

**THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK**

**Financial Statements as of
June 30, 2019
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 4, 2020

To The Most Reverend Edward B. Scharfenberger
The Roman Catholic Diocese of Albany,
New York:

We have audited the accompanying financial statements of The Roman Catholic Diocese of Albany, New York (a New York State not-for-profit corporation) (Diocesan Corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Diocesan Investment and Loan Trust, a separate legal entity within the Roman Catholic Diocese of Albany, New York, of which the Diocesan Corporation holds a retained interest that constitutes 45% of total assets and 57% of net assets of the Diocesan Corporation at June 30, 2019. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Diocesan Investment and Loan Trust, is based solely on the report of the other auditors. 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.

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INDEPENDENT AUDITOR'S REPORT

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Auditor's Responsibility (Continued)

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, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Diocese of Albany, New York as of June 30, 2019, 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.

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note 11 to the financial statements, the Diocese is the subject of material claims associated with alleged inappropriate conduct on the part of individuals which The Roman Catholic Diocese of Albany, New York may have had supervisory responsibilities. The ultimate outcome of any lawsuits related to these claims cannot presently be determined, and consequently their financial impact cannot be estimated. Accordingly, no provision for any liability that may result has been made in the financial statements. Nevertheless, due to uncertainties with these claims and related lawsuits, it is at least reasonably possible that management's view of the outcome will change in the near term. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Roman Catholic Diocese of Albany, New York's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report of Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2019 financial statements as a whole. The schedule of sources and uses – general fund is presented for 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 2019 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.

The 2018 supplementary information is presented for 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 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2018 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Change in Accounting Principle

As described in Note 2 to the financial statements, The Roman Catholic Diocese of Albany, New York implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals For 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,772,449	\$ 3,884,168
Investments	12,758,278	12,622,849
Accounts receivable, net	1,431,712	3,491,318
Net depositor in Diocesan Investment and Loan Trust	19,889,598	24,032,901
Prepaid expenses and other assets	812,674	1,889,003
Notes receivable	4,040,747	2,460,005
Property and equipment, net	<u>2,206,052</u>	<u>2,219,419</u>
Total assets	<u>\$ 43,911,510</u>	<u>\$ 50,599,663</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,030,545	\$ 13,322,170
Deferred revenue -		
Bishop's Appeal	239,052	346,932
National collections	76,892	82,162
Custodian funds held	<u>1,766,501</u>	<u>1,933,336</u>
Total liabilities	<u>9,112,990</u>	<u>15,684,600</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	7,254,826	9,487,928
Designated	<u>17,476,072</u>	<u>15,859,748</u>
Total net assets without donor restrictions	24,730,898	25,347,676
Net assets with donor restrictions	<u>10,067,622</u>	<u>9,567,387</u>
Total net assets	<u>34,798,520</u>	<u>34,915,063</u>
	<u>\$ 43,911,510</u>	<u>\$ 50,599,663</u>

The accompanying notes are an integral part of these statements.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
REVENUE, GAINS, AND OTHER SUPPORT:				
Parish support and Bishop's Appeal	\$ 7,927,398	\$ -	\$ 7,927,398	\$ 7,900,795
Insurance premiums	5,103,933	-	5,103,933	5,019,808
Legacies, bequests, and miscellaneous	516,358	-	516,358	809,531
Other revenue	955,769	-	955,769	854,354
Interest and dividend income	735,161	215,399	950,560	894,796
Contributions from Roman Catholic Diocesan Cemeteries	60,000	-	60,000	60,000
Net gains on investments	163,386	617,792	781,178	750,700
Net assets released from restrictions	<u>332,956</u>	<u>(332,956)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>15,794,961</u>	<u>500,235</u>	<u>16,295,196</u>	<u>16,289,984</u>
EXPENSES:				
Insurance programs - Operating expenditures:				
Property and liability	3,547,996	-	3,547,996	2,880,080
Health	290,218	-	290,218	141,975
Provision for doubtful insurance receivables	<u>1,282,395</u>	<u>-</u>	<u>1,282,395</u>	<u>162,689</u>
Total insurance programs	5,120,609	-	5,120,609	3,184,744
Administration	5,464,729	-	5,464,729	4,568,369
Education	1,433,855	-	1,433,855	1,687,086
Pastoral	1,089,756	-	1,089,756	1,035,714
Health and social services	902,353	-	902,353	905,510
Religious personal development	998,498	-	998,498	712,770
Seminary	<u>1,401,939</u>	<u>-</u>	<u>1,401,939</u>	<u>1,054,011</u>
Total expenses	<u>16,411,739</u>	<u>-</u>	<u>16,411,739</u>	<u>13,148,204</u>
CHANGE IN NET ASSETS	(616,778)	500,235	(116,543)	3,141,780
NET ASSETS - beginning of year	<u>25,347,676</u>	<u>9,567,387</u>	<u>34,915,063</u>	<u>31,773,283</u>
NET ASSETS - end of year	<u>\$ 24,730,898</u>	<u>\$ 10,067,622</u>	<u>\$ 34,798,520</u>	<u>\$ 34,915,063</u>

