

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

**Financial Statements as of
June 30, 2022
Together with
Independent Auditor's Report**

7.11.2023

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals For 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,793,578	\$ 2,738,994
Investments	15,035,022	17,120,921
Accounts receivable, net	2,011,854	1,255,351
Employee retention credit receivable	896,623	-
Insurance recovery receivables	3,250,000	-
Net depositor in Diocesan Investment and Loan Trust	12,931,231	15,862,340
Prepaid expenses and other assets	836,393	906,275
Notes receivable, net	2,626,249	4,325,397
Property and equipment, net	<u>1,386,195</u>	<u>1,906,980</u>
Total assets	<u>\$ 41,767,145</u>	<u>\$ 44,116,258</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,911,841	\$ 4,555,465
Accrued legal settlements	6,030,000	2,398,896
Deferred revenue -		
Paycheck Protection Program	-	567,100
Leadership grant	-	42,800
Youth ministry - NCCY	-	5,625
National collections	37,588	32,664
Custodian funds held	<u>1,514,626</u>	<u>1,605,288</u>
Total liabilities	<u>12,494,055</u>	<u>9,207,838</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	734,147	2,150,428
Designated	<u>18,848,383</u>	<u>20,795,657</u>
Total net assets without donor restrictions	19,582,530	22,946,085
Net assets with donor restrictions	<u>9,690,560</u>	<u>11,962,335</u>
Total net assets	<u>29,273,090</u>	<u>34,908,420</u>
	<u>\$ 41,767,145</u>	<u>\$ 44,116,258</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, 2022
(With Comparative Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
REVENUE, GAINS, AND OTHER SUPPORT:				
Parish support and Diocesan Appeal	\$ 6,977,196	\$ -	\$ 6,977,196	\$ 4,925,835
Insurance premiums	5,477,907	-	5,477,907	5,362,492
Legacies, bequests, and miscellaneous	1,431,451	-	1,431,451	2,118,497
Employee retention credit	896,623	-	896,623	-
Paycheck Protection Program revenue	567,100	-	567,100	-
Insurance recovery revenue	3,250,000	-	3,250,000	35,654
Other revenue	1,083,321	-	1,083,321	1,240,729
Interest and dividend income	506,107	201,949	708,056	571,789
Contributions from Roman Catholic Diocesan Cemeteries	75,000	-	75,000	70,000
Net (loss) gain on investments	(92,111)	(1,932,417)	(2,024,528)	1,456,935
Net assets released from restrictions	541,307	(541,307)	-	-
Total revenue, gains, and other support	20,713,901	(2,271,775)	18,442,126	15,781,931
EXPENSES:				
Insurance programs - Operating expenditures:				
Property and liability	2,964,269	-	2,964,269	3,318,109
Safe Environment	286,593	-	286,593	645,216
Child Victim's Act	6,659,917	-	6,659,917	1,038,621
NYS Attorney General	134,118	-	134,118	146,687
Health	427,514	-	427,514	462,260
Bad debts	1,153,668	-	1,153,668	484,561
Total insurance programs	11,626,079	-	11,626,079	6,095,454
Administration	6,714,207	-	6,714,207	4,067,653
Education	1,391,394	-	1,391,394	1,369,671
Pastoral	1,182,722	-	1,182,722	1,142,837
Health and social services	699,787	-	699,787	684,662
Religious personal development	1,074,027	-	1,074,027	954,405
Seminary	1,389,240	-	1,389,240	1,681,017
Total expenses	24,077,456	-	24,077,456	15,995,699
CHANGE IN NET ASSETS	(3,363,555)	(2,271,775)	(5,635,330)	(213,768)
NET ASSETS - beginning of year	22,946,085	11,962,335	34,908,420	34,684,570
NET ASSETS - end of year	\$ 19,582,530	\$ 9,690,560	\$ 29,273,090	\$ 34,908,420

