



February 20, 2020

Dear Brothers and Sisters in Christ,

I want to thank you for your continued financial support to your parish and our Diocese. On the following pages you will find the audited financial statements of the Administrative Offices of the Diocese of Scranton for the 2018-2019 fiscal year.

In presenting this information to you, I once again pledge both accountability and transparency. While this has been a challenging year for our local Church, we continue to spread the good news of our Lord, serve and care for thousands of our neighbors in need through the tremendous work of Catholic Social Services, and educate nearly 5,000 students in our 20 Catholic schools and 17,000 children in parish-based programs. Our work cannot continue without your prayers and support.

As many of you are aware, in January 2019, the Diocese of Scranton launched its Independent Survivors Compensation Program to provide support and healing to survivors of sexual abuse. This fund is administered by a third party with an independent oversight committee. As you will see in the accompanying report, through June 30, 2019, a total of \$5.3 million was paid to survivors. In addition, another \$20 million was accrued for expected payments. The legal fees related to the compensation program and the Pennsylvania Grand Jury investigation for this period were \$1.2 million.

While claims continue to be processed at this time, the Diocese has funded and expects to fund most of these costs from the sale of its three long-term care facilities: Little Flower Manor, Saint Luke's Villa and Saint Therese Residence. Since the sale closed in September 2019, the transaction is not reflected in the statement of operations for this fiscal period. While the decision to sell these facilities was not easy, discussions regarding a potential sale began in 2015, long before the Grand Jury investigation. The current and ever-changing state of the healthcare industry was the precipitating factor for those discussions.

I want to re-assure you that no money from the Diocesan Annual Appeal is used to pay for any part of the Independent Survivors Compensation Program. Your appeal gifts only support ministry operations and no appeal funds were, are, or will ever be used for legal expenses or settlements.

Just like other agencies, the Diocese itself has worked to reduce its overall operating budget. As leadership does annually, officials have taken a long, hard look at their individual budgets to make sure all appropriate savings can be made and our finance department continues to look at all revenue enhancing opportunities as appropriate.

I am most grateful for the ministry of our priests, deacons, religious and lay faithful who work each day on behalf of our local Church. Because of your continued support to parishes and the Diocesan Annual Appeal, along with your willingness to give back to God for all that you have been given, we are able to make Christ present every day to the people of northeastern and north central Pennsylvania.

May God continue to bless you and your families.

Sincerely yours in Christ,

+ Joseph C. Bambera

Most Reverend Joseph C. Bambera, D.D., J.C.L.
Bishop of Scranton

ROMAN CATHOLIC DIOCESE OF SCRANTON
DIOCESAN ADMINISTRATIVE OFFICES

2018-2019 FISCAL REPORT HIGHLIGHTS

General

- As in previous years, the financial statements of the Diocesan Administrative Offices of the Diocese of Scranton have been independently audited. The report of the independent auditor, McGrail Merkel Quinn & Associates, P.C., Certified Public Accounts, present fairly the financial position and the related statements of activities and cash flows of the Diocese as of June 30, 2019 and 2018.
- The financial statements include activities related to the Diocesan Administrative Offices, not activities related to Catholic Social Services and the Diocesan School System. These organizations are audited separately. The statements also do not include parish activities.
- For the 2018-2019 fiscal year, the Diocese had a loss from operations in the amount of \$27,644,389. The contributing factor for the loss was the payments made under the Diocese of Scranton Independent Survivors Compensation Program. The Diocese plans to fund the compensation program through the sale of its three long-term care facilities.

Income

- Diocesan Annual Appeal revenues were down approximately \$1,000,000. The decrease meant ministries supported by the Appeal received less funding for 2019-2020. The 2018 Diocesan Annual Appeal launched on the heels of the Pennsylvania Grand Jury Report.
- There were fewer bequests during this fiscal year. That, coupled with gifts received in 2018 primarily for the renovations at the Cathedral of Saint Peter in Scranton, resulted in a reduction of approximately \$2.2 million over the prior financial period.
- Net realized gain on the sale of investments increased \$1,500,000. This represents gains realized due to a continued strong financial market.

