

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

**Financial Statements as of
June 30, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 9, 2022

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 36% of total assets and 45% of net assets of the Diocesan Corporation at June 30, 2021. 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.

(Continued)

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INDEPENDENT AUDITOR'S REPORT

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note 12 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 2021 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 2021 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 2020 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 2020 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 2020 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals For 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,738,994	\$ 2,352,260
Investments	17,120,921	15,144,005
Accounts receivable, net	1,790,813	1,564,497
Net depositor in Diocesan Investment and Loan Trust	15,862,340	18,034,720
Prepaid expenses and other assets	906,275	748,549
Notes receivable	3,789,935	3,918,736
Property and equipment, net	<u>1,906,980</u>	<u>2,086,355</u>
Total assets	<u>\$ 44,116,258</u>	<u>\$ 43,849,122</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,954,361	\$ 6,964,912
Deferred revenue -		
Paycheck Protection Program	567,100	567,100
Diocesan Appeal	-	36,579
Leadership grant	42,800	-
Youth ministry - NCYC	5,625	-
National collections	32,664	61,268
Custodian funds held	<u>1,605,288</u>	<u>1,534,693</u>
Total liabilities	<u>9,207,838</u>	<u>9,164,552</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	2,150,428	2,994,853
Designated	<u>20,795,657</u>	<u>21,234,398</u>
Total net assets without donor restrictions	22,946,085	24,229,251
Net assets with donor restrictions	<u>11,962,335</u>	<u>10,455,319</u>
Total net assets	<u>34,908,420</u>	<u>34,684,570</u>
	<u>\$ 44,116,258</u>	<u>\$ 43,849,122</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, 2021

(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
REVENUE, GAINS, AND OTHER SUPPORT:				
Parish support and Diocesan Appeal	\$ 4,925,835	\$ -	\$ 4,925,835	\$ 6,415,889
Insurance premiums	5,362,492	-	5,362,492	5,253,482
Legacies, bequests, and miscellaneous	2,118,497	-	2,118,497	561,773
Other revenue	1,276,383	-	1,276,383	1,178,879
Interest and dividend income	386,103	185,686	571,789	871,489
Contributions from Roman Catholic				
Diocesan Cemeteries	70,000	-	70,000	60,000
Net gains on investments	249,155	2,083,028	2,332,183	960,667
Net assets released from restrictions	761,698	(761,698)	-	-
	<u>15,150,163</u>	<u>1,507,016</u>	<u>16,657,179</u>	<u>15,302,179</u>
EXPENSES:				
Insurance programs -				
Operating expenditures:				
Property and liability	5,148,633	-	5,148,633	3,740,097
Health	462,260	-	462,260	423,505
Bad debts	484,561	-	484,561	1,179,745
	<u>6,095,454</u>	<u>-</u>	<u>6,095,454</u>	<u>5,343,347</u>
Administration	4,505,283	-	4,505,283	4,839,141
Education	1,369,671	-	1,369,671	1,373,874
Pastoral	1,142,837	-	1,142,837	970,513
Health and social services	684,662	-	684,662	771,636
Religious personal development	954,405	-	954,405	812,758
Seminary	1,681,017	-	1,681,017	1,304,860
	<u>16,433,329</u>	<u>-</u>	<u>16,433,329</u>	<u>15,416,129</u>
CHANGE IN NET ASSETS	(1,283,166)	1,507,016	223,850	(113,950)
NET ASSETS - beginning of year	<u>24,229,251</u>	<u>10,455,319</u>	<u>34,684,570</u>	<u>34,798,520</u>
NET ASSETS - end of year	<u>\$ 22,946,085</u>	<u>\$ 11,962,335</u>	<u>\$ 34,908,420</u>	<u>\$ 34,684,570</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, 2021 (With Comparative Totals For 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 223,850	\$ (113,950)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	201,482	212,810
Loss on disposal of equipment	116	16,462
Realized and unrealized gains on investments, net	(2,332,183)	(960,667)
Bad debt expense	543,599	1,179,995
Changes in:		
Accounts receivable	(769,915)	(1,312,780)
Prepaid expenses and other assets	(157,726)	64,125
Notes receivable	128,801	122,011
Accounts payable and accrued expenses	(10,551)	(65,633)
Deferred revenue	(16,758)	349,003
Custodian funds held	<u>70,595</u>	<u>(231,808)</u>
Net cash flow from operating activities	<u>(2,118,690)</u>	<u>(740,432)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,223)	(109,575)
Purchases of investment securities	(579,314)	(2,827,613)
Proceeds from sales and maturities of investment securities	934,581	1,402,553
Change in interest in Diocesan Investment and Loan Trust	<u>2,172,380</u>	<u>1,854,878</u>
Net cash flow from investing activities	<u>2,505,424</u>	<u>320,243</u>
CHANGE IN CASH AND CASH EQUIVALENTS	386,734	(420,189)
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,352,260</u>	<u>2,772,449</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,738,994</u>	<u>\$ 2,352,260</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, 2021**
(With Comparative Totals for 2020)