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, 2022
 (With Comparative Totals For 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (5,635,330)	\$ (213,768)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	186,412	201,482
Gain (loss) on disposal of equipment	(53,380)	116
Realized and unrealized gains (losses) on investments, net	2,024,528	(1,456,935)
Bad debt expense	3,523,169	543,599
Changes in:		
Accounts receivable	(4,279,672)	(769,915)
Employee retention credit receivable	(896,623)	-
Insurance recovery receivable	(3,250,000)	-
Prepaid expenses and other assets	69,882	(157,726)
Notes receivable	1,699,148	128,801
Accounts payable and accrued expenses	356,376	(10,551)
Accrued legal settlements	3,631,104	-
Deferred revenue	(610,601)	(16,758)
Custodian funds held	(90,662)	70,595
	<u>(3,325,649)</u>	<u>(1,681,060)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(25,078)	(22,223)
Proceeds from sales of property and equipment	412,831	-
Purchases of investment securities	(1,804,704)	(1,016,944)
Proceeds from sales and maturities of investment securities	1,866,075	934,581
Change in interest in Diocesan Investment and Loan Trust	2,931,109	2,172,380
	<u>3,380,233</u>	<u>2,067,794</u>
CHANGE IN CASH AND CASH EQUIVALENTS	54,584	386,734
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,738,994</u>	<u>2,352,260</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,793,578</u>	<u>\$ 2,738,994</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, 2022**
(With Comparative Totals for 2021)

	Program Services	Management and General	Fundraising	Total 2022	Total 2021
EXPENSES:					
Bad debts	\$ 1,153,668	\$ 2,369,501	\$ -	\$ 3,523,169	\$ 543,599
Salaries	1,465,593	1,553,998	194,309	3,213,900	3,181,123
Professional fees	2,436,942	638,356	11,560	3,086,858	2,550,662
Insurance claims	2,567,377	-	-	2,567,377	3,441,356
Allocations and assessments	1,808,202	384,592	-	2,192,794	2,201,855
Legal settlements	5,442,196	-	-	5,442,196	-
Benefits and pensions	1,137,671	262,034	27,631	1,427,336	1,462,900
Education	1,228,576	615	-	1,229,191	1,429,589
Other	27,173	72,687	226,744	326,604	150,886
Repairs and maintenance	52,305	263,814	64	316,183	267,095
Payroll taxes	82,779	112,007	14,390	209,176	213,055
Depreciation	-	186,412	-	186,412	201,482
Property insurance and taxes	6,556	172,341	-	178,897	190,962
Utilities	9,852	167,511	-	177,363	161,135
	<u>\$ 17,418,890</u>	<u>\$ 6,183,868</u>	<u>\$ 474,698</u>	<u>\$ 24,077,456</u>	<u>\$ 15,995,699</u>
Total expenses					

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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. GOING CONCERN UNCERTAINTY

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

- Extended New York State's statute of limitations for child abuse claims;
- Allowed for criminal charges against abusers of children until their victims turn 28 years of age, vs. the previous law which provided that right up to age 23;
- Allowed for civil actions against abusers, and institutions where they were abused, until their victims turn 55; and
- Opened 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

As a result of the passage of the CVA, through the date these financial statements were available to be issued, the Diocesan Corporation along with other religious organizations and institutions have been named in over 400 CVA related claims which are being actively defended. Aggregate demands for damages from these claims cannot be estimated at this time. During the timeframe of the alleged abuses the Diocesan Corporation had a combination of commercial insurance coverage and self-insurance programs. At present, the Diocesan Corporation is not certain as to the amount of commercial coverage available to assist it in meeting its obligations for these matters but continues to work with its insurance carriers to resolve these claims. Accordingly, it is possible that the ultimate resolution of any litigation could have a material adverse impact on the Diocesan Corporation's results of operations, liquidity, and financial position. As noted further in Note 14, the Diocesan Corporation filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Northern District of New York.

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.

3. 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 of America.

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.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense category. 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, 2021, 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 those changes 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement – Definition and Hierarchy (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. The receivables net of allowance for doubtful accounts presented on the statement of financial position represent balances that are three years old or less. The allowance amounts are \$8,619,079 and \$6,869,914 as of June 30, 2022 and 2021, respectively.

Employee Retention Credit Receivables

Employee Retention Credits (ERC) were established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020 to help businesses retain employees. Eligible businesses, both for-profit and not-for-profit, that experienced a full or partial government-ordered suspension of operations or a "significant" decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. Employee Retention Credits are claimed primarily on federal payroll tax forms. The Diocesan Corporation has elected to record the ERC as a conditional contribution, and management believes the Diocesan Corporation met the requirements for recording revenue. The Diocesan Corporation has recorded amounts receivable of \$896,623 and \$0 as of June 30, 2022, and 2021, respectively. Management believes the full amount of the receivable is collectible and no allowance is deemed necessary. The amounts received are subject to audit by the Internal Revenue Service.