The accompanying notes are an integral part of these statements.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals For 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (116,543)	\$ 3,141,780
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	209,154	194,658
Loss on disposal of equipment	2,751	327
Realized and unrealized (gains) loss on investments, net	(781,178)	(750,700)
Bad debt expense	2,183,198	345,118
Changes in:		
Accounts receivable	(123,592)	(373,112)
Prepaid expenses and other assets	1,076,329	(3,308,274)
Notes receivable	(1,580,742)	-
Accounts payable and accrued expenses	(6,291,625)	1,193,735
Deferred revenue	(113,150)	(30,641)
Custodian funds held	<u>(166,835)</u>	<u>37,253</u>
Net cash flow from operating activities	<u>(5,702,233)</u>	<u>450,144</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(198,538)	(682,092)
Purchases of investment securities	(1,343,123)	(687,270)
Proceeds from sales and maturities of investment securities	1,988,872	3,030,842
Change in interest in Diocesan Investment and Loan Trust	<u>4,143,303</u>	<u>(2,258,068)</u>
Net cash flow from investing activities	<u>4,590,514</u>	<u>(596,588)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,111,719)	(146,444)
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,884,168</u>	<u>4,030,612</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,772,449</u>	<u>\$ 3,884,168</u>
NON CASH INVESTING ACTIVITIES:		
Accounts payable owed for property and equipment	<u>\$ -</u>	<u>\$ 488,044</u>

The accompanying notes are an integral part of these statements.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Salaries	\$ 1,830,613	\$ 1,636,364	\$ 139,415	\$ 3,606,392
Insurance claims	2,974,309	-		2,974,309
Allowance for doubtful accounts	1,282,395	898,531	-	2,180,926
Allocations and assessments	1,678,156	424,345	-	2,102,501
Professional fees	794,636	480,734	48,325	1,323,695
Benefits and pensions	957,312	276,963	34,193	1,268,468
Education	1,180,838	1,975	5,177	1,187,990
Other	10,132	313,116	175,969	499,217
Repairs and maintenance	103,493	391,611	18,173	513,277
Payroll taxes	110,152	122,468	11,126	243,746
Depreciation	-	209,154	-	209,154
Utilities	16,894	158,556	-	175,450
Property insurance and taxes	8,080	118,534	-	126,614
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 10,947,010</u>	<u>\$ 5,032,351</u>	<u>\$ 432,378</u>	<u>\$ 16,411,739</u>

The accompanying notes are an integral part of these statements.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. THE ORGANIZATION

The corporation of The Roman Catholic Diocese of Albany, New York is the Central Administrative Office of the Diocese of Albany and provides programs and services to parishes, schools and other related Catholic organizations within the geographic boundaries of the Diocese. The accompanying financial statements include the accounts and funds maintained by The Roman Catholic Diocese of Albany, New York, hereinafter referred to as the Diocesan Corporation.

