

**CENTRAL AND ADMINISTRATIVE
OPERATIONS OF THE ROMAN CATHOLIC
DIOCESE OF YOUNGSTOWN**

FINANCIAL REPORT

JUNE 30, 2021 and 2020

CENTRAL AND ADMINISTRATIVE OPERATIONS OF THE
ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

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Independent Auditors' Report

To the Most Reverend David J. Bonnar and Finance Council
of The Roman Catholic Diocese of Youngstown
Youngstown, Ohio

We have audited the accompanying financial statements of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown (the Diocese) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of June 30, 2021, 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.

Prior Period Financial Statements

The financial statements of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of and for the year ended June 30, 2020 were audited by other auditors whose report dated October 29, 2020 expressed an unmodified opinion on those statements. As discussed in Note 13, the Diocese has restated its 2020 financial statements during the current year to reflect a beneficial interest in funds held by others in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the financial statements as of and for the year ended June 30, 2021, we also audited the adjustments described in Note 13 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2020 financial statements of the Diocese other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of revenues, expenses, and changes in fund balances on pages 21 and 22 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Meloney + Novotny LLC

Cleveland, Ohio
October 28, 2021

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF FINANCIAL POSITION

	<u>June 30, 2021 and 2020</u>	
<u>ASSETS</u>	<u>2021</u>	(As restated) <u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,732,262	\$ 9,994,453
Accounts receivable, net of allowance for doubtful accounts of \$2,189,000 and \$2,028,100 as of June 30, 2021 and 2020, respectively	751,437	3,296,264
Prepaid expenses and other current assets	500,286	366,282
Current portion of notes and loans receivable	26,158	6,625
Total current assets	<u>12,010,143</u>	<u>13,663,624</u>
PROPERTY AND EQUIPMENT		
Land	258,810	258,810
Land improvements	34,827	34,827
Buildings and improvements	3,659,322	3,754,201
Furniture and equipment	483,633	508,483
	<u>4,436,592</u>	<u>4,556,321</u>
Less accumulated depreciation	<u>3,636,792</u>	<u>3,685,858</u>
	799,800	870,463
OTHER ASSETS		
Investments	30,314,734	21,867,399
Beneficial interest in funds held by others	1,560,657	1,164,121
Notes and loans receivable, net of allowance for doubtful accounts of \$591,788 and \$559,316 as of June 30, 2021 and 2020, respectively	4,671,010	5,017,659
Total other assets	<u>36,546,401</u>	<u>28,049,179</u>
	<u>\$ 49,356,344</u>	<u>\$ 42,583,266</u>

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

<u>LIABILITIES AND NET ASSETS</u>	<u>2021</u>	(As restated) <u>2020</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 822,885	\$ 833,095
Insurance claims payable	40,237	136,344
Estimated liability for claims incurred but not reported	2,551,000	2,741,000
Funds held for others	566,775	745,498
Current portion of long-term debt	-	941,914
Total current liabilities	<u>3,980,897</u>	<u>5,397,851</u>
OTHER LIABILITIES		
Long-term debt	-	1,210,786
Total other liabilities	<u>-</u>	<u>1,210,786</u>
Total liabilities	<u>3,980,897</u>	<u>6,608,637</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	2,993,509	1,694,864
Designated	<u>41,269,110</u>	<u>33,278,220</u>
Total net assets without donor restrictions	<u>44,262,619</u>	<u>34,973,084</u>
Net assets with donor restrictions	<u>1,112,828</u>	<u>1,001,545</u>
Total net assets	<u>45,375,447</u>	<u>35,974,629</u>
	<u>\$ 49,356,344</u>	<u>\$ 42,583,266</u>