Insurance Recovery Receivables and Accrued Legal Settlements

As discussed in Note 2, the Diocesan Corporation has been named in several claims related to the CVA. The Diocesan Corporation has a combination of commercial insurance coverage and self-insurance programs that will cover a portion of the claims. The Diocesan Corporation has recorded insurance recovery receivables related to CVA claims of \$3,250,000 as of June 30, 2022. There were no insurance recovery receivables recorded as of June 30, 2021. The Diocesan Corporation incurred approximately \$1,465,000 in legal settlements during 2022 that was applied against existing accrued liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance Recovery Receivables and Accrued Legal Settlements (Continued)

The Diocesan Corporation's total expected legal liabilities related to the CVA cannot be estimated by management as of the date of this report. However certain claims can be reasonably estimated based upon court settlements. Management has recorded accrued legal settlements of \$6,030,000 and \$2,398,896 as of June 30, 2022 and 2021, respectively for these court settlements. The Diocesan Corporation incurred costs related to the CVA of \$6,659,917 and \$1,038,621 during 2022 and 2021, respectively, covering settlement, legal, and other related administrative costs.

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. Net assets without donor restrictions may be designated by the Diocesan Corporation for specific purposes.
- *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.

Revenue Recognition

Contributions, grants, and bequests are considered to be available for general use unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as contribution revenue with donor restrictions. Contributions, grants, and bequests that are unconditional are recognized as revenue in the period notified. Conditional promises to give or intentions to give, those with measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend on have been met. Unconditional promises to give expected to be collected in future years are recorded at a discounted present value of their estimated future cash flows using a risk-free rate applicable to the years in which the promises are received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

During fiscal year 2021, the Diocese set goals for each parish for the Diocesan Appeal. The Diocese accepted the amount that was raised by the parishes for the Appeal as their contribution to the Diocese and any amount received in excess of a parish's goal was rebated to the parish. For fiscal year 2022, the Diocese utilized an assessment method whereby parishes supported the Diocese through the payment of an annual assessment which was funded by amounts collected through the annual Diocesan Appeal. Parishes were required to make up any shortfall between what was collected through the Diocesan Appeal and the parish's assessment.

Revenue from Diocese insurance programs are for amounts billed by the Diocese to parishes, schools, and other Diocese related entities and include items such as medical, property, and other insurance are billed periodically and are recognized as revenue in the period billed.

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 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 Notes 5 and 11). 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.

Functional Allocation of Expenses

The costs of providing the Diocesan Corporation's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited. Expenses are allocated to program and supporting services directly based on where all time and efforts are made and benefit received.

4. 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.

4. LIQUIDITY (Continued)

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

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 2,793,578	\$ 2,738,994
Investments	15,035,022	17,120,921
Accounts receivable, net	6,158,477	1,255,351
Net depositor in Diocesan Investment and Loan Trust	<u>12,931,231</u>	<u>15,862,340</u>
 Total financial assets	 36,918,308	 36,977,606
 Less: those unavailable for general expenditures within one year, due to:		
Custodian funds held	(1,514,626)	(1,605,288)
Designations	(18,848,383)	(20,795,657)
Net assets with donor restrictions	<u>(9,690,560)</u>	<u>(11,962,335)</u>
 Financial assets available to meet cash need for general expenditure within one year	 <u>\$ 6,864,739</u>	 <u>\$ 2,614,326</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. Included within the board designations of \$18,848,383 and \$20,795,657 for the years ended December 31, 2022 and 2021, respectively, is amounts also pledged for a letter of credit with Trustco Bank for the benefit of the New York State Workers' Comp Board (See Note 13).

5. 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, 2022 and 2021. 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, 2022:				
U.S Government obligations	\$ -	\$ 1,103,288	\$ -	\$ 1,103,288
Corporate bonds	-	44,046	-	44,046
Mutual funds - equities	235,368	-	-	235,368
Common stocks	924,640	-	-	924,640
Money market funds	<u>4,499,977</u>	<u>-</u>	<u>-</u>	<u>4,499,977</u>
 Investments measured at fair value	 <u>\$ 5,659,985</u>	 <u>\$ 1,147,334</u>	 <u>\$ -</u>	 6,807,319
 Investments measured at net asset value				 <u>8,227,703</u>
				<u>\$15,035,022</u>

5. INVESTMENTS (Continued)

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
June 30, 2021:				
U.S Government obligations	\$ -	\$5,466,033	\$ -	\$ 5,466,033
Corporate bonds	-	69,079	-	69,079
Mutual funds - equities	1,442,993	-	-	1,442,993
Common stocks	8,041	-	-	8,041
Money market funds	161,128	-	-	161,128
Investments measured at fair value	<u>\$ 1,612,162</u>	<u>\$5,535,112</u>	<u>\$ -</u>	7,147,274
Investments measured at net asset value				<u>9,973,647</u>
				<u>\$17,120,921</u>

There were no changes in valuation techniques during 2022 and 2021.