The Diocesan Corporation excludes the activities of the parishes, schools, cemeteries, homes, hospitals, trusts, and auxiliary enterprises, which are separately incorporated, have separate governing boards, maintain separate accounts, and carry on their own services and programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Diocesan Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources

ASU 2016-14 is effective for the Diocesan Corporation's fiscal year ending June 30, 2019 and was applied retrospectively with the exception of the presentation of expenses in both natural and functional classifications and the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocesan Corporation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

The Diocesan Corporation considers all bank demand deposit accounts, money market accounts and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Diocesan Corporation's cash balances may at times exceed federally insured limits. The Diocesan Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Investments

Investments are recorded at fair value, except for certain investments which are stated at Net Asset Value (NAV). Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized in the statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurement – Definition and Hierarchy

The Diocesan Corporation uses various valuation techniques in determining fair value and classifies them into a three level hierarchy based on the nature of the inputs. Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities that the Diocesan Corporation has the ability to access. Level 2 valuations are based on inputs, other than quoted prices included within Level 1 that are observable either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Diocesan Corporation's mutual funds, common stocks, short-term investments and money market funds are primarily valued utilizing Level 1 inputs. The Diocesan Corporation's U.S. government obligations and corporate bonds are primarily valued utilizing Level 2 inputs. The Diocesan Corporation does not have any Level 3 investments as of June 30, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair values of debt and equity securities with readily determinable fair values are generally based on quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. When quoted market prices are not available, including government obligations and corporate bonds, fair values are based on quoted market prices of comparable instruments or, when necessary, the Diocesan Corporation utilizes matrix pricing from a third-party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

Receivables represent assessments, insurance and other amounts due from various related Diocesan entities. Receivables are recorded at the invoiced amount and do not bear interest as they are due on demand. The allowance for doubtful receivables is the Diocesan Corporation's best estimate of the amount of probable credit losses in the existing receivables. The allowance is based on historical analysis and current economic conditions. Receivables net of allowance for doubtful accounts presented on the statement of financial position represent balances that are three years old or less. Accounts receivable are stated net of allowance for doubtful accounts. The allowance amounts are \$5,426,966 and \$6,670,587 as of June 30, 2019 and 2018, respectively.

Property and equipment

Property and equipment, including improvements thereto, are stated at cost or, if acquired by gift or bequest, at the estimated fair value at date of receipt, less accumulated depreciation. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets ranging from 5 years to 40 years.

Custodian Funds Held

Custodian funds held represent amounts collected on behalf of other Catholic organizations to be remitted to those organizations for their specified purposes.

Net Assets

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

- *Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated by the Diocesan Corporation for specific purposes.
- *Designated Net Assets* - Unrestricted assets which have been designated for a particular purpose by the Diocesan Corporation are recorded as designated unrestricted net assets in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

- *Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocesan Corporation and/or the passage of time, or be maintained into perpetuity by the Diocesan Corporation. It also includes unspent accumulated endowment earnings. Generally, the donors permit the Diocesan Corporation to use all or part of the income earned on these assets for a general or specific purpose.

Generally accepted accounting principles require the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending. See Note 7 for further discussion of endowment funds.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Parishes support the Diocese through the payment of an annual assessment which is funded by amounts collected through the annual Bishop's Appeal. For fiscal years 2019 and 2018, any Bishop's Appeal amount raised in excess of a parish's assessment was shared equally between the parish and the Diocese. The Bishop's Appeal year runs April to March of the subsequent fiscal year of the Diocesan Corporation. Bishop's Appeal revenue is recognized in the year that the Bishop's Appeal ends. Amounts received for the next Bishop's Appeal are reported as deferred revenue.

Income Taxes

The Diocesan Corporation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

Relationship to The Foundation of the Roman Catholic Diocese of Albany, New York, Inc. and Other Catholic Sponsored Organizations

The Diocesan Corporation is affiliated with numerous other religious and nonprofit organizations sponsored by or affiliated with the Diocesan Corporation. In addition, there are many other religious and nonprofit organizations in the United States that are sponsored by or affiliated with the Roman Catholic Church and other dioceses.