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Parish assessments	\$ 4,792,548	\$ -	\$ 4,792,548
Support from Bishop's Appeal	1,111,794	-	1,111,794
Program revenue and fees	157,520	-	157,520
Administrative fees	270,018	-	270,018
Premium billings	17,402,693	-	17,402,693
Gifts and donations	1,123,686	104,403	1,228,089
Interest and dividend income, net of expenses	217,825	8,354	226,179
Net assets released from restrictions	155,621	(155,621)	-
Total revenues and other support	25,231,705	(42,864)	25,188,841
EXPENSES			
Program services	19,367,340	-	19,367,340
Supporting services	1,775,096	-	1,775,096
Development and fundraising	172,350	-	172,350
Total expenses	21,314,786	-	21,314,786
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NET REALIZED AND UNREALIZED GAIN	3,916,919	(42,864)	3,874,055
OTHER			
Net realized and unrealized gain	5,372,616	154,147	5,526,763
Total other	5,372,616	154,147	5,526,763
CHANGE IN NET ASSETS	9,289,535	111,283	9,400,818
NET ASSETS - BEGINNING OF YEAR	34,973,084	1,001,545	35,974,629
NET ASSETS - END OF YEAR	\$ 44,262,619	\$ 1,112,828	\$ 45,375,447

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	(As restated) Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Parish assessments	\$ 4,815,362	\$ -	\$ 4,815,362
Support from Bishop's Appeal	1,162,856	-	1,162,856
Program revenue and fees	290,544	-	290,544
Administrative fees	311,538	-	311,538
Premium billings	17,213,799	-	17,213,799
Gifts and donations	648,244	109,204	757,448
Interest and dividend income, net of expenses	383,974	12,923	396,897
Net assets released from restrictions	121,794	(121,794)	-
Total revenues and other support	<u>24,948,111</u>	<u>333</u>	<u>24,948,444</u>
EXPENSES			
Program services	23,696,306	-	23,696,306
Supporting services	2,060,742	-	2,060,742
Development and fundraising	318,280	-	318,280
Total expenses	<u>26,075,328</u>	<u>-</u>	<u>26,075,328</u>
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES BEFORE NET REALIZED AND UNREALIZED (LOSS)	(1,127,217)	333	(1,126,884)
OTHER			
Net realized and unrealized (loss)	(151,066)	(15,523)	(166,589)
Total other	<u>(151,066)</u>	<u>(15,523)</u>	<u>(166,589)</u>
CHANGE IN NET ASSETS	(1,278,283)	(15,190)	(1,293,473)
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	35,301,980	1,016,735	36,318,715
PRIOR PERIOD ADJUSTMENT	<u>949,387</u>	<u>-</u>	<u>949,387</u>
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>36,251,367</u>	<u>1,016,735</u>	<u>37,268,102</u>
NET ASSETS - END OF YEAR	<u>\$ 34,973,084</u>	<u>\$ 1,001,545</u>	<u>\$ 35,974,629</u>