Expenses

- Pastoral care expenses were down \$700,000. This was due to a large decrease in rehab fees for members of the clergy, a significant decrease in the amount accrued for clergy postretirement costs and a significant decrease in clergy medical assistance and maintenance costs.
- Community and Social Service costs decreased \$2,373,000. This was due funds advanced for the Cathedral renovations in the 2018 fiscal period.
- Administrative costs increased \$30,424,000. This, as noted in Bishop Bambera's letter, is due to payments made to survivors of sexual abuse and legal fees related to the Independent Survivors Compensation Program. The Diocese plans to fund the compensation program through the sale of its three long-term care facilities.

-Robert J. Miller, Chief Financial Officer

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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McGrail Merkel Quinn & Associates, P.C.
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Independent Auditor's Report

Most Reverend Joseph C. Bambera, D.D., J.C.L.
Bishop of Scranton
Diocese of Scranton
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Diocesan Administrative Offices of the Diocese of Scranton which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Most Reverend Joseph C. Bambera, D.D., J.C.L.
Bishop of Scranton
Diocese of Scranton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocesan Administrative Offices of the Diocese of Scranton as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of July 1, 2018, the Diocesan Administrative Offices of the Diocese of Scranton adopted new accounting guidance in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules 1 to 5 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 information has been subjected to the auditing procedures applied in the audits 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.

Mc Nail, Merkel, Quinn
+ Associates, P.C.

Scranton, Pennsylvania
December 23, 2019

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 8,163,229	\$ 8,072,513
Certificates of deposit	1,922,000	2,183,000
Accounts receivable, less allowance for doubtful accounts of \$3,787,193 in 2019 and \$3,276,964 in 2018	5,166,973	4,378,333
Accrued interest receivable	126,207	83,331
Contributions receivable	863,450	1,171,014
Due from Catholic Cemeteries	396,313	161,444
Prepaid expense	357,705	509,503
Cash subject to program restrictions	5,239,905	5,291,485
Notes and loans receivable	3,352,440	3,518,184
Investments	55,891,370	60,344,777
Land, buildings and equipment, net	6,189,583	6,372,854
Other assets	418,590	366,425
	<u> </u>	<u> </u>
Total assets	<u>\$ 88,087,765</u>	<u>\$ 92,452,863</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 481,692	\$ 753,035
Custodial funds payable	609,784	508,684
Accrued interest expense	301,298	205,273
Contributions payable	670,571	2,258,178
Scholarships payable	694,150	844,918
Liability for pension benefits	10,246,332	9,641,262
Accrued claim expense	2,921,941	2,003,342
Accrued Independent Survivors Compensation Program	20,000,000	-
Accrued postretirement benefit obligation	10,247,938	10,131,682
Loans payable	8,352,440	3,518,184
Due to Diocese of Scranton Institute	22,982,170	23,093,504
Funds on deposit		
Catholic Cemeteries Perpetual Care and other funds	18,011,481	17,931,914
Other Diocesan organizations Perpetual Care	12,664,635	12,590,054
Total liabilities	<u>108,184,432</u>	<u>83,480,030</u>
Net assets		
Without donor restrictions	(27,730,374)	1,446,572
With donor restrictions	<u>7,633,707</u>	<u>7,526,261</u>
Total net assets	<u>(20,096,667)</u>	<u>8,972,833</u>
Total liabilities and net assets	<u>\$ 88,087,765</u>	<u>\$ 92,452,863</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Parish assessments						
Diocesan	\$ 4,416,560	\$ -	\$ 4,416,560	\$ 4,506,163	\$ -	\$ 4,506,163
Clergy Care and Wellness	956,368	-	956,368	952,575	-	952,575
Intra-Diocesan billings						
Self-insurance premiums - General	4,042,876	-	4,042,876	3,907,331	-	3,907,331
Self-insurance premiums - Medical	8,838,357	-	8,838,357	9,247,045	-	9,247,045
Clergy benefit programs	2,261,976	-	2,261,976	2,433,088	-	2,433,088
Diocesan Program Revenues -						
Schedule 1	618,230	-	618,230	693,222	-	693,222
Diocesan Annual Appeal	-	3,706,473	3,706,473	-	4,750,437	4,750,437
Special collections	-	36,007	36,007	-	26,173	26,173
Donations and bequests	465,925	109,646	575,571	2,623,359	152,698	2,776,057
Scholarship Foundation contributions	-	739,290	739,290	-	770,914	770,914
Custodial receipts						
National collections	-	535,461	535,461	-	1,444,752	1,444,752
Unemployment	216,462	-	216,462	379,457	-	379,457
Called to Holiness transfers	156,801	-	156,801	4,644	-	4,644
Propagation collections	410,708	-	410,708	282,439	-	282,439
Other revenue	224,095	-	224,095	118,970	-	118,970
Investment income, net	1,102,831	171,864	1,274,695	915,571	116,393	1,031,964
Net realized gain on sale of investments	2,514,222	-	2,514,222	1,285,428	-	1,285,428
Net realized gain on sale of property	36,033	-	36,033	-	-	-
Net assets released from restrictions (Note 6):						
Satisfaction of program restrictions	5,191,295	(5,191,295)	-	7,286,090	(7,286,090)	-
 Total revenues, gains and other support	 \$ 31,452,739	 \$ 107,446	 \$ 31,560,185	 \$ 34,635,382	 \$ (24,723)	 \$ 34,610,659