During the normal course of operations, the Diocesan Corporation will have transactions and/or enter into agreements with several of these entities. All significant transactions with the Diocesan Corporation are disclosed in the accompanying financial statements (see Note 10). In the opinion of management, the organizational structure of most other Catholic sponsored organizations does not satisfy the definition of controlled or affiliated entities under generally accepted accounting principles, and, therefore, these other organizations are not considered related parties for financial statement reporting purposes.

3. LIQUIDITY

The Diocesan Corporation has a goal to maintain financial assets on hand to meet normal operating expenses. The Diocesan Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Diocesan Corporation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>
Financial assets	
Cash and cash equivalents	\$ 2,772,449
Investments	12,758,149
Accounts receivable, net	1,431,712
Net depositor in Diocesan Investment and Loan Trust	<u>19,889,598</u>
 Total financial assets at June 30, 2019	 \$ 36,851,908
 Less: those unavailable for general expenditures within one year, due to:	
Designations	(17,476,072)
Net assets with donor restrictions	<u>(10,067,622)</u>
 Financial assets available to meet cash need for general expenditure within one year	 <u>\$ 9,308,214</u>

The Diocesan Corporation is supported by donor restricted contributions. Donor restrictions require resources be used in a particular manner or in a future period; therefore the Diocesan Corporation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

4. INVESTMENTS

Investments

The following tables set forth the Diocesan Corporation's investments that were accounted for at fair value on a recurring basis at June 30, 2019 and 2018. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
June 30, 2019:				
U.S Government obligations	\$ -	\$ 3,462,746	\$ -	\$ 3,462,746
Corporate bonds	-	67,008	-	67,008
Mutual funds - equities	1,176,039	-	-	1,176,039
Common stocks	7,891	-	-	7,891
Money market funds	<u>129,986</u>	<u>-</u>	<u>-</u>	<u>129,986</u>
Investments measured at fair value	<u>\$ 1,313,916</u>	<u>\$ 3,529,754</u>	<u>\$ -</u>	4,843,670
Investments measured at net asset value				<u>7,914,479</u>
				<u>\$ 12,758,149</u>

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
June 30, 2018:				
U.S. Government obligations	\$ -	\$ 1,347,359	\$ -	\$ 1,347,359
Corporate bonds	-	79,829	-	79,829
Mutual funds - equities	1,732,431	-	-	1,732,431
Common stocks	44,990	-	-	44,990
Money market funds	<u>213,562</u>	<u>-</u>	<u>-</u>	<u>213,562</u>
Investments measured at fair value	<u>\$ 1,990,983</u>	<u>\$ 1,427,188</u>	<u>\$ -</u>	3,418,171
Investments measured at net asset value				<u>9,204,678</u>
				<u>\$ 12,622,849</u>

There were no changes in valuation techniques during 2019 and 2018.

4. INVESTMENTS (Continued)

The following investments are valued at net asset values per share (unitized basis) as of June 30, 2019 and 2018:

	Fair Value at 6/30/19	Fair Value at 6/30/18	2019 Unfunded Commitments	2018 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments in an investment pool	\$ 7,914,479	\$ 9,204,678	\$ -	\$ -	Daily	7 days

Investment in an Investment Pool

This actively managed fund is a commingled trust which focuses on large and mid-cap equities across global growth industries. The value of this investment has been estimated using the daily net asset value per share of the investments.

The investment pool was organized by the Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (Foundation) for the purpose of offering Diocesan organizations the opportunity to invest collectively to maximize investment opportunities and returns consistent with duties of stewardship following the mandates of The Code of Canon Law of the Roman Catholic Church. The investments are managed by professional investment management firms and are overseen by the Foundation's Board of Directors. Income is allocated to investors based on the percentage of the net asset value of their individual funds to the total investment balance.

The Diocesan Corporation utilizes information received from the Foundation regarding the composition of the pooled investment fund and the value of securities held in the fund. The Foundation values the securities in the fund based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, including fixed income and foreign bonds, fair values are based on quoted market prices of comparable instruments or, when necessary, the Foundation utilizes matrix pricing from a third-party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year.