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021												
	Central Services Operations					Self-Insurance Operations							
	Program Services				Total Program Services	Supporting Services	Development & Fundraising	Total Central Services Operations	High School Operations	Bishop's Reserve Fund	Program Services	Supporting Services	Total Self-Insurance Operations
	Canonical	Clergy and Religious	Pastoral	Educational									
Personnel costs - lay	\$ 138,151	\$ 64,745	\$ 328,042	\$ 775,341	\$ 1,306,279	\$ 887,662	\$ 140,559	\$ 2,334,500	\$ -	\$ -	\$ 163,196	\$ 280,582	\$ 443,778
Personnel costs - religious	45,434	307,122	125,512	-	478,068	133,077	-	611,145	-	-	-	-	-
Total personnel costs	183,585	371,867	453,554	775,341	1,784,347	1,020,739	140,559	2,945,645	-	-	163,196	280,582	443,778
Insurance claims	-	-	-	-	-	-	-	-	-	-	10,336,356	-	10,336,356
Insurance premiums	-	-	-	-	-	-	-	-	-	-	3,222,812	-	3,222,812
Subsidy/assessments paid to others	-	-	693,914	26,000	719,914	45,000	250	765,164	1,250,000	-	-	-	-
Professional fees	10,030	18,382	1,826	45,076	75,314	112,917	3,189	191,420	-	-	656,285	44,178	700,463
Seminarian education	-	325,989	-	-	325,989	-	-	325,989	-	-	-	-	-
Events	-	126	27,255	144,664	172,045	-	9,932	181,977	-	-	-	-	-
Provision for doubtful accounts	18,146	18,146	18,146	18,146	72,584	-	-	72,584	50,000	-	129,093	-	129,093
Occupancy	24,275	19,487	64,792	50,858	159,412	82,777	9,744	251,933	-	-	-	-	-
Depreciation	16,387	3,243	29,728	15,160	64,518	13,778	1,622	79,918	-	-	-	-	-
Meeting and travel expenses	119	5,610	3,330	2,720	11,779	11,633	-	23,412	-	-	-	-	-
Office	11,100	5,251	13,835	6,002	36,188	29,956	2,752	68,896	-	-	-	-	-
Equipment rental and repair	10,337	3,772	11,530	10,252	35,891	18,223	1,886	56,000	-	-	-	-	-
Other	1,762	3,228	2,818	(499)	7,309	60,972	-	68,281	-	-	14,132	-	14,132
Postage	788	2,260	8,465	5,720	17,233	6,947	308	24,488	-	-	-	-	-
Printing	1,227	144	4,293	4,589	10,253	3,732	371	14,356	-	-	-	-	-
Permanent diaconate education	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership dues	1,275	2,711	3,877	1,448	9,311	5,028	1,715	16,054	-	-	-	-	-
Subscriptions and publications	1,054	790	6,932	1,231	10,007	16,857	22	26,886	-	-	-	-	-
Resource material distributed	-	5,776	3,067	2,763	11,606	14,590	-	26,196	-	-	-	-	-
Public relations and advertising	-	-	2,336	19,430	21,766	7,187	-	28,953	-	-	-	-	-
Total expenses	\$ 280,085	\$ 786,782	\$ 1,349,698	\$ 1,128,901	\$ 3,545,466	\$ 1,450,336	\$ 172,350	\$ 5,168,152	\$ 1,300,000	\$ -	\$ 14,521,874	\$ 324,760	\$ 14,846,634
													\$ 21,314,786

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2020									
	Central Services Operations					Self-Insurance Operations				
	Program Services					Total Central				
	Clergy and Religious	Pastoral	Educational	Total Program Services	Supporting Services	Development & Fundraising	High School Operations	Bishop's Reserve Fund	Program Services	Total Self-Insurance Operations
Personnel costs - lay	\$ 176,676	\$ 435,356	\$ 855,391	\$ 1,584,881	\$ 1,038,574	\$ 282,994	\$ 2,906,449	\$ -	\$ -	\$ 446,030
Personnel costs - religious	73,084	127,497	-	548,606	157,754	-	706,360	-	-	-
Total personnel costs	249,760	562,853	855,391	2,133,487	1,196,328	282,994	3,612,809	-	-	446,030
Insurance claims	-	-	-	-	-	-	-	-	14,165,975	14,165,975
Insurance premiums	-	-	-	-	-	-	-	-	3,026,131	3,026,131
Subsidy/assessments paid to others	3,000	8,800	60,162	642,714	45,000	-	687,714	246,000	-	2,500
Professional fees	3,634	15,313	36,167	55,163	78,098	3,520	136,781	-	671,515	896,201
Seminarian education	-	526,363	-	526,363	-	-	526,363	-	-	526,363
Events	1,435	31,609	213,205	361,132	-	16,750	377,882	-	-	377,882
Provision for doubtful accounts	56,779	55,779	55,778	223,115	-	-	223,115	-	(87,255)	-
Occupancy	27,697	18,370	57,481	162,434	77,356	8,820	248,610	-	-	5,233
Depreciation	16,154	2,489	14,854	62,254	13,477	1,246	76,977	-	-	76,977
Meeting and travel expenses	6,343	9,367	6,514	31,746	14,965	334	47,045	-	-	5,561
Office	2,873	3,335	5,585	19,403	25,340	216	44,959	-	-	44,959
Equipment rental and repair	12,485	4,052	13,081	42,270	19,801	2,028	64,099	-	-	64,099
Other	277	34,662	436	36,269	3,237	70	39,576	-	-	2,242
Postage	1,727	2,130	2,809	15,894	4,060	-	19,954	-	-	2,456
Printing	441	5,584	9,728	22,727	2,585	39	25,351	-	-	-
Permanent diaconate education	-	9,272	-	9,272	-	-	9,272	-	-	-
Membership dues	1,025	3,035	2,377	9,967	4,886	2,200	17,053	-	-	-
Subscriptions and publications	520	2,108	7,801	19,151	14,878	63	34,092	-	-	-
Resource material distributed	-	7,432	-	9,294	2,439	-	11,733	-	-	-
Public relations and advertising	-	-	21,318	25,037	1,656	-	26,693	-	-	-
Total expenses	\$ 384,150	\$ 1,205,678	\$ 1,362,687	\$ 4,407,692	\$ 1,504,106	\$ 318,280	\$ 6,230,078	\$ 246,000	\$ 17,776,366	\$ 18,333,002
										\$ 26,075,328

