purpose (program restrictions) or both. Permanently restricted net assets are resources donated with stipulations that they be preserved or invested to provide a permanent source of income.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or program restrictions.

b. Fund accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups.

c. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d. Interfund receivables and payables

These amounts result from funds loaned or advanced by one net asset group to another. Interest is paid on interfund balances when the fund is either a temporarily or permanently restricted fund. The interfund balances result from cash management activities and are paid currently or on demand.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

e. Fair values of financial instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, and notes receivable. The Organization estimates that the fair value of all financial instruments at June 30, 2018, does not differ materially from the aggregate carrying values of those instruments as reported in the accompanying Statement of Financial Position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

f. Cash equivalents

Cash equivalents consist of securities with original terms of maturity of less than three months and are recorded at cost which approximates market value.

g. Accounts receivable and notes receivable

The accounts receivable and notes receivable balances are net of allowances for doubtful accounts of \$811,203 and \$1,319,618 respectively. The allowances are based on prior years' experience and management's analysis of possible uncollectible accounts. Accounts and notes receivable are charged against the allowance for doubtful accounts when management believes that collectability is unlikely.

h. Real Estate and Equipment

Real estate and equipment are stated at cost or at fair value at the date of donation. Acquisitions of real estate and equipment in excess of \$15,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of the assets are capitalized. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Real estate and equipment are net of accumulated depreciation of \$17,078,138 and \$391,085 respectively. Depreciation expense was \$1,252,700 and \$34,098 on real estate and equipment respectively for the year ended June 30, 2018.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

i. Other matters

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned the asset. Ordinary income from investments and receivables is accounted for in the fund owning the assets.

j. Income taxes

Under Internal Revenue Code Section 501(c)(3), the Roman Catholic Diocese of Sacramento, Administrative Office, has been determined to be exempt from federal and California state income taxes.

k. Significant concentrations of credit risk

The Organization maintains cash balances at several financial institutions including investment brokerage houses. Accounts at some of these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, the Organization's uninsured balances totaled \$9,876,088. To date, the Organization has not experienced any losses on these accounts.

l. Subsequent events

Effective December 31, 2018, the Organization sponsored defined benefit pension plan (a cash balance plan) which covers substantially all lay employees of participating employers in the Diocese of Sacramento, will be frozen. Effective January 1, 2019, all eligible lay employees will receive into their 403(b) account an employer contribution equal to 6% of the lay employee's gross pay.

Subsequent events have been evaluated through November 6, 2018, which is the date the financial statements were available to be issued.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 3 - Marketable Securities

Marketable securities are recorded at fair market value. The Organization's policy is to invest in non-speculative issues providing safety of capital, current income, and sustained growth. Investments consist principally of stocks, corporate bonds, and U.S. Treasury obligations.

A summary of marketable securities follows:

U.S. Treasury obligations	\$	34,563,897
Corporate bonds		250,540
Equities		580,762
	\$	35,395,199

Note 4 - Notes Receivable, net

Notes receivable includes two loans to The Parochial Fund, Inc., which were used to fund construction projects at St. Joseph Parish, Lincoln and St. Clare Parish, Roseville (see Note 9); and various unsecured notes, as follows:

Note receivable in monthly installments of \$36,148, including a fixed interest rate at 4.0%, due July 1, 2027.	\$ 3,274,018
Note receivable in monthly installments of \$34,185, including a fixed interest rate at 4.0%, due September 1, 2026.	2,853,956
Various unsecured notes receivable, with monthly and yearly payments at various interest rates that range from 0.0% to 6.25%, and various maturity dates, net of allowances for doubtful accounts.	1,186,611
Subtotal	7,314,585
Current portion	716,000
Long-term notes	\$ 6,598,585

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 5 - Real Estate, net

Real estate consists of the following:

Depreciable real estate	\$ 57,757,986
Non-depreciable real estate	16,194,583
Total	<u>73,952,569</u>
Less: accumulated depreciation	<u>17,078,138</u>
Net real estate	<u>\$ 56,874,431</u>

Note 6 - Self-Insurance - Property, Liability, Workers Compensation, and Unemployment

The Organization manages the Property, Liability, Workers Compensation, and Unemployment insurance programs for the administrative offices and participating parishes, schools, and other affiliated organizations within the Diocese of Sacramento.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Since self-insured claims depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. These liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of the more recently resolved claims, the frequency of claims, and other economic and social factors.

Note 7 - Self-Insurance - Employee Health Benefits

The Organization managed a self-insured Employee Health Benefits program that provides medical, prescription, dental, and vision care benefits to eligible employees of the administrative offices and participating parishes, schools, and other affiliated organizations within the Diocese of Sacramento. The organization contracted with independent insurance companies to provide service provider networks, claims processing and adjudication, quality control programs, and cost containment services.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 7 - Self-Insurance - Employee Health Benefits (continued)

The Organization self-insured losses and purchased specific excess stop-loss coverage. A third-party vendor was used to bill and collect premiums from participating employers. The self-insured medical and prescription benefits plans conformed with the Ethical and Religious Directives published by the United States Conference of Catholic Bishops.

The Organization discontinued this Self-insured Employee Health Benefits program effective December 31, 2017. The Organization believes that claims run out is complete as of June 30, 2018. The Organization joined the Religious Employers Trust Association to provide for employee health benefits effective January 1, 2018.

Note 8 - Endowment Fund

The Endowment Fund includes donor restricted monies received by the Organization under the condition that the funds be held and invested in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Earnings are released when spent in accordance with the donor's purpose.