	Program <u>Services</u>	Management and General	<u>Fundraising</u>	Total <u>2021</u>	Total <u>2020</u>
EXPENSES:					
Insurance claims	\$ 3,441,356	\$ -	\$ -	\$ 3,441,356	\$ 2,658,307
Salaries	1,425,911	1,565,468	189,744	3,181,123	3,501,211
Professional fees	2,031,831	503,776	15,055	2,550,662	1,694,646
Allocations and assessments	1,809,997	391,858	-	2,201,855	2,033,717
Benefits and pensions	1,129,584	308,743	24,573	1,462,900	1,371,954
Education	1,425,275	4,314	-	1,429,589	1,064,451
Other	15,851	402,311	170,354	588,516	541,997
Bad debts	484,561	59,038	-	543,599	1,179,995
Repairs and maintenance	53,895	213,109	91	267,095	563,190
Payroll taxes	87,368	111,504	14,183	213,055	242,025
Depreciation	-	201,482	-	201,482	212,810
Property insurance and taxes	6,505	184,457	-	190,962	200,462
Utilities	16,914	144,221	-	161,135	151,364
	<u>\$ 11,929,048</u>	<u>\$ 4,090,281</u>	<u>\$ 414,000</u>	<u>\$ 16,433,329</u>	<u>\$ 15,416,129</u>
Total expenses					

The accompanying notes are an integral part of these statements.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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.

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, 2020, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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. The Diocesan Corporation does not have any Level 3 investments as of June 30, 2021 and 2020.

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 \$6,869,914 and \$6,339,487 as of June 30, 2021 and 2020, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- *Designated Net Assets* - Unrestricted assets which have been designated for a particular purpose by the Diocesan Corporation are recorded as designated net assets without restrictions in the financial statements.
- *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.

Expenses are generally reported as decreases in net assets without donor restrictions. 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

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.

For fiscal years prior to 2020, parishes supported the Diocese through the payment of an annual assessment which was funded by amounts collected through the annual Bishop's Appeal. Parishes were required to make up any shortfall between what was collected through the Bishop's Appeal and the parish's assessment.

Beginning with the fiscal year 2020, the Diocese discontinued assessing parishes and instead set goals for each parish for the Diocesan (formerly Bishop's) Appeal. The Diocese accepted the amount that was raised by the parishes for the Appeal as their contribution to the Diocese.

For fiscal year 2020, any amount raised in excess of a parish's goal was shared equally between the parish and the Diocese. For fiscal year 2021, any amount received in excess of a parish's goal was rebated to the parish.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

For fiscal years prior to 2021, the Appeal year ran from April to March. Beginning in fiscal year 2021, the Appeal year was changed to run from July through June.

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.

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.

3. 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>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 2,738,994	\$ 2,352,260
Investments	17,120,921	15,144,005
Accounts receivable, net	1,790,813	1,564,497
Net depositor in Diocesan Investment and Loan Trust	<u>15,862,340</u>	<u>18,034,720</u>
 Total financial assets	 37,513,068	 37,095,482
 Less: those unavailable for general expenditures within one year, due to:		
Custodian funds held	(1,605,288)	(1,534,693)
Designations	(20,795,657)	(21,234,398)
Net assets with donor restrictions	<u>(11,962,335)</u>	<u>(10,455,319)</u>
 Financial assets available to meet cash need for general expenditure within one year	 <u>\$ 3,149,788</u>	 <u>\$ 3,871,072</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, 2021 and 2020. 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, 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	<u>161,128</u>	<u>-</u>	<u>-</u>	<u>161,128</u>
 Investments measured at fair value	 <u>\$ 1,612,162</u>	 <u>\$5,535,112</u>	 <u>\$ -</u>	 <u>7,147,274</u>
 Investments measured at net asset value				 <u>9,973,647</u>
				<u>\$17,120,921</u>