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	(As restated) <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,400,818	\$ (1,293,473)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	79,918	76,977
Provision for doubtful accounts	251,677	152,108
Provision for claims incurred but not reported	(190,000)	177,700
Net realized and unrealized (gain) loss on investments	(5,270,394)	123,128
Net realized and unrealized (gain) loss on beneficial interest in funds held by others	(256,369)	43,461
Forgiveness of long-term debt	(2,152,700)	-
Decrease (increase) in:		
Accounts receivable	2,343,044	(1,732,367)
Prepaid expenses and other current assets	(134,004)	176,802
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,210)	162,946
Insurance claims payable	(96,107)	87,992
Funds held for others	(178,723)	285,077
Net cash provided (used) by operating activities	<u>3,786,950</u>	<u>(1,739,649)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes and loans receivable	277,222	81,479
Advances on notes and loans receivable	-	(142,744)
Purchase of property and equipment	(9,255)	(116,675)
Purchase of investments	(13,940,464)	(10,240,043)
Proceeds from sale of investments	10,763,523	10,644,715
(Increase) in beneficial interest in funds held by others	(140,167)	(18,795)
Net cash (used) provided by investing activities	<u>(3,049,141)</u>	<u>207,937</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	<u>-</u>	<u>2,152,700</u>
Net cash provided by financing activities	<u>-</u>	<u>2,152,700</u>
INCREASE IN CASH AND CASH EQUIVALENTS	737,809	620,988
CASH AND CASH EQUIVALENTS - BEGINNING	<u>9,994,453</u>	<u>9,373,465</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 10,732,262</u></u>	<u><u>\$ 9,994,453</u></u>

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies

- A. Organization – The Central and Administrative Operations of The Roman Catholic Diocese of Youngstown (the Diocese), a nonprofit religious organization, is comprised of the activities of the central services office of the Roman Catholic Diocese of Youngstown. The Diocese serves six counties in northeastern Ohio.

Revenue and support for central services operations are generated primarily by parish assessments, support from Bishop's Appeal, and fees for services rendered by the central services departments.

Major program services provided by central services consist of canonical, clergy and religious, pastoral, and educational services.

Central services administer funds received from parishes for the support of Diocesan high schools.

The Bishop's Reserve Fund is a Diocesan reserve available for contingencies or extraordinary expenses incurred by the Diocese.

The Diocese has a self-insured program for physical damage to property, equipment and contents as well as comprehensive liability. The central services office, all parishes and certain related institutions participate in the program. Commercial insurance coverage is maintained for losses in excess of self-insured limits.

The Diocese also maintains self-insured health insurance, life and long-term disability insurance, unemployment, and workers' compensation. These programs cover employees of the central services office, all parishes and certain related institutions. The self-insured health insurance program includes insurance for catastrophic claims and specific and aggregate stop loss coverages. Stop loss coverage is also carried for the workers' compensation program.

Third-party administrators assist the central services office in the claims administration of all self-insurance operations.

The financial statements include the financial activities of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown. The financial statements do not include the accounts of other Diocesan organizations such as Catholic Charities, Catholic Exponent, Diocesan Foundation, Diocesan Property Corporation, Diocesan Capital Campaign Corporation, The Roman Catholic Diocese of Youngstown Annual Bishop's Appeal Corporation, parishes, schools, cemeteries and homes for the aged, which are separate operating entities distinct from the central services office. These organizations administer their own service programs and maintain separate accounts.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (Continued)

- B. Basis of Accounting – The financial statements of the Diocese have been prepared utilizing the accrual basis of accounting. All material interoffice and interdepartmental transactions have been eliminated in the accompanying statements.

