

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

FINANCIAL REPORT

JUNE 30, 2022 and 2021

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

Opinion

We have audited the 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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Central and Administrative Operations of The Roman Catholic Diocese of Youngstown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central and Administrative Operations of The Roman Catholic Diocese of Youngstown's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central and Administrative Operations of The Roman Catholic Diocese of Youngstown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonable of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central and Administrative Operations of The Roman Catholic Diocese of Youngstown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Meloney + Novotny LLC

Cleveland, Ohio
October 28, 2022

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,367,862	\$ 10,732,262
Accounts receivable, net of allowance for doubtful accounts of \$2,081,000 and \$2,189,000 as of June 30, 2022 and 2021, respectively	697,166	751,437
Prepaid expenses and other current assets	843,400	500,286
Current portion of notes and loans receivable	11,608	26,158
Total current assets	<u>11,920,036</u>	<u>12,010,143</u>
PROPERTY AND EQUIPMENT		
Land	258,810	258,810
Land improvements	34,827	34,827
Buildings and improvements	3,792,500	3,659,322
Furniture and equipment	196,980	483,633
	<u>4,283,117</u>	<u>4,436,592</u>
Less accumulated depreciation	<u>3,429,430</u>	<u>3,636,792</u>
	853,687	799,800
OTHER ASSETS		
Investments	28,580,974	30,314,734
Beneficial interest in funds held by others	2,071,395	1,560,657
Notes and loans receivable, net of allowance for doubtful accounts of \$609,788 and \$591,788 as of June 30, 2022 and 2021, respectively	4,587,847	4,671,010
Total other assets	<u>35,240,216</u>	<u>36,546,401</u>
	<u>\$ 48,013,939</u>	<u>\$ 49,356,344</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, 2022 and 2021

<u>LIABILITIES AND NET ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 802,794	\$ 822,885
Insurance claims payable	34,127	40,237
Estimated liability for claims incurred but not reported	1,831,000	2,551,000
Funds held for others	483,816	566,775
Total current liabilities	3,151,737	3,980,897
NET ASSETS		
Net assets without donor restrictions		
Undesignated	2,695,718	2,993,509
Designated	41,230,235	41,269,110
Total net assets without donor restrictions	43,925,953	44,262,619
Net assets with donor restrictions	936,249	1,112,828
Total net assets	44,862,202	45,375,447
	\$ 48,013,939	\$ 49,356,344

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Parish assessments	\$ 4,554,636	\$ -	\$ 4,554,636
Support from Annual Diocesan Appeal	1,142,018	-	1,142,018
Program revenue and fees	182,423	-	182,423
Administrative fees	356,475	-	356,475
Premium billings	17,412,867	-	17,412,867
Gifts and donations	975,667	42,698	1,018,365
Interest and dividend income, net of expenses	302,972	10,529	313,501
Net assets released from restrictions	87,724	(87,724)	-
Total revenues and other support	25,014,782	(34,497)	24,980,285
EXPENSES			
Program services	19,333,158	-	19,333,158
Supporting services	1,846,858	-	1,846,858
Development and fundraising	183,793	-	183,793
Total expenses	21,363,809	-	21,363,809
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NET REALIZED AND UNREALIZED LOSS			
	3,650,973	(34,497)	3,616,476
OTHER			
Net realized and unrealized loss	(3,969,684)	(142,082)	(4,111,766)
Loss on disposal of assets	(17,955)	-	(17,955)
Total other	(3,987,639)	(142,082)	(4,129,721)
CHANGE IN NET ASSETS	(336,666)	(176,579)	(513,245)
NET ASSETS - BEGINNING OF YEAR	44,262,619	1,112,828	45,375,447
NET ASSETS - END OF YEAR	\$ 43,925,953	\$ 936,249	\$ 44,862,202