The Foundation utilizes the NAV reported by alternative investment fund managers, including common collective trust funds, as a practical expedient for determining the value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the recorded value of the Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the value of the Foundation's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Foundation were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material. The Foundation has no plans to sell a fund in a secondary market.

4. INVESTMENTS (Continued)

There have been no changes to valuation techniques during 2019 and 2018.

Of the \$7,914,979 and \$9,204,678 included in the investment pool of the Foundation in 2019 and 2018, respectively, the Diocesan Corporation's restricted endowment is \$5,508,652 (see Note 6) as of June 30, 2019 and 2018.

5. NET DEPOSITOR IN DIOCESAN INVESTMENT AND LOAN TRUST

The Diocesan Corporation has an interest in a separate legal entity known as the Diocesan Investment and Loan Trust (Trust). The Trustee is designated as the Vicar General of The Roman Catholic Diocese of Albany, New York. The Diocesan Corporation's interest in the Trust as a depositor has been included in the accompanying statements of financial position, net of borrowings from the Trust, was \$19,889,598 and \$24,032,901 at June 30, 2019 and 2018, respectively. The Trust's investments consist of cash and cash equivalents, fixed income mutual funds and equity mutual funds for both fiscal years 2019 and 2018, and are redeemable on a daily basis.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 70,590	\$ 70,590
Building and improvements	5,297,378	4,722,821
Property and equipment	990,861	977,624
Vehicles	136,995	114,362
Construction in progress	<u>-</u>	<u>460,525</u>
	6,495,824	6,345,922
Less: Accumulated depreciation	<u>(4,289,772)</u>	<u>(4,126,503)</u>
	<u>\$ 2,206,052</u>	<u>\$ 2,219,419</u>

Depreciation expense of \$209,154 and \$194,658 was recorded during the years ended June 30, 2019 and 2018, respectively.

7. NET ASSETS

Net assets without donor restrictions have been designated by the Diocesan Corporation Trustees or Bishop of the Diocese for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 10,467,859	\$ 9,217,585
Diocesan initiatives	4,802,161	4,422,744
Buildings and equipment	<u>2,206,052</u>	<u>2,219,419</u>
	<u>\$ 17,476,072</u>	<u>\$ 15,859,748</u>

Net assets with donor restrictions were available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowments:		
Diocesan	\$ 2,951,798	\$ 2,814,986
Faith Formation	3,601,785	3,240,172
Leadership	1,961,641	1,829,709
Seminary	973,767	973,766
Other	<u>578,631</u>	<u>708,754</u>
	<u>\$ 10,067,622</u>	<u>\$ 9,567,387</u>

In 2000, the Diocesan Corporation initiated a capital campaign for the Diocese and its parishes. The campaign resulted in the formation of endowments for Faith Formation (Evangelization and Catechesis), Leadership Development and Diocesan (Future Needs), of which the original contribution and the unspent accumulated investment return are included in net assets with donor restrictions.

Endowments

The Diocesan Corporation follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The Diocesan Corporation has interpreted NYPMIFA as allowing the Diocesan Corporation to spend or accumulate the amount of an endowment fund that the Diocesan Corporation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Diocesan Corporation classifies as net assets with donor restrictions (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds.

7. NET ASSETS (CONTINUED)

In accordance with NYPMIFA, the Diocesan Corporation considers various factors in making a determination to appropriate or accumulate endowment funds, including:

- The duration and preservation of the fund
- The purpose, mission, and activities of Diocese and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available resources
- The investment policies of the Diocesan Corporation

Spending Policy

Permanently restricted funds of the Diocesan Corporation, with the exception of the Seminary endowment funds, are invested with the Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (the Foundation). For such endowments, the Diocesan Corporation applies the Foundation's Investment and Distribution Policy (Policy).

In accordance with the Policy, distributions are determined annually by the Board of Trustees of the Foundation subsequent to year-end based upon the policy and spending rate approved by the trustees (4.5% for 2019 and 2018). The Policy allows for a maximum distribution of the lesser of the earned income amount or the calculated distribution utilizing the previous three fiscal years average quarterly market values of the individual donor fund accounts multiplied by the approved spending rate. The Seminary endowment fund spending policy has been determined to be limited to the annual investment earnings of the underlying investments.

Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and preserving and enhancing over time, the purchasing power of investments while minimizing investment risk in the portfolio. Total return, utilizing a balanced portfolio, is the primary goal of the Foundation. Total return, includes income plus realized and unrealized gains and losses on fund assets, which are expected to meet or exceed various industry benchmarks by fund asset class. Sector and total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with other comparable funds.

7. NET ASSETS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2019 and 2018 are as follows:

Endowment net assets - July 1, 2017	<u>\$ 8,637,343</u>
Investment return:	
Investment income	187,533
Net appreciation (realized and unrealized)	<u>459,556</u>
Total investment return	<u>647,089</u>
Contributions	1,031
Appropriation of assets for expenditure	<u>(426,830)</u>
Endowment net assets - June 30, 2018	<u>\$ 8,858,633</u>
Investment return:	
Investment income	215,285
Net appreciation (realized and unrealized)	<u>617,792</u>
Total investment return	<u>833,077</u>
Contributions	-
Appropriation of assets for expenditure	<u>(202,719)</u>
Endowment net assets - June 30, 2019	<u>\$ 9,488,991</u>

At June 30, 2019 and 2018, no endowment balances were less than their original donated value.

8. CASUALTY AND LIABILITY INSURANCE PROGRAM

The Diocesan Corporation maintains a casualty and liability insurance program for the Central Administrative Office, parishes and other departments within the Diocese. The program is administered by a third party administrator. The Diocese is self-insured for each claim up to \$250,000 for general and auto claims, \$500,000 for worker's compensation claims, and \$1,000,000 for real property claims. Insurance coverage has been purchased by the Diocesan Corporation to cover costs of claims in excess of these amounts. The Diocesan Corporation has recorded a liability for estimated auto, general and workers compensation liability claims of \$3,600,780 and \$3,228,277 at June 30, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Premiums are collected from participating Diocesan entities to cover claims and the estimated cost of the casualty and liability insurance coverage described above.

9. PENSION PLANS

The Diocesan Corporation has a contributory multi-employer defined benefit pension plan which covers substantially all lay employees of the Diocese, as well as lay employees of the individual parishes and other institutions and organizations which have elected to participate in the Plan (Lay Employees' Pension Plan of the Roman Catholic Diocese of Albany). Employees who work at least 20 hours per week (1,000 hours per year) are eligible to participate in this Plan at their own cost of 2% based upon their rate of pay effective July 1 of each Plan year as described in the Summary Plan Description. Management has established employer contributions based on 7% of employees' salaries upon completion of three years of participant's service. Total pension expense recognized by the Diocesan Corporation for its employees in this Plan during 2019 and 2018 was \$140,944 and \$136,584, respectively. The Diocesan Corporation's policy is to generally fund pension costs as costs accrue.

In addition, the Diocesan Corporation sponsors a contributory defined benefit plan covering any priest ordained for the Roman Catholic Diocese of Albany or any priest incardinated into the Diocese. Organizations participating in the Plan (The Priest's Post-Retirement Benefits Plan for the Diocese of Albany) include the Diocesan Corporation and other participating Diocesan entities. The Plan is funded from a contribution of 2% of the pay of participating priests as described in the Summary Plan Description and payments made to it by the Diocesan Corporation and other participating Diocesan entities. Total pension expense paid by the Diocesan Corporation into this Plan during 2019 and 2018 was \$51,300 and \$59,400, respectively. The Diocesan Corporation's policy is to fund pension costs as costs accrue.

Both Plans are Church plans which are not subject to ERISA and its minimum funding requirements. Because these are multi-employer plans and certain participating employers are not included in the accompanying financial statements (see Note 1), information as to vested and non-vested accumulated plan benefits, as well as plan assets, as they relate to employees of the Diocesan Corporation, is not readily available.