Self-insurance premium billings include the amounts billed to central services operations for their portion related to health insurance, life and long-term disability insurance, unemployment, workers' compensation, property and equipment and comprehensive liability. The related costs of the above insurance programs are included in the program and supporting services expenses of the central services operations in the statements of activities.

- C. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure 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.

The establishment of insurance claims payable is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a variety of factors. Consequently, the establishment of the insurance claims payable and insurance and benefits expense relies on the judgment and opinion of management, on historical precedent and trends, and on expectations as to future developments. The process of determining the insurance claims payable involves risks that the actual results could substantially deviate from the estimates made.

- D. Cash and Cash Equivalents – Cash and cash equivalents consist of accounts with daily liquidity such as checking, savings and money market accounts. Cash and cash equivalents are maintained at financial institutions and may at times exceed federally insured amounts.
- E. Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.
- F. Accounts Receivable and Notes and Loans Receivable – Accounts receivable include uncollateralized obligations due from parishes and other institutions for services provided by the Diocese. Notes and loans receivable include uncollateralized obligations due from parishes, schools, institutions, priests and seminarians.

The Diocese provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing receivable accounts. Criteria used to determine when an account is deemed uncollectible include terms and how recently parishes and others have made payments. Historical losses and existing economic conditions are also considered to determine the collectability of an account.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (Continued)

- G. Property and Equipment – Property and equipment are capitalized at cost, when purchased, or fair value at date of gift, when donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The Diocese's capitalization policy is to expense any single item whether an improvement, betterment, restoration or adaption of \$2,500 or less.
- H. Beneficial interest in funds held by others – The Diocese established a fund at The Roman Catholic Diocese of Youngstown Foundation (Foundation) to invest contributions from donors and excess cash on hand. The Diocese also is the beneficiary of a beneficial interest in a perpetual trust held by Farmers Trust Company at fair market value. Unrealized gains and losses are included in the change in net assets. The beneficial interest in funds held by others represents the present value of the estimated income the Diocese will receive in the future from the funds. Under the terms of the perpetual trust, the Diocese receives one-eighth of the annual distribution of the trust to be used at its discretion for general charitable purposes. Under the terms of the agreement with the Foundation, distributions are to be used at the discretion of the Bishop of the Diocese of Youngstown for ministry activities. The Foundation has been granted variance power in accordance with the provisions of the Foundation's code of regulations and articles of incorporation.
- I. Claims Incurred but not Reported – A liability has been established for estimated claims incurred but not reported. The liability is based on claims experience and existing matters known by management.
- J. Basis of Presentation – Net assets and revenues and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Diocese and changes therein are classified and reported as follows:
- Net assets without donor restrictions: Net assets which are available for the general operations of the Diocese, as well as, board-designated net assets set aside for future use.
- Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- K. Contributions – Unconditional contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Conditional contributions are recorded when the conditions are met.
- L. Federal Income Taxes – In a ruling dated March 25, 1946, the IRS held that the agencies and instrumentalities and all educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* 1946, are entitled to exemption from federal income tax under the provisions of section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory. The Diocese is listed in the Directory.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (Continued)