The Organization's policy is to invest in nonspeculative issues providing safety of capital, current income, and sustained growth; while complying with the United States Conference of Catholic Bishops' policies regarding socially responsible investing.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,528,858	\$9,253,942	\$ 11,782,800
Investment income	946,091	-	946,091
Contributions	-	3,000	3,000
Distributions	(478,252)	-	(478,252)
Endowment net assets, end of year	<u>\$ 2,996,697</u>	<u>\$9,256,942</u>	<u>\$ 12,253,639</u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 8 - Endowment Fund (continued)

The endowments' corpus are permanently restricted for the following purposes:

Schools / scholarships	\$	8,059,660
Seminarians / vocations		1,165,446
Other		<u>31,836</u>
 Total endowment corpus	 \$	 <u><u>9,256,942</u></u>

Note 9 - Long-Term Notes Payable

The Organization has three notes payable that are secured by real property as follows:

Knights of Columbus, note for St. Joseph Parish - Lincoln construction project, original amount of \$5,600,000. This loan is payable in monthly installments of \$36,148, including a fixed interest rate at 4.0%, due July 1, 2027.		\$ 3,274,018
Knights of Columbus, note for St. Clare Parish - Roseville construction project, original amount of \$5,270,000. This loan is payable in monthly installments of \$34,185, including a fixed interest rate at 4.0%, due September 1, 2026.		<u>2,853,956</u>
Subtotal		6,127,974
Current portion		<u>609,986</u>
Long-term debt	\$	<u><u>5,517,988</u></u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 9 - Long-Term Notes Payable (continued)

The aggregate maturities of the long-term debt for the five years subsequent to June 30, 2018 and thereafter are as follows:

2019		\$ 609,986
2020		634,837
2021		660,702
2022		687,620
2023		715,634
Thereafter		<u>2,819,195</u>
		<u>\$ 6,127,974</u>

Note 10 - Defined Benefit Pension Plan for Lay Employees

The Organization sponsors a qualified, diocesan-wide, non-contributory, multi-employer, defined benefit pension plan (a cash balance plan) covering substantially all lay employees of participating employers in the Diocese of Sacramento. The contribution percentage paid by participating employers, including the Organization, is 6.5% of gross wages. The total contributions made by the Organization during the year ended June 30, 2018 was \$304,823. The portion of the plan’s funding status as it relates directly to the Administrative Office has not been determined. The Organization believes that any over or under funding of the plan as it relates to the Organization’s share is not material to these financial statements. Effective December 31, 2018, the lay employee defined benefit pension plan will be frozen. See Note 2 (l) above for details.

Note 11 - Defined Benefit Pension Plan for Priests

The Organization sponsors a qualified, diocesan-wide, non-contributory, multi-employer, defined benefit pension plan covering all priests who are ordained or incardinated in the Diocese of Sacramento and hold an assignment in the diocese. The Plan benefit is based upon a priest’s years of service in the Diocese of Sacramento. The Plan is funded via contributions made by all participating employers on an annual premium per priest basis. The premium paid per priest during 2017/2018 by participating employers, including the Organization, was \$10,716 per priest. The total contributions made by the Organization during the year ended June 30, 2018 was \$133,057. For the year ended June 30, 2018, the portion of the multi-employer plan’s funding status as it relates directly to the Administrative Office has not been determined. The Organization believes that any over or under funding of the plan as it relates to the Organization’s share is not material to these financial statements.

The Qualified Plan described above provides a basic benefit for all eligible priests. A non-qualified Supplemental Plan provides additional miscellaneous benefits.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 12 - Related Party Transactions

The Organization, pursuant to formal contracts, provides day to day management, financial and administrative services to its supporting organizations, including The Parochial Fund, Inc. and The Catholic Foundation of the Diocese of Sacramento, Inc. For these services, the supporting organizations each pay the Organization a monthly reimbursement for services provided. During the year, the Organization received reimbursement of \$740,578 for these services.

Note 13 - Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Within the fair value hierarchy, the Organization has marketable securities included on the statement of financial position that are comprised of U.S. treasury obligations and pooled investments funds of \$22,555,103 which are a Level 1 input and \$12,840,096 which are a Level 2 input as of June 30, 2018.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements
June 30, 2018

Note 14 - Contingencies - Lawsuits

The Roman Catholic Diocese of Sacramento is the defendant in several pending and threatened lawsuits and claims covering a broad range of areas. While the Organization cannot predict the results of these actions, it believes that it has strong defenses and that the liability in excess of recorded reserves, if any, resulting from certain suits, to the extent not covered by insurance, will not be material to the financial position of the Organization.

Note 15 - Guarantee

On July 31, 2013 St. Francis Catholic High School of the Diocese of Sacramento, Inc. accomplished a \$10,000,000 tax-exempt bond financing. The entire issue was purchased by US Bank. The bond proceeds were used to retire debt and to provide additional project financing for the school. The Organization has executed a formal guarantee of the debt in favor of US Bank.

On July 31, 2014, the Organization committed to be a Guarantor of a \$6,500,000 loan made by River City Bank to Catholic Funeral and Cemetery Services of the Diocese of Sacramento, Inc. for the purpose of establishing a funeral center at St. Mary Cemetery in Sacramento. The Organization believes that Catholic Funeral and Cemetery Services of the Diocese of Sacramento, Inc. has the ability to repay the loan according to its terms. The loan is also guaranteed by Sacramento Catholic Family Insurance Services, Inc., which is wholly owned by Catholic Funeral and Cemetery Services of the Diocese of Sacramento, Inc.

Note 16 – New Accounting Pronouncements

In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. ASU 2016-14 establishes a new financial reporting framework for not-for-profit entities. This will result in changes to the presentation of the statements of financial position, activity, and cash flows. The Organization will implement this standard for the year ending June 30, 2019. The Organization has determined that the implementation will have minimal impact.