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF ACTIVITIES - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Total revenues, gains and other support - carried forward	\$ 31,452,739	\$ 107,446	\$ 31,560,185	\$ 34,635,382	\$ (24,723)	\$ 34,610,659
Expenses						
Pastoral - <u>Schedule 2</u>	6,939,116	-	6,939,116	7,638,342	-	7,638,342
Educational - <u>Schedule 3</u>	2,920,246	-	2,920,246	2,846,563	-	2,846,563
Community and Social Service - <u>Schedule 4</u>	2,010,719	-	2,010,719	4,384,026	-	4,384,026
Administrative - <u>Schedule 5</u>	45,453,079	-	45,453,079	15,029,317	-	15,029,317
Called to Holiness transfers	321,246	-	321,246	4,960	-	4,960
Custodial disbursements						
National collections	535,461	-	535,461	1,444,752	-	1,444,752
Unemployment	186,951	-	186,951	149,936	-	149,936
Interest expense	837,756	-	837,756	644,770	-	644,770
Total expenses	59,204,574	-	59,204,574	32,142,666	-	32,142,666
(Deficiency) excess of revenues over expenses	(27,751,835)	107,446	(27,644,389)	2,492,716	(24,723)	2,467,993
Other changes						
Provision for bad debt	(689,621)	-	(689,621)	(526,863)	-	(526,863)
Pension-related changes other than net periodic pension cost	(691,360)	-	(691,360)	2,130,654	-	2,130,654
Transfer to lay pension plan	(622,738)	-	(622,738)	(1,972,948)	-	(1,972,948)
Change in net unrealized gains and losses on investments	578,608	-	578,608	1,487,036	-	1,487,036
(Decrease) increase in net assets	(29,176,946)	107,446	(29,069,500)	3,610,595	(24,723)	3,585,872
Net assets, beginning	1,446,572	7,526,261	8,972,833	(2,164,023)	7,550,984	5,386,961
Net assets, ending	\$ (27,730,374)	\$ 7,633,707	\$ (20,096,667)	\$ 1,446,572	\$ 7,526,261	\$ 8,972,833

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
(Decrease) increase in net assets	\$ (29,069,500)	\$ 3,585,872
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	(2,514,222)	(1,285,428)
Net unrealized gain on investments	(578,608)	(1,487,036)
Net realized gain on sale of property	(36,033)	-
(Accretion) amortization on investments	(50,222)	2,062
Depreciation expense	372,611	372,590
Provision for bad debt	689,621	526,863
Increase in accounts receivable	(1,478,261)	(1,127,663)
(Increase) decrease in accrued interest receivable	(42,876)	20,674
Decrease (increase) in contributions receivable	307,564	(1,101,729)
Increase in due from Catholic Cemeteries	(234,869)	(86,406)
Decrease in prepaid expense	151,798	176,700
(Increase) decrease in other assets	(52,165)	197,550
(Decrease) increase in accounts payable	(271,343)	33,116
Increase (decrease) in custodial funds payable	101,100	(174,578)
Increase in accrued interest expense	96,025	55,589
(Decrease) increase in contributions and scholarships payab	(1,738,375)	52,828
Increase (decrease) in liability for pension benefits	605,070	(1,362,314)
Increase (decrease) in accrued claim expense	918,599	(91,745)
Increase in accrued Independent Survivors Compensation Program	20,000,000	-
Increase (decrease) in accrued postretirement benefit obligation	116,256	(920,765)
(Decrease) increase in due to Diocese of Scranton Institute	(111,334)	689,170
Contributions and interest restricted for long-term investment	(8,258)	(6,997)
Net cash used in operating activities	<u>(12,827,422)</u>	<u>(1,931,647)</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Investing activities		
Change in restricted cash	\$ 43,322	\$ 29,102
Purchase of fixed assets	(205,529)	(147,200)
Proceeds from sale of property	52,222	-
Principal collected-loans receivable	165,744	160,784
Purchase of investments	(30,827,448)	(29,575,152)
Proceeds from sale of investments	38,693,165	32,957,052
Net cash provided by investing activities	<u>7,921,476</u>	<u>3,424,586</u>
Financing activities		
Proceeds from interest and contributions		
restricted for:		
Investment in endowment	8,258	6,997
Proceeds from loan	5,000,000	-
Principal payments on loan	(165,744)	(160,784)
Funds on deposit		
Additions	180,748	578,414
Withdrawals	(26,600)	(20,541)
Net cash provided by financing activities	<u>4,996,662</u>	<u>404,086</u>
Net increase in cash	90,716	1,897,025
Cash and equivalents, beginning	<u>8,072,513</u>	<u>6,175,488</u>
Cash and equivalents, ending	<u>\$ 8,163,229</u>	<u>\$ 8,072,513</u>