10. RELATED PARTY TRANSACTIONS

As described in Notes 4 and 5, the Diocesan Corporation has certain investments held in the Foundation of the Roman Catholic Diocese of Albany, Inc. (Foundation) and has an interest as a net depositor in the Diocesan Investment and Loan Trust.

Certain services are provided to the Foundation by the Diocesan Corporation. The Diocesan Corporation has provided in-kind services in the amount of \$30,570 and \$30,820 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019, the Diocesan Corporation has a promissory note receivable in the amount of \$356,018 from Burke Community Service Corporation (Burke), an affiliated Catholic entity. This promissory note is unsecured and bears interest at the rate of 4.75%. Monthly payments of principal and interest began on October 1, 2016. Monthly payments are based upon a stated percentage of net rental income to be received by Burke in connection with a specific property.

It is estimated that this loan will be repaid over a period of five years. This note receivable is included in prepaid expenses and other assets in the accompanying financial statements.

10. RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2019, the Diocesan Corporation has a promissory note receivable in the amount of \$3,684,728 from the Re-Igniting Our Faith Foundation, Inc., an affiliated Catholic entity. The promissory note is unsecured and bears interest at the rate of 4.75%. Repayment of the note is to be made as funds are available from a capital campaign being run by the Foundation to promote evangelization throughout the Roman Catholic Diocese of Albany. This note receivable is included in notes receivable in the accompanying financial statements. The Re-Igniting Our Faith Foundation, Inc. was formed to fuel the vision of growing and enhancing the Catholic community of faith for current and future generations throughout the Roman Catholic Diocese of Albany. The loan made by the Diocesan Corporation to the Re-Igniting Our Faith Foundation, Inc. was done to provide for the initial funding needed to run its campaign.

11. COMMITMENTS AND CONTINGENCIES

Letter of Credit

The Diocesan Corporation obtained a letter of credit for \$2,403,161 from Trustco Bank for the benefit of The New York State Workers' Compensation Board. The Diocesan Corporation has agreed to pledge its monies on deposit with the Diocesan Investment and Loan Trust in support of the letter of credit. The letter of credit has been renewed several times and is currently extended through December 19, 2019. This letter of credit is scheduled to renew annually through 2020.

Unemployment Fund Trust

Assets held in a nondiscretionary trust for the reimbursement of unemployment benefits to New York State are not included in the accompanying Diocesan Corporation financial statements. The assets are maintained in the name of the Roman Catholic Diocese of Albany, New York for the Diocesan Corporation, and participating Diocesan entities.

Litigation

In the normal course of business, the Diocesan Corporation is subject to litigation. Although there can be no assurance as to the eventual outcome of litigation in which the Diocesan Corporation has been named as a defendant or otherwise has possible exposure, the Diocesan Corporation has provided for these actions and all probable adverse matters. Although further losses are possible, based upon the advice of counsel, management does not believe that such litigation and/or legal claims will in the aggregate, have a material adverse effect on the Diocesan Corporation's financial position.

Child Victims Act

On February 14, 2019, New York State signed into law the Child Victims Act (CVA). This legislation provides for the following:

- extends New York State's statute of limitations for child abuse claims
- allows for criminal charges against sexual abusers of children until their victims turn 28 years of age, vs. the previous law which provided that right up to age 23
- allows for civil actions against abusers, and institutions where they were abused, until their victims turn 55
- opens a one-year window beginning on August 14, 2019, permitting any victim of child abuse to take civil action, regardless of when the abuse occurred.

11. COMMITMENTS AND CONTINGENCIES (Continued)

As a result of the passage of the CVA, through the date of this report, the Diocese has been notified or become aware of approximately 61 abuse related claims that have been or are likely to be filed against it. Aggregate demands for damages from these claims cannot be estimated at this time. During the timeframe of the alleged abuses the Diocese had a combination of commercial insurance coverage and self-insurance programs. At present, the Diocese is not certain as to the amount of commercial coverage available to assist it in meeting its obligations for these matters. Accordingly, it is possible that the ultimate resolution of any litigation could have a material adverse impact on the Diocese's results of operations, liquidity, and financial position. In addition, it is reasonably possible that the ultimate number of lawsuits and/or claims could increase, and therefore any additional exposure cannot be predicted at this time.