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

	Fair Value <u>at 6/30/22</u>	Fair Value <u>at 6/30/21</u>	2021 Unfunded <u>Commitments</u>	2020 Unfunded <u>Commitments</u>	Redemption Frequency (if <u>currently eligible</u>)	Redemption <u>Notice Period</u>
Investments in an investment pool	<u>\$ 8,227,703</u>	<u>\$ 9,973,647</u>	<u>\$ -</u>	<u>\$ -</u>	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.

5. INVESTMENTS (Continued)

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.

There have been no changes to valuation techniques during 2022 and 2021.

Of the \$8,227,703 and \$9,973,647 included in the investment pool of the Foundation in 2022 and 2021, respectively, the Diocesan Corporation's restricted endowment is \$5,508,652 (see Note 8) as of June 30, 2022 and 2021.

6. 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 (the "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 \$12,931,231 and \$15,862,340 at June 30, 2022 and 2021, respectively. The Trust's investments consist of cash and cash equivalents, fixed income mutual funds, and equity mutual funds for both fiscal years 2022 and 2021, and are redeemable on a daily basis.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 70,590	\$ 70,590
Building and improvements	4,827,356	5,297,378
Property and equipment	1,024,036	1,035,154
Vehicles	<u>160,147</u>	<u>117,575</u>
	6,082,129	6,520,697
Less: Accumulated depreciation	<u>(4,695,934)</u>	<u>(4,613,717)</u>
	<u>\$ 1,386,195</u>	<u>\$ 1,906,980</u>

Depreciation expense of \$186,412 and \$201,482 was recorded during the years ended June 30, 2022 and 2021, respectively.

8. PAYMENT PROTECTION PROGRAM

In April 2020, the Diocesan Corporation entered into an arrangement with a bank under the auspices of the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief & Economic Security Act (CARES Act) under which the Organization received \$567,100.

This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Organization's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the Bank in accordance with the requirements of the PPP Program.

The Diocesan Corporation has elected to account for its PPP arrangement as a conditional contribution, meaning that revenue is recorded as the conditions meeting the requirements for forgiveness are met. As of June 30, 2021, the full amount of the contribution was recorded as deferred revenue. The revenue was recognized in fiscal year 2022 as the Diocesan Corporation received forgiveness for the full amount of the loan during October 2021. The revenue is included in other revenue on the statement of activities.

9. 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:

	<u>2022</u>	<u>2021</u>
Insurance	\$ 9,375,216	\$ 10,493,283
Diocesan initiatives	5,414,036	5,278,658
I&L Trust - Vogel estate	2,672,936	3,116,736
Buildings and equipment	<u>1,386,195</u>	<u>1,906,980</u>
	<u>\$ 18,848,383</u>	<u>\$ 20,795,657</u>

Net assets with donor restrictions as follows at June 30:

	<u>2022</u>	<u>2021</u>
Endowments:		
Diocesan	\$ 3,065,965	\$ 3,722,031
Faith Formation	3,620,091	4,341,267
Leadership	1,875,554	2,304,195
Seminary	641,350	1,089,069
Other	<u>487,600</u>	<u>505,773</u>
	<u>\$ 9,690,560</u>	<u>\$ 11,962,335</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.

9. NET ASSETS (Continued)

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. 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 (5.5% and 5.0% for 2022 and 2021, respectively). 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.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Diocesan Corporation to retain as a fund of perpetual duration. The Diocesan Corporation has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022 and 2021, there were no underwater endowments.

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.

9. NET ASSETS (Continued)

Return Objectives and Risk Parameters (Continued)

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.