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements are limited to reporting financial transactions of the Diocesan Administrative Offices of the Diocese of Scranton (the Diocese). Other organizations, which are owned and operated by the Diocese of Scranton and maintained separately from the Administrative Offices, are not reported on in these financial statements, including Little Flower Manor, Catholic Schools, Catholic Youth Center, Catholic Social Services, Diocese of Scranton Institute and other Diocesan service organizations. These statements also exclude the financial transactions of the parishes and the Diocesan and parish cemeteries.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles; the more significant of which are described below.

Use of Estimates

The preparation of financial statements in conformity with 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.

Public Support and Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same year as received or earned are reported as revenues without donor restrictions. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Endowment contributions and investments are restricted by the donor in perpetuity. Investment earnings that are available to be distributed are recorded as support with donor restrictions.

Accounts Receivable

Accounts receivable consists of assessments billed to parishes and other Diocesan organizations for insurance, priests' pension and health insurance and Diocesan programs and operations. Based on management's evaluation of collectibility, the Diocese has established an allowance for uncollectible accounts.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported in the Statements of Activities as increases or decreases in net assets without donor restrictions unless the income is restricted by donor or law.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost less accumulated depreciation. Donations of land, buildings or equipment are recorded at estimated fair value and are included in support unless restricted to a specific purpose. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Depreciation is computed on the straight-line method over the estimated useful lives of assets.

Long-Lived Assets

The Diocese reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

Contributions Payable

Contributions made and unconditional promises to make future contributions to other organizations are recognized when made or the promise conveyed. Contributions payable over more than one year are recorded at their discounted present value. Changes in discounts are recognized over the period of the promise as adjustments to contributions expense.

Excess of Revenues Over Expenses

The Statements of Activities include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses include provision for bad debt, unrealized gains and losses on investments and transfers of assets to and from affiliates for other than goods and services.

Self-Insurance Programs

Diocesan organizations, including the Diocesan Administrative Offices, parishes and other institutions, are included in a combined plan for property, workers compensation and comprehensive liability insurance. Losses above a specific amount are insured with commercial insurance companies but losses below that amount are self-insured by the Diocese. The Diocese has a standby letter of credit in the amount of \$1,800,000 to provide security for future workers' compensation claim payments. The Diocese records as a liability amounts determined by its insurance administrator as the estimated liability for claims filed for insured losses under the program. The actual liability paid may be in excess of or less than the amounts provided. Refer to Note 9 for additional information.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Defined Benefit Plans

The Diocese recognizes the overfunded or underfunded status of its defined benefit plans as an asset or liability in its Statements of Financial Position and recognizes changes in that funded status in the year in which the changes occur through other changes in net assets. Refer to Note 8.

Funds on Deposit

The funds on deposit are Catholic Cemeteries and other Diocesan organizations perpetual care funds. Interest rates range from 1.25% to 3.0%. The funds are invested in separate trust accounts at Merrill Lynch.

Advertising

All advertising costs are expensed as incurred. For the years ended June 30, 2019 and 2018, advertising expense amounted to \$60,506 and \$55,650, respectively.