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENT OF ACTIVITIES

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 Annual Diocesan 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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Central Services Operations								Self-Insurance Operations				Total
	Program Services					Supporting Services	Development & Fundraising	Total Central Services Operations	High School Operations	Program Services	Supporting Services	Total Self-Insurance Operations	
	Canonical	Clergy and Religious	Pastoral	Educational	Total Program Services								
Personnel costs - lay	\$ 144,540	\$ 76,162	\$ 564,747	\$ 782,334	\$ 1,567,783	\$ 811,985	\$ 153,760	\$ 2,533,528	\$ -	\$ 185,688	\$ 278,460	\$ 464,148	\$ 2,997,676
Personnel costs - religious	47,812	323,646	114,529	-	485,987	306,818	-	792,805	-	-	-	-	792,805
Total personnel costs	192,352	399,808	679,276	782,334	2,053,770	1,118,803	153,760	3,326,333	-	185,688	278,460	464,148	3,790,481
Insurance claims	-	-	-	-	-	-	-	-	-	9,605,623	-	9,605,623	9,605,623
Insurance premiums	-	-	-	-	-	-	-	-	-	3,475,579	-	3,475,579	3,475,579
Subsidy/assessments paid to others	-	50,000	592,865	10,000	652,865	48,000	1,000	701,865	1,250,000	-	-	-	1,951,865
Professional fees	9,852	38,081	36,526	49,683	134,142	87,065	3,168	224,375	-	714,121	52,072	766,193	990,568
Seminarian education	-	332,038	-	-	332,038	-	-	332,038	-	-	-	-	332,038
Events	8,274	39,427	66,272	252,264	366,237	-	6,874	373,111	-	-	-	-	373,111
Provision for doubtful accounts	18,537	18,537	18,537	18,537	74,148	-	-	74,148	4,000	(17,196)	-	(17,196)	60,952
Occupancy	29,093	31,983	101,714	52,350	215,140	93,050	11,644	319,834	-	-	-	-	319,834
Depreciation	16,348	4,765	34,132	14,493	69,738	13,872	1,735	85,345	-	-	-	-	85,345
Meeting and travel expenses	302	9,682	7,598	7,580	25,162	29,407	347	54,916	-	-	-	-	54,916
Office	6,314	2,131	18,533	8,670	35,648	29,786	554	65,988	-	-	-	-	65,988
Equipment rental and repair	9,647	5,665	12,638	9,762	37,712	19,191	2,059	58,962	-	-	-	-	58,962
Other	2,839	8,743	7,751	204	19,537	32,280	-	51,817	-	7,501	-	7,501	59,318
Postage	5,045	3,726	9,189	5,915	23,875	8,862	2,432	35,169	-	-	-	-	35,169
Printing	536	241	3,746	8,487	13,010	7,184	103	20,297	-	-	-	-	20,297
Permanent diaconate education	-	13,190	-	-	13,190	-	-	13,190	-	-	-	-	13,190
Membership dues	1,025	1,186	2,928	1,729	6,868	4,559	95	11,522	-	-	-	-	11,522
Subscriptions and publications	576	2,430	13,618	1,340	17,964	12,066	22	30,052	-	-	-	-	30,052
Resource material distributed	-	4,563	2,464	5,965	12,992	11,295	-	24,287	-	-	-	-	24,287
Public relations and advertising	-	-	875	2,931	3,806	906	-	4,712	-	-	-	-	4,712
Total expenses	\$ 300,740	\$ 966,196	\$ 1,608,662	\$ 1,232,244	\$ 4,107,842	\$ 1,516,326	\$ 183,793	\$ 5,807,961	\$ 1,254,000	\$ 13,971,316	\$ 330,532	\$ 14,301,848	\$ 21,363,809

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Central Services Operations								Self-Insurance Operations				Total
	Program Services				Total Program Services	Supporting Services	Development & Fundraising	Total Central Services Operations	High School Operations	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	\$ 2,778,278
Personnel costs - religious	45,434	307,122	125,512	-	478,068	133,077	-	611,145	-	-	-	-	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	3,389,423
Insurance claims	-	-	-	-	-	-	-	-	-	10,336,356	-	10,336,356	10,336,356
Insurance premiums	-	-	-	-	-	-	-	-	-	3,222,812	-	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	-	-	-	2,015,164
Professional fees	10,030	18,382	1,826	45,076	75,314	112,917	3,189	191,420	-	656,285	44,178	700,463	891,883
Seminarian education	-	325,989	-	-	325,989	-	-	325,989	-	-	-	-	325,989
Events	-	126	27,255	144,664	172,045	-	9,932	181,977	-	-	-	-	181,977
Provision for doubtful accounts	18,146	18,146	18,146	18,146	72,584	-	-	72,584	50,000	129,093	-	129,093	251,677
Occupancy	24,275	19,487	64,792	50,858	159,412	82,777	9,744	251,933	-	-	-	-	251,933
Depreciation	16,387	3,243	29,728	15,160	64,518	13,778	1,622	79,918	-	-	-	-	79,918
Meeting and travel expenses	119	5,610	3,330	2,720	11,779	11,633	-	23,412	-	-	-	-	23,412
Office	11,100	5,251	13,835	6,002	36,188	29,956	2,752	68,896	-	-	-	-	68,896
Equipment rental and repair	10,337	3,772	11,530	10,252	35,891	18,223	1,886	56,000	-	-	-	-	56,000
Other	1,762	3,228	2,818	(499)	7,309	60,972	-	68,281	-	14,132	-	14,132	82,413
Postage	788	2,260	8,465	5,720	17,233	6,947	308	24,488	-	-	-	-	24,488
Printing	1,227	144	4,293	4,589	10,253	3,732	371	14,356	-	-	-	-	14,356
Membership dues	1,275	2,711	3,877	1,448	9,311	5,028	1,715	16,054	-	-	-	-	16,054
Subscriptions and publications	1,054	790	6,932	1,231	10,007	16,857	22	26,886	-	-	-	-	26,886
Resource material distributed	-	5,776	3,067	2,763	11,606	14,590	-	26,196	-	-	-	-	26,196
Public relations and advertising	-	-	2,336	19,430	21,766	7,187	-	28,953	-	-	-	-	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 CASH FLOWS