Attorney General

In September 2018, the New York State Attorney General commenced a civil investigation of the eight Catholic Dioceses of New York State regarding their handling of past sexual abuse allegations. As a result, the Diocese has received a subpoena requesting historical information related to such matters. The Diocese continues to respond to the subpoena request. The potential financial impact of this matter on the Diocese is not presently determinable.

12. SUBSEQUENT EVENTS

The Diocesan Corporation considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were available to be issued on March 4, 2020 and subsequent events have been evaluated through that date.

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

**SCHEDULE OF SOURCES AND USES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUE, GAINS, AND OTHER SUPPORT:		
Parish support and Bishop's Appeal	\$ 7,927,398	\$ 7,900,795
Legacies, bequests, and miscellaneous	494,858	804,470
Interest and dividend income	397,307	391,012
Net unrealized and realized gains/(loss) on investments	71,041	221,998
Contributions from Roman Catholic Diocesan Cemeteries	60,000	60,000
Administrative fees, transfers, and other	<u>1,380,095</u>	<u>1,190,000</u>
Total revenue, gains, and other support	<u>10,330,699</u>	<u>10,568,275</u>
EXPENSES:		
Seminary -		
Vocations office/program	92,662	81,424
Education and formation	<u>1,311,150</u>	<u>974,303</u>
Total seminary expenses	<u>1,403,812</u>	<u>1,055,727</u>
Pastoral -		
Apostolate and ethnic ministries	106,474	93,657
Campus ministry and other	209,926	235,271
Catholic media	176,993	133,539
Ecumenical commission	15,529	16,832
Pastoral health care	123,543	157,223
Pastoral council	1,663	1,015
Pastoral planning	79,682	67,425
Prayer and worship	158,661	111,229
Scouting	2,211	2,559
Tribunal	204,987	206,541
Youth recreation	<u>10,083</u>	<u>9,994</u>
Total pastoral	<u>1,089,752</u>	<u>1,035,285</u>
Religious personnel development -		
Clergy benefits and retirement	287,145	101,845
Consultation services	83,202	54,924
Initial ongoing formation	538,167	468,473
Permanent diaconate	38,064	36,182
Vicar for clergy	51,871	51,714
Vicar for religious	<u>50</u>	<u>61</u>
Total religious personnel development	<u>998,499</u>	<u>713,199</u>

(Continued)

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

**SCHEDULE OF SOURCES AND USES - GENERAL FUND (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Education -		
Diocesan school office	1,130,588	1,471,279
Evangelization and Catechesis	<u>303,267</u>	<u>215,807</u>
Total education	<u>1,433,855</u>	<u>1,687,086</u>
Health and social service -		
Health and social services	867,680	875,563
Human development	<u>34,673</u>	<u>29,947</u>
Total health and social services	<u>902,353</u>	<u>905,510</u>
Administration -		
Architecture and building commission	91,782	93,732
Archives	44,733	33,588
Bishop's charity account	22,652	15,266
Building and property expense	756,089	616,469
Cathedral	214,283	220,750
Chancery operations	1,315,437	1,295,950
Bishop's appeal/stewardship	432,377	473,147
Holy Father	77,228	80,040
Information resources	537,752	534,378
Investment advisory fee and bank service charges	19,962	35,989
NYS Catholic conference	87,531	63,850
Office of human resources	191,526	180,197
Professional fees	350,506	324,711
U.S. Catholic Conference	78,472	79,874
Provision for doubtful receivables	<u>898,581</u>	<u>182,372</u>
Total administration	<u>5,118,911</u>	<u>4,230,313</u>
Capital purchases	<u>659,061</u>	<u>221,567</u>
Total expenses	<u>11,606,243</u>	<u>9,848,687</u>
Net (deficit) surplus	<u>\$ (1,275,544)</u>	<u>\$ 719,588</u>

The accompanying notes are an integral part of this schedule.