Changes in endowment net assets for the year ended June 30, 2022 and 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets - July 1, 2020	\$ <u>9,877,085</u>
Investment return:	
Investment income	245,534
Net appreciation (realized and unrealized)	<u>1,908,833</u>
Total investment return	<u>2,154,367</u>
Contributions	-
Appropriation of assets for expenditure	<u>(574,890)</u>
Endowment net assets - June 30, 2021	\$ <u>11,456,562</u>
Investment return:	
Investment income	201,949
Net appreciation (realized and unrealized)	<u>(1,851,904)</u>
Total investment return	<u>(1,649,955)</u>
Contributions	-
Appropriation of assets for expenditure	<u>(603,647)</u>
Endowment net assets - June 30, 2022	<u>\$ 9,202,960</u>

At June 30, 2022 and 2021, no endowment balances were less than their original donated value.

10. 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.

10. CASUALTY AND LIABILITY INSURANCE PROGRAM (Continued)

The Diocesan Corporation has recorded a liability for estimated auto, general and workers compensation liability claims of \$3,993,886 and \$3,647,794 at June 30, 2022 and 2021, 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.

11. PENSION PLANS

Lay Pension Plan

The Diocesan Corporation participates in a contributory multi-employer non-qualified 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 2022 and 2021 was \$99,467 and \$130,174, respectively. The Diocesan Corporation's policy is to generally fund pension costs as costs accrue.

In addition, the Diocesan Corporation sponsors a contributory multi-employer non-qualified 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 2022 and 2021 was \$57,600 and \$33,600, 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.

12. 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 \$38,803 and \$39,107 for the years ended June 30, 2022 and 2021, respectively.

12. RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2021, the Diocesan Corporation has a promissory note receivable in the amount of \$105,206 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. The loan was paid in full during fiscal year 2022.

At June 30, 2022 and 2021, the Diocesan Corporation has a promissory note receivable in the amount of \$3,684,729, 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. The promissory note is considered to be past due and an allowance has been recorded in the amount of \$1,768,966 as of June 30, 2022. There was no allowance recorded as of June 30, 2021. The note receivable is presented on the statement of financial position net of the allowance. Additionally, the loan is on nonaccrual status as of June 30, 2022 and 2021.

As of June 30, 2022, and 2021, the Diocese provided \$1,078,308 of support to the Diocesan School Office.

Catholic Charities of the Diocese of Albany, Inc.

Accounts receivable due from Catholic Charities as of June 30, 2022 and 2021, was \$619 and \$31,015, respectively.

Catholic Charities Executive Office and Support Services operated in facilities rented from the Diocese. The Diocese received rent revenue of \$98,328 and \$93,513 for the years ended June 30, 2022, and 2021, respectively.

The Diocese provided \$714,057 of support to Catholic Charities during the years ended June 30, 2022, and 2021.

13. COMMITMENTS AND CONTINGENCIES

Letter of Credit

The Diocesan Corporation obtained a letter of credit for \$4,316,716 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 Trustco Bank in support of the letter of credit. Total amounts held on deposit with Trustco Bank are \$4,434,516 and \$4,437,479 as of June 30, 2022 and 2021, respectively. This letter of credit is scheduled to renew annually through 2022.

Unemployment Fund Trust

Assets held in a nondiscretionary multi-employer 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. Information as to the plan assets as they relate to Diocesan employees is not readily available.

13. COMMITMENTS AND CONTINGENCIES (Continued)

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. No adjustments have been made to the financial statements related to these matters.

St. Clare's Hospital

St. Clare's Hospital was a Catholic faith-based hospital in Schenectady, New York until its closing in June of 2008. A former Bishop of the Diocesan Corporation served as the volunteer Board Chairman of the Hospital until its closing. In 2019, former employees of St. Clare's Hospital commenced a lawsuit against the Diocesan Corporation, among others, asserting claims that the Diocesan Corporation violated alleged fiduciary and legal obligations related to a pension fund of St. Clare's Hospital and seeking damages of at least \$70 million. In May 2022, the New York State Attorney General commenced a lawsuit against the Diocesan Corporation asserting claims similar to those asserted in the pensioners' lawsuit. The pensioners' lawsuit and the Attorney General's action were subsequently consolidated for the purposes of discovery and trial and the action remains pending. The Diocesan Corporation has denied any liability for the actions of St. Clare's Hospital or the pension fund, and no adjustments have been made to the financial statements related to these claims.

Child Victim's Act

As discussed in Note 2, the Diocesan Corporation along with other religious organizations and institutions have been named in over 400 CVA related claims which are being actively defended. Aggregate demands for damages from these claims cannot be estimated at this time. As noted in Note 14, the Diocesan Corporation filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Northern District of New York. While it is anticipated the ultimate outcome of the Bankruptcy Court proceedings will have a material impact on the financial condition of the Diocesan Corporation, no adjustments have been made to the financial statements related to unsettled claims.