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (513,245)	\$ 9,400,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	85,345	79,918
Provision for doubtful accounts	60,952	251,677
Provision for claims incurred but not reported	(720,000)	(190,000)
Net realized and unrealized loss (gain) on investments	3,850,317	(5,270,394)
Net realized and unrealized loss (gain) on beneficial interest in funds held by others	261,449	(256,369)
Forgiveness of long-term debt	-	(2,152,700)
Loss on disposal of assets	17,955	-
Decrease (increase) in:		
Accounts receivable	71,319	2,343,044
Prepaid expenses and other current assets	(343,114)	(134,004)
Decrease in:		
Accounts payable and accrued expenses	(20,091)	(10,210)
Insurance claims payable	(6,110)	(96,107)
Funds held for others	(82,959)	(178,723)
Net cash provided by operating activities	<u>2,661,818</u>	<u>3,786,950</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes and loans receivable	157,877	277,222
Advances on notes and loans receivable	(138,164)	-
Purchase of property and equipment	(157,187)	(9,255)
Purchase of investments	(13,510,833)	(13,940,464)
Proceeds from sale of investments	11,394,276	10,763,523
Increase in beneficial interest in funds held by others	(772,187)	(140,167)
Net cash used by investing activities	<u>(3,026,218)</u>	<u>(3,049,141)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(364,400)	737,809
CASH AND CASH EQUIVALENTS - BEGINNING	<u>10,732,262</u>	<u>9,994,453</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 10,367,862</u></u>	<u><u>\$ 10,732,262</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 Annual Diocesan 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 self-insurance 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. A portion of these funds are restricted by donors for seminarian education. 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. 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.
- 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, 2022 and 2021 was \$39,043 and \$57,465, 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, 2022 and 2021 was \$45,900 and \$44,300, 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, 2022 and 2021 was \$75,704 and \$71,877, respectively.
- P. **Subsequent Events** – The Diocese has evaluated subsequent events through October 28, 2022, 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>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 10,367,862	\$ 10,732,262
Investments	28,580,974	30,314,734
Accounts receivable	697,166	751,437
Current portion of notes and loans receivable	<u>11,608</u>	<u>26,158</u>
Total financial assets	39,657,610	41,824,591
Less amounts not available within one year:		
Purpose restricted net assets	(936,249)	(1,112,828)
Non-marketable securities	(1,944,733)	(1,780,789)
Funds held for others	<u>(483,816)</u>	<u>(566,775)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>36,292,812</u>	\$ <u>38,364,199</u>

Note 2. Fair Value of Financial Instruments

The Diocese estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value means the price that would be received from selling an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 fair values are based on quoted market prices in active markets for identical assets or liabilities.

Level 2 fair value inputs are based on observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 fair values are based on unobservable inputs in which little or no market data exists.

The asset's or liability's fair value measurement is based on the lowest level of any input that is significant to the fair value measurement.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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, 2022 and 2021.

Cash and cash equivalents: Consist of money market funds and certificates of deposit.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Fair Value of Financial Instruments (Continued)

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, corporate bonds and notes, and municipal bonds: 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.

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.