4. INVESTMENTS (Continued)

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
June 30, 2020:				
U.S. Government obligations	\$ -	\$5,311,141	\$ -	\$ 5,311,141
Corporate bonds	-	60,654	-	60,654
Mutual funds - equities	1,286,594	-	-	1,286,594
Common stocks	7,851	-	-	7,851
Money market funds	<u>140,902</u>	<u>-</u>	<u>-</u>	<u>140,902</u>
Investments measured at fair value	<u>\$ 1,435,347</u>	<u>\$5,371,795</u>	<u>\$ -</u>	6,807,142
Investments measured at net asset value				<u>8,336,863</u>
				<u>\$15,144,005</u>

There were no changes in valuation techniques during 2021 and 2020.

The following investments are valued at net asset values per share (unitized basis) as of June 30, 2021 and 2020:

	Fair Value <u>at 6/30/21</u>	Fair Value <u>at 6/30/20</u>	2020 Unfunded <u>Commitments</u>	2019 Unfunded <u>Commitments</u>	Redemption Frequency (if <u>currently eligible</u>)	Redemption <u>Notice Period</u>
Investments in an investment pool	<u>\$ 9,973,647</u>	<u>\$ 8,336,863</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.

4. 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 2021 and 2020.

Of the \$9,973,647 and \$8,336,863 included in the investment pool of the Foundation in 2021 and 2020, respectively, the Diocesan Corporation's restricted endowment is \$5,508,652 (see Note 8) as of June 30, 2021 and 2020.

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 (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 \$15,862,340 and \$18,034,720 at June 30, 2021 and 2020, respectively. The Trust's investments consist of cash and cash equivalents, fixed income mutual funds, and equity mutual funds for both fiscal years 2021 and 2020, and are redeemable on a daily basis.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 70,590	\$ 70,590
Building and improvements	5,297,378	5,297,232
Property and equipment	1,035,154	1,029,082
Vehicles	<u>117,575</u>	<u>117,571</u>
	6,520,697	6,514,475
Less: Accumulated depreciation	<u>(4,613,717)</u>	<u>(4,428,120)</u>
	<u>\$ 1,906,980</u>	<u>\$ 2,086,355</u>

Depreciation expense of \$201,482 and \$212,810 was recorded during the years ended June 30, 2021 and 2020, respectively.

7. PAYMENT PROTECTION PROGRAM

In April 2020, the Diocese 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 Diocese 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 has been recorded as deferred revenue and will be recognized as revenue in fiscal year 2022 as the Diocese received forgiveness for the full amount of the loan during October 2021.

8. 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>2021</u>	<u>2020</u>
Insurance	\$ 10,493,283	\$ 11,065,537
Diocesan initiatives	5,278,658	4,996,743
I&L Trust - Vogel estate	3,116,736	3,085,763
Buildings and equipment	<u>1,906,980</u>	<u>2,086,355</u>
	<u>\$ 20,795,657</u>	<u>\$ 21,234,398</u>

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

	<u>2021</u>	<u>2020</u>
Endowments:		
Diocesan	\$ 3,722,031	\$ 3,108,452
Faith Formation	4,341,267	3,727,767
Leadership	2,304,195	2,028,340
Seminary	1,089,069	1,012,526
Other	<u>505,773</u>	<u>578,234</u>
	<u>\$ 11,962,335</u>	<u>\$ 10,455,319</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.

8. 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 (5.0% and 4.5% for 2021 and 2020, 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.

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.

8. NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2021 and 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets - July 1, 2019	\$ <u>9,488,991</u>
Investment return:	
Investment income	234,424
Net appreciation (realized and unrealized)	<u>550,319</u>
Total investment return	<u>784,743</u>
Contributions	-
Appropriation of assets for expenditure	<u>(396,649)</u>
Endowment net assets - June 30, 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>

At June 30, 2021 and 2020, no endowment balances were less than their original donated value.

9. 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 \$3,647,794 and \$3,411,033 at June 30, 2021 and 2020, 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.

10. 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 2021 and 2020 was \$130,174 and \$116,973, 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 2021 and 2020 was \$33,600 and \$39,600, 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.

11. 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 \$39,107 and \$46,696 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, the Diocesan Corporation has a promissory note receivable in the amount of \$105,206 and \$234,007 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 is scheduled to be repaid during the next fiscal year. This note receivable is included in prepaid expenses and other assets in the accompanying financial statements.

11. RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2021 and 2020, 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.