- M. **Uncertain Tax Positions** – The preparation of financial statements in conformity with GAAP requires the Diocese to report information regarding its exposure to various tax positions taken by the Diocese. The Diocese has determined whether any tax positions have met the recognition threshold and have measured the Diocese's exposure to those tax positions. Management believes that the Diocese has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.
- N. **Functional Allocation of Expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The facilities expenses are allocated by square footage and include occupancy, depreciation and two facility lay employee's salaries, benefits and payroll taxes. The shared service expenses are allocated by the number of employees in each department and include professional fees, equipment rental and repair, office, postage and three shared service employee's salaries, benefits and payroll taxes. All other expenses are allocated by specific identification.
- O. **Retirement Plans** – The central services office's eligible lay personnel had the opportunity to participate in a single-employer defined benefit pension plan (Plan) covering the entire Diocese through June 30, 2011. The Plan was frozen effective July 1, 2011. The plan participants include lay employees of the central services office, cemeteries, parishes, schools and other affiliated organizations. The Diocese is responsible for funding the plan. The expense for the years ended June 30, 2021 and 2020 was \$57,465 and \$77,720, respectively. The central services office's policy is to fund pension costs accrued.
- Priests are covered by a noncontributory pension plan. The expense for the years ended June 30, 2021 and 2020 was \$44,300 and \$20,400, respectively.
- The employees of the Diocese may voluntarily participate in a defined contribution 403(b) plan. The 403(b) plan includes employer matching contributions of 100% of employee deferrals up to 4% of eligible compensation. To be eligible for the match the employee must work at least 20 hours per week and at least 1,000 hours per year and have completed one year of service prior to the plan entrance dates of July 1st or January 1st of each year. The expense for the years ended June 30, 2021 and 2020 was \$71,877 and \$85,613, respectively.
- P. **Subsequent Events** – The Diocese has evaluated subsequent events through October 28, 2021, which is the date the financial statements were available to be issued.
- Q. **Reclassification** – Certain information previously presented has been reclassified to conform to the current presentation.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Liquidity and Availability

The Diocese maintains a liquid cash and cash equivalents balance in checking accounts in an amount necessary to meet its anticipated expenditures. Management will evaluate the working capital needs based on cash flow, timing of receivables, and expectations of expenses to determine the amount. The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 10,732,262	\$ 9,994,453
Investments	30,314,734	21,867,399
Accounts receivable	751,437	3,296,264
Total financial assets	<u>41,798,433</u>	<u>35,158,116</u>
Less amounts not available within one year:		
Purpose restricted net assets	(1,112,828)	(1,001,545)
Non-marketable securities	(1,780,789)	(1,549,094)
Funds held for others	<u>(566,775)</u>	<u>(745,498)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 38,338,041</u>	<u>\$ 31,861,979</u>

Note 2. Investments

Investments include nonmarketable securities in two captive insurance companies, namely, The National Catholic Risk Retention Group, Inc. (TNCRRG) and the Bishop's Plan Insurance Company (BPIC). At June 30, 2021, these securities amount to \$349,700 and \$1,431,089, respectively. At June 30, 2020, these securities amount to \$319,600 and \$1,229,494, respectively. TNCRRG operates as a risk retention group providing excess liability insurance to the Diocese and certain other Roman Catholic Dioceses and Archdioceses that are investing members of the company. BPIC operates as a reinsurance company for workers' compensation, general liability, fidelity and crime, automobile liability, and property losses of Roman Catholic Dioceses and Archdioceses.

The Diocese's ownership interest in TNCRRG is 1%. The investment in TNCRRG is valued at 1% of the shareholders' equity as of December 31, 2020 and 2019 (date of most recent audited financial statements). The Diocese's ownership interest in BPIC is 6%. The investment in BPIC is valued at 6% of the member's surplus in the company as of December 31, 2020 and 2019 (the date of the most recent audited financial statements). The valuation methods are based upon the best information available and reflect management's assumptions.

The participation agreement for TNCRRG requires that a withdrawing shareholder shall tender for purchase by TNCRRG the share of Class A stock on the effective date of the withdrawal. In addition, at the earlier of (a) five years after the effective date of withdrawal, or (b) on the date on which TNCRRG's actuary certifies that the covered claims of the withdrawing shareholder are closed, the withdrawing shareholder shall tender for purchase by TNCRRG the shares of Class B stock. Any disbursement to the shareholder is subject to approval by the Vermont Department of Financial Regulation.

All distributions of members' surplus related to BPIC are subject to prior approval of the regulators in the Vermont Department of Bankruptcy, Insurance, Securities and Health Care Administration.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Fair Value Measurements

GAAP established 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 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 fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 fair value inputs are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted market prices in active markets for similar assets, quoted prices in markets that are not active for identical or similar assets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.

Level 3 fair values are based on at least one significant unobservable input for the asset. Level 3 securities contain unobservable market inputs and as a result considerable judgment may be used in determining the fair values.