Cash Flows

For the purpose of the Statements of Cash Flows, the Diocese considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in interest-bearing demand accounts and trust accounts at banks. Cash and cash equivalents for the purposes of the Statements of Cash Flows exclude restricted cash and cash equivalents.

During the years ended June 30, 2019 and 2018, the Diocese paid interest in the amounts of \$741,731 and \$589,181, respectively.

Income Tax Status

The Diocese is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated the Diocese's tax positions and concluded that the Diocese had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Diocese is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2015.

Cost Allocations

The financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including general insurance and depreciation are allocated to a functional region based on square-footage. Salaries and wages, employee benefits, and other expenses are allocated to a functional region based on estimated time and effort.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Liquidity

The Diocese regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2019, the following financial assets are available to meet annual operating needs for the year ended June 30, 2020:

Financial assets at year-end:	
Cash and equivalents	\$ 8,163,229
Certificates of deposit	1,922,000
Accounts receivable	5,166,973
Accrued interest receivable	126,207
Investments	55,891,370
	<hr/> 71,269,779
Less amounts not available to be used within one year:	
Funds on deposit	30,676,116
Investments with donor restrictions	3,087,952
	<hr/>
Financial assets available to meet general expenditures within one year	<hr/> \$ 37,505,711 <hr/>

The Diocese has various sources of liquidity at its disposal including cash, certificates of deposits, various receivables, and investments.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU No. 2014-09 is effective for the Diocese for fiscal 2020. Early application is permitted for fiscal years beginning after December 15, 2016. The Diocese does not believe the standard will have a material impact on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, with the intent of reducing diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects: (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the options to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Diocese implemented ASU 2016-14 as of July 1, 2018. The impact of the adoption resulted in enhanced disclosures about the classification of expenses and management of liquid resources. As a result of adoption, temporarily restricted net assets in the amount of \$4,446,567 and permanently restricted net assets in the amount of \$3,079,694 were combined as net assets with donor restrictions as stated on the Statements of Financial Position as of June 30, 2018.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Recent Accounting Pronouncements - (Continued)

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the income statement separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 will be effective for the Diocese beginning on July 1, 2019. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Diocese is currently evaluating the impact of the adoption of this guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Diocese is assessing the impact this standard will have on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Diocese is currently evaluating the impact of this new standard on its financial statements.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Recent Accounting Pronouncements - (Continued)

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. This ASU is effective for the Diocese for fiscal years ending after December 15, 2020 and must be applied on a retrospective basis. The amendments in ASU 2018-14 are effective for the Diocese for fiscal years ending after December 15, 2021, with early adoption permitted. The Diocese is currently evaluating the impact of this new standard on its financial statements.

Reclassifications

Certain items on the prior year's financial statements have been reclassified to conform to the current year's format.

Subsequent Events

The Diocese has evaluated subsequent events through December 23, 2019, the date the financial statements were available to be issued.

Note 2 - Cash and Equivalents

Cash and equivalents at June 30, 2019, consisted of the following:

FNCB Bank	\$ 2,555,462
Community Bank	440,908
Citibank self-insurance checking	17,802
PNC Bank	6,769,344
Fidelity Deposit and Discount Bank – Self-insurance	381,950
Mid Penn Bank	100,760
KeyBank	22,002
Merrill Lynch	5,497,281
Fidelity Deposit and Discount Bank trust account	8,286
Petty cash	3,141
Less: Restricted cash	<u>(7,633,707)</u>
Total cash and equivalents	<u>\$ 8,163,229</u>

Note 3 - Contributions Receivable

Contributions receivable, net, consisted of the following at June 30:

	2019	2018
Contributions receivable in:		
Less than one year	\$ 680,999	\$ 613,163
One year to five years	182,451	557,851
Total contributions receivable, net	<u>\$ 863,450</u>	<u>\$ 1,171,014</u>

Contributions receivable at June 30, 2019 and June 30, 2018 include unconditional promises to give for the St. Peter's Cathedral interior renovations and Diocesan Annual Appeal collections received after year end.