14. 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 February __, 2023, and subsequent events have been evaluated through that date.

Reorganization under Bankruptcy Proceedings

In March of 2023, the Diocesan Corporation filed petitions for relief under Chapter 11 of the federal Bankruptcy laws in the United States Bankruptcy Court for the Northern District of New York. This generally delays payment of liabilities incurred prior to filing those petitions while the Diocesan Corporation develops a plan of reorganization that is satisfactory to its creditors and allows it to continue as a going concern.

Under Chapter 11, certain claims against the Diocesan Corporation in existence before the filing of the petitions of relief under the federal bankruptcy laws are stayed while the Diocesan Corporation continues business operations as Debtor-in-possession. Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executory contracts, including leases, and from the determination of the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

SCHEDULES OF SOURCES AND USES - GENERAL FUND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE, GAINS, AND OTHER SUPPORT:		
Parish support and Bishop's Appeal	\$ 6,977,196	\$ 4,925,835
Legacies, bequests, and miscellaneous	1,431,451	2,118,497
Interest and dividend income	281,386	255,537
Net unrealized and realized (loss) gain on investments	(102,660)	114,149
Contributions from Roman Catholic Diocesan Cemeteries	75,000	70,000
Administrative fees, transfers, and other	<u>3,397,888</u>	<u>1,675,086</u>
 Total revenue, gains, and other support	 <u>12,060,261</u>	 <u>9,159,104</u>
EXPENSES:		
Seminary -		
Vocations office/program	1,404,069	93,039
Education and formation	<u>-</u>	<u>1,588,358</u>
 Total seminary expenses	 <u>1,404,069</u>	 <u>1,681,397</u>
Pastoral -		
Apostolate and ethnic ministries	87,393	74,703
Campus ministry and other	74,330	81,527
Catholic media	182,587	171,066
Ecumenical commission	13,147	18,700
Leadership development	256,800	214,000
Parish convening	4	90
Pastoral health care	62,654	58,479
Pastoral planning	136,127	135,705
Prayer and worship	128,451	175,864
Scouting	1,355	448
Tribunal	229,145	205,195
Youth recreation	<u>10,729</u>	<u>7,346</u>
 Total pastoral expenses	 <u>1,182,722</u>	 <u>1,143,123</u>
Religious personnel development -		
Clergy benefits and retirement	431,457	381,249
Consultation services	113,130	78,775
Initial ongoing formation	516,272	411,051
Permanent diaconate	22,547	30,507
Vicar for clergy	(9,431)	52,779
Vicar for religious	<u>52</u>	<u>45</u>
 Total religious personnel development	 <u>1,074,027</u>	 <u>954,406</u>

(Continued)

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

**SCHEDULES OF SOURCES AND USES - GENERAL FUND (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Education -		
Diocesan school office	1,078,308	1,078,308
Evangelization and Catechesis	<u>313,086</u>	<u>291,326</u>
Total education	<u>1,391,394</u>	<u>1,369,634</u>
Health and social service -		
Health and social services	675,202	660,077
Human development	<u>24,585</u>	<u>24,585</u>
Total health and social services	<u>699,787</u>	<u>684,662</u>
Administration -		
Administrative expenses	3,204	-
Architecture and building commission	91,688	95,981
Archives	56,642	51,664
Bishop's charity account	8,454	9,975
Building and property expense	673,588	474,683
Cathedral	215,693	214,695
Chancery operations	1,536,028	1,233,050
Bishop's appeal/stewardship	474,698	415,000
Holy Father	79,411	77,136
Information resources	255,174	443,683
Investment advisory fee and bank service charges	2,046	1,839
NYS Catholic Conference	55,303	58,334
Office of human resources	249,155	240,578
Professional fees	385,545	386,313
U.S. Catholic Conference	76,764	78,274
Provision for doubtful receivables	<u>2,369,500</u>	<u>55,154</u>
Total administration	<u>6,532,893</u>	<u>3,836,359</u>
Capital purchases (sales)	<u>(393,549)</u>	<u>22,073</u>
Total expenses	<u>11,891,343</u>	<u>9,691,654</u>
Net surplus (deficit)	<u>\$ 168,918</u>	<u>\$ (532,550)</u>

The accompanying notes are an integral part of this schedule.