Certain investments are measured at fair value using the net asset value (NAV) per share, or its equivalent, as a practical expedient. These investments include commingled funds which may include money market funds, common collective trusts and pooled separate accounts which are typically valued using the NAV provided by the investment custodian. The Diocese assets include money market funds and certificates of deposit. In accordance with accounting guidance, these investments have not been classified in the fair value hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at quoted market prices on the last business day at year end.

Government obligations, municipal bonds and corporate bonds and notes: Valued using pricing models using observable inputs for similar securities. This includes basing value on yields available on comparable securities of issuers with similar credit ratings.

Nonmarketable securities: As a practical expedient, valued at the NAV of the investment companies.

Certificates of deposit: As a practical expedient, valued at the NAV at year end.

Money market funds: As a practical expedient, valued at the NAV of shares held at year end.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Fair Value Measurements (Continued)

Beneficial interest in funds held by others: Valued based on quoted prices of the underlying assets as reported by the trustee. Due to restrictions on these assets that do not allow the Diocese redemption rights, fair value is deemed based on Level 3 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Diocese's assets at fair value as of June 30:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Common stock	\$ 15,610,257	\$ -	\$ -	\$ 15,610,257
Mutual funds:				
Equity	3,353,892	-	-	3,353,892
Fixed income	3,041,818	-	-	3,041,818
Government obligations	-	1,735,484	-	1,735,484
Corporate bonds and notes	-	1,790,977	-	1,790,977
Municipal bonds	-	1,045,868	-	1,045,868
Investments at fair value	<u>\$ 22,005,967</u>	<u>\$ 4,572,329</u>	<u>\$ -</u>	<u>26,578,296</u>
Investments at NAV:				
Nonmarketable securities				1,780,789
Certificates of deposit				79,222
Money market funds				<u>1,876,427</u>
				<u>\$ 30,314,734</u>
Beneficial interest in funds held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,560,657</u>	<u>\$ 1,560,657</u>

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Fair Value Measurements (Continued)

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Common stock	\$ 10,130,119	\$ -	\$ -	\$ 10,130,119
Mutual funds:				
Equity	2,087,915	-	-	2,087,915
Fixed income	3,422,859	-	-	3,422,859
Government obligations	-	880,660	-	880,660
Corporate bonds and notes	-	800,613	-	800,613
Municipal bonds	-	574,270	-	574,270
Investments at fair value	<u>\$ 15,640,893</u>	<u>\$ 2,255,543</u>	<u>\$ -</u>	<u>17,896,436</u>
Investments at NAV:				
Nonmarketable securities				1,549,094
Certificates of deposit				129,123
Money market funds				<u>2,292,746</u>
				<u>\$ 21,867,399</u>
Beneficial interest in funds held by others	\$ -	\$ -	\$ 1,164,121	\$ 1,164,121

During the years ended June 30, 2021 and 2020, there were no transfers into or out of level 3 assets and there were purchases of \$140,167 and \$18,795, respectively.

Note 4. Notes and Loans Receivable

Notes and loans receivable are unsecured and consist of the following at June 30 (net of the allowance for doubtful accounts):

	<u>2021</u>	<u>2020</u>
Non-interest-bearing notes receivable from individuals with various repayment terms and maturity dates.	\$ 59,045	\$ 55,753
Non-interest-bearing loans receivable from two diocesan organizations with no stipulated repayment terms.	<u>4,638,123</u>	<u>4,968,531</u>
	<u>4,697,168</u>	<u>5,024,284</u>
Less current portion of notes and loans receivable.	<u>26,158</u>	<u>6,625</u>
Totals	<u>\$ 4,671,010</u>	<u>\$ 5,017,659</u>

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Funds Held for Others

The Diocese receives funds from donors designated to be distributed to various organizations. Cash and investments in the amounts of \$566,775 at June 30, 2021 and \$745,498 at June 30, 2020 were being held to fund these obligations.