Investments (NAV) 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). These securities amount to \$381,100 and \$1,563,633, respectively, at June 30, 2022 and \$349,700 and \$1,431,089, respectively, at June 30, 2021. 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, 2021 and 2020 (date of most recent audited financial statements). The Diocese's ownership interest in BPIC is 10%. The investment in BPIC is valued at 10% of the member's surplus in the company as of December 31, 2021 and 2020 (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. There were no unfunded commitments as of June 30, 2022 and 2021.

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

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Fair Value of Financial Instruments (Continued)

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

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Cash and cash equivalents	\$ 5,105,169	\$ -	\$ -	\$ 5,105,169
Common stock	12,859,925	-	-	12,859,925
Mutual funds:				
Equity	2,975,591	-	-	2,975,591
Fixed income	1,689,802	-	-	1,689,802
Government obligations	-	1,511,481	-	1,511,481
Corporate bonds and notes	-	1,334,348	-	1,334,348
Municipal bonds	-	<u>1,159,925</u>	-	<u>1,159,925</u>
Investments at fair value	<u>\$ 22,630,484</u>	<u>\$ 4,005,754</u>	<u>\$ -</u>	<u>26,636,241</u>
Investments at NAV:				
Nonmarketable securities				<u>1,944,733</u>
				<u>\$ 28,580,974</u>
Beneficial interest in funds held by others				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,071,395</u>	<u>\$ 2,071,395</u>
	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Cash and cash equivalents	\$ 1,955,649	\$ -	\$ -	\$ 1,955,649
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	-	<u>1,045,868</u>	-	<u>1,045,868</u>
Investments at fair value	<u>\$ 23,961,616</u>	<u>\$ 4,572,329</u>	<u>\$ -</u>	<u>28,533,945</u>
Investments at NAV:				
Nonmarketable securities				<u>1,780,789</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>

During the years ended June 30, 2022 and 2021, there were no transfers out of Level 3 assets, there were transfers in of \$640,849 and \$-0-, respectively, and there were purchases of \$131,338 and \$140,167, respectively.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. 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>2022</u>	<u>2021</u>
Non-interest-bearing notes receivable from individuals with various repayment terms and maturity dates.	\$ 46,977	\$ 59,045
Non-interest-bearing loans receivable from two diocesan organizations with no stipulated repayment terms.	<u>4,552,478</u>	<u>4,638,123</u>
	4,599,455	4,697,168
Less current portion of notes and loans receivable.	<u>11,608</u>	<u>26,158</u>
Totals	<u>\$ 4,587,847</u>	<u>\$ 4,671,010</u>

Note 4. Funds Held for Others

The Diocese receives funds from donors designated to be distributed to various organizations. Cash and investments in the amounts of \$483,816 at June 30, 2022 and \$566,775 at June 30, 2021 were being held to fund these obligations.

Note 5. Net Assets without Donor Restrictions

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

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Undesignated for central services operations	\$ 2,695,718	\$ 2,993,509
Designated for:		
Self-insurance operations	34,984,760	34,785,475
Bishop's reserve fund	3,212,720	3,410,122
Ministry activities at the discretion of the Bishop	1,229,396	1,321,257
Property and equipment	853,687	799,800
High school operations	<u>949,672</u>	<u>952,456</u>
	<u>41,230,235</u>	<u>41,269,110</u>
Total net assets without donor restrictions	<u>\$ 43,925,953</u>	<u>\$ 44,262,619</u>

Note 6. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Seminar education	\$ 640,940	\$ 758,683
St. Columba property enhancement project	79,258	79,232
Grant program services	<u>14,901</u>	<u>35,513</u>
	735,099	873,428
Not subject to appropriation:		
Perpetual trust held by others	<u>201,150</u>	<u>239,400</u>
Total net assets with donor restrictions	<u>\$ 936,249</u>	<u>\$ 1,112,828</u>

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Net Assets with Donor Restrictions (Continued)

The investment return from certain purpose restricted net assets is included in net assets with donor restrictions.

Note 7. 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.

Note 8. 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 \$6,170,184 and \$6,730,722 at June 30, 2022 and 2021, respectively.

Note 9. 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 September 2022 and April 2027. At June 30, 2022, the minimum rental commitment under the leases is as follows:

2023	\$ 45,015
2024	40,436
2025	38,678
2026	35,428
2027	21,373

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, 2022 and 2021 was \$37,928 and \$32,072, respectively.

Note 10. 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.

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Related Party Transactions (Continued)

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, 2022 and 2021, distributions to the Diocese totaled \$455,000 and \$0, respectively.

Note 11. Payroll Protection Program

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.