As of June 30, 2021, and 2020, the Diocese provided \$1,078,308 and \$1,095,596 of support to the Diocesan School Office, respectively.

Catholic Charities of the Diocese of Albany, Inc.

Accounts receivable due from Catholic Charities as of June 30, 2021, was \$31,015. There were no amounts receivable as of June 30, 2020.

Catholic Charities Executive Office and Support Services operated in facilities rented from the Diocese. The Diocese received rent revenue of \$93,513 and \$89,991 for the years ended June 30, 2021, and 2020, respectively.

The Diocese provided \$714,057 and \$817,887 of support to Catholic Charities during the years ended June 30, 2021, and 2020, respectively.

12. 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. This letter of credit is scheduled to renew annually through 2022.

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.

12. COMMITMENTS AND CONTINGENCIES (Continued)

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
- opened a one-year window beginning on August 14, 2019, which was extended one year to August 14, 2021, 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 of this report, the Diocese 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 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.

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.

COVID-19

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.

13. 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 9, 2022, and subsequent events have been evaluated through that date.

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

SCHEDULES OF SOURCES AND USES - GENERAL FUND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE, GAINS, AND OTHER SUPPORT:		
Parish support and Bishop's Appeal	\$ 4,925,835	\$ 6,415,890
Legacies, bequests, and miscellaneous	2,118,497	557,870
Interest and dividend income	255,537	352,469
Net unrealized and realized gains/(loss) on investments	114,149	42,395
Contributions from Roman Catholic Diocesan Cemeteries	70,000	60,000
Administrative fees, transfers, and other	<u>1,675,086</u>	<u>1,425,566</u>
 Total revenue, gains, and other support	 <u>9,159,104</u>	 <u>8,854,190</u>
EXPENSES:		
Seminary -		
Vocations office/program	93,039	69,905
Education and formation	<u>1,588,358</u>	<u>1,235,264</u>
 Total seminary expenses	 <u>1,681,397</u>	 <u>1,305,169</u>
Pastoral -		
Apostolate and ethnic ministries	74,453	94,905
Campus ministry and other	81,491	128,476
Catholic media	171,066	206,222
Ecumenical commission	18,700	17,847
Leadership development	214,000	-
Parish convening	90	6
Pastoral council	-	138
Pastoral health care	58,479	63,479
Pastoral planning	135,705	83,567
Prayer and worship	175,864	223,667
Scouting	448	1,889
Tribunal	205,195	141,729
Youth recreation	<u>7,346</u>	<u>8,588</u>
 Total pastoral expenses	 <u>1,142,837</u>	 <u>970,513</u>
Religious personnel development -		
Clergy benefits and retirement	381,249	269,078
Consultation services	78,775	38,479
Initial ongoing formation	411,051	409,240
Permanent diaconate	30,507	40,945
Vicar for clergy	52,779	54,988
Vicar for religious	<u>45</u>	<u>28</u>
 Total religious personnel development	 <u>954,406</u>	 <u>812,758</u>

(Continued)

THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK

SCHEDULES OF SOURCES AND USES - GENERAL FUND (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Education -		
Diocesan school office	1,078,308	1,095,596
Evangelization and Catechesis	<u>291,362</u>	<u>278,277</u>
Total education	<u>1,369,670</u>	<u>1,373,873</u>
Health and social service -		
Health and social services	660,077	736,963
Human development	<u>24,585</u>	<u>34,673</u>
Total health and social services	<u>684,662</u>	<u>771,636</u>
Administration -		
Architecture and building commission	95,981	99,989
Archives	51,664	38,012
Bishop's charity account	9,975	12,609
Building and property expense	474,683	920,219
Cathedral	214,695	214,695
Chancery operations	1,233,050	1,215,745
Bishop's appeal/stewardship	415,000	429,586
Holy Father	77,136	77,848
Information resources	443,683	519,611
Investment advisory fee and bank service charges	1,839	1,592
NYS Catholic conference	58,334	60,543
Office of human resources	240,578	235,187
Professional fees	386,313	364,877
U.S. Catholic Conference	78,274	77,181
Provision for doubtful receivables	<u>55,154</u>	<u>-</u>
Total administration	<u>3,836,359</u>	<u>4,267,694</u>
Capital purchases	<u>22,073</u>	<u>75,920</u>
Total expenses	<u>9,691,404</u>	<u>9,577,563</u>
Net (deficit) surplus	<u>\$ (532,300)</u>	<u>\$ (723,373)</u>

The accompanying notes are an integral part of this schedule.