Note 6. Net Assets without Donor Restrictions

Net assets without donor restrictions are available for the following purposes at June 30:

<u>Purpose</u>	<u>2021</u>	<u>2020</u>
Undesignated for central services operations	\$ 2,993,509	\$ 1,694,864
Designated for:		
Self-insurance operations	34,785,475	27,909,925
Bishop's reserve fund	3,410,122	2,595,153
Ministry activities at the discretion of the Bishop	1,321,257	924,722
Property and equipment	799,800	870,463
CTNY operations	-	60,429
High school operations	952,456	917,528
	<u>41,269,110</u>	<u>33,278,220</u>
Total net assets without donor restrictions	\$ <u>44,262,619</u>	\$ <u>34,973,084</u>

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Seminarian education	\$ 758,683	\$ 608,257
St. Columba property enhancement project	79,232	129,156
Grant program services	<u>35,513</u>	<u>24,732</u>
	873,428	762,145
Not subject to appropriation:		
Perpetual trust held by others	<u>239,400</u>	<u>239,400</u>
Total net assets with donor restrictions	\$ <u>1,112,828</u>	\$ <u>1,001,545</u>

Note 8. Significant Concentrations of Credit Risk

Credit risk for accounts receivable is concentrated because substantially all of the balances are due from parishes and institutions located within the same geographic region.

The Diocese maintains a major portion of its funds in investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Commitments and Contingencies

The Diocese is involved in various matters of litigation. These matters are defended by counsel and ultimately resolved through normal legal procedures. In the opinion of management and legal counsel, the ultimate disposition of all litigation matters will not have a material adverse effect on the financial position of the Diocese.

In addition, The Roman Catholic Diocese of Youngstown is guarantor of loans to parishes and institutions which totaled \$6,730,722 and \$7,583,782 at June 30, 2021 and 2020, respectively.

Note 10. Leases

The Diocese leases certain office equipment, including copiers and postage meters, in addition to floor space at a broadcasting facility under noncancellable operating leases which expire between December 2021 and April 2026. At June 30, 2021, the minimum rental commitment under the leases is as follows:

2022	\$ 23,410
2023	16,114
2024	11,398
2025	9,640
2026	6,391

The Diocese also leases office space on a month-to-month basis. The total amount of rent expense charged to operations for the years ended June 30, 2021 and 2020 was \$32,072 and \$34,114, respectively.

Note 11. Related Party Transactions

The Diocese's activity is generated primarily from other Diocesan organizations.

The Diocese's Chief Financial Officer is the Chairman of the Bishop's Plan Insurance Company.

The Diocese is an income beneficiary of several designated funds held by The Roman Catholic Diocese of Youngstown Foundation (Foundation). Several of the funds are designated for seminarian education, priestly life and formation. Other funds are designated for diocesan chancery ministry or for use at the discretion of the Bishop. These funds are not included in the Diocese's statements of financial position. Distributions of income relating to these funds are made at the discretion of the Foundation and are recorded as gifts and donations in the accompanying statements of activities. During the years ended June 30, 2021 and 2020, distributions to the Diocese totaled \$0 and \$400,000, respectively.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 12. COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report. Accordingly, the pandemic is expected to affect the financial position, activities and cash flows of the Diocese during the year ending June 30, 2022, but the extent is unknown at this time.

As a result of the CARES Act, the Diocese received a Payroll Protection Program (PPP) loan administered by the Small Business Administration (SBA) during the year ended June 30, 2020 for \$2,152,700 with a stated interest rate of 1%. \$1,454,364 of the PPP loan was obtained for other Diocesan organizations. The PPP loan was fully forgiven in June 2021, and the portion of the PPP loan attributable to the Diocese (\$698,336) is recorded in gifts and donations in the accompanying financial statements for the year ended June 30, 2021. The forgiveness of the portion of the PPP loan for other Diocesan organizations was used to reduce accounts receivable from the other Diocesan organizations during the year ended June 30, 2021.

Note 13. Prior Period Adjustment

As a result of a prior period adjustment to record a beneficial interest in funds held by others, the net assets without donor restrictions as of July 1, 2019 were increased by \$949,387. During the year ended June 30, 2020, interest and dividend income, net of expenses was increased by \$18,795 and net realized and unrealized gain (loss) decreased by \$43,461. As of June 30, 2020, assets and net assets without donor restrictions were increased by \$924,721.