Note 4 - Investments

Investments at June 30, 2019 and 2018 are summarized as follows:

	2019		2018	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Without donor restrictions				
U.S. Obligations	\$ 11,218,291	\$ 11,391,206	\$ 9,091,043	\$ 8,939,334
Corporate Bonds	7,156,670	7,481,575	7,473,367	7,304,397
Corporate Equities	22,416,422	28,890,809	29,757,214	36,691,642
Mutual Funds	4,956,428	5,039,828	4,466,460	4,329,710
	<u>45,747,811</u>	<u>52,803,418</u>	<u>50,788,084</u>	<u>57,265,083</u>
With donor restrictions				
Cash	<u>3,087,952</u>	<u>3,087,952</u>	<u>3,079,694</u>	<u>3,079,694</u>
Total investments	<u>\$ 48,835,763</u>	<u>\$ 55,891,370</u>	<u>\$ 53,867,778</u>	<u>\$ 60,344,777</u>

As of June 30, 2019 and 2018, the above investments were deposited with Merrill Lynch and Fidelity Deposit and Discount Bank.

Investment income and gains and losses without donor restrictions consisted of the following:

	2019	2018
<u>Income</u>		
Interest and dividends, net of fees of \$358,067 in 2019 and \$372,083 in 2018	<u>\$ 1,102,831</u>	<u>\$ 915,571</u>
Net realized gains on investment transactions	<u>\$ 2,514,222</u>	<u>\$ 1,285,428</u>
<u>Other Changes in Net Assets</u>		
Net unrealized gains on investments	<u>\$ 578,608</u>	<u>\$ 1,487,036</u>

Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018	Depreciable Lives
Land, buildings and improvements	\$ 10,074,905	\$ 9,977,878	20-40 Years
Equipment	3,669,052	3,590,904	3-10 Years
	<u>13,743,957</u>	<u>13,568,782</u>	
Less: Accumulated depreciation	<u>7,554,374</u>	<u>7,195,928</u>	
Total	<u>\$ 6,189,583</u>	<u>\$ 6,372,854</u>	

Depreciation expense amounted to \$372,611 and \$372,590 for the years ended June 30, 2019 and 2018.

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions subject to expenditure for specified purposes or time restraints as of June 30, 2019 and 2018 are as follows:

	Net Assets	
	2019	2018
Saint Pius X Seminary/St. John Vianney	\$ 1,569,216	\$ 1,464,744
Villa St. Joseph	189,545	236,907
Diocese of Scranton Scholarship Foundation	98,451	88,119
Msgr. Paul F. Terracciano Tuition Trust Fund	6,689	5,763
Reverend Niebrzydowski Tuition Fund	13,037	12,803
Msgr. Jordan Tuition Fund	20,139	19,778
Christie D. Shull Fund	2,459,527	2,453,993
Campaign for Human Development Program	19,568	6,192
Restricted for program and educational expenditures	<u>169,583</u>	<u>158,268</u>
Total	<u>\$ 4,545,755</u>	<u>\$ 4,446,567</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	Net Assets	
	2019	2018
Diocesan Annual Appeal Program costs	\$ 3,721,434	\$ 4,742,005
Campaign for Human Development Program costs	6,192	19,178
National Collections - collections remitted	535,461	1,444,752
Beatrice M. Eck Endowment Fund Scholarship	43,000	41,000
Villa St. Joseph Capital improvements	51,961	47,636
Seminary/St. John Vianney Fund improvements	33,720	18,303
Diocese of Scranton Scholarship Foundation Scholarships and program costs	<u>783,087</u>	<u>973,216</u>
Total restrictions released	<u>\$ 5,191,295</u>	<u>\$ 7,286,090</u>

Note 6 - Net Assets With Donor Restrictions - (Continued)

Net assets with donor restrictions not subject to appropriation or expenditure as of June 30, 2019 and 2018 are as follows:

	<u>Net Assets</u>	
	<u>2019</u>	<u>2018</u>
<u>Endowment Funds</u>		
<u>Reverend Charles J. O'Donnell Scholarship Fund</u>		
The income derived from invested funds is to be distributed for Mass stipends and seminarian training. Any remaining income is to be reinvested and become part of the principal.	\$ 106,365	\$ 106,365
<u>Msgr. Paul F. Terracciano Tuition Trust Fund</u>		
The income derived from invested funds is to be distributed for tuition to students attending Diocesan schools.	45,000	45,000
<u>Beatrice M. Eck Endowment Fund</u>		
85% of the income derived from invested funds is to be distributed for Catholic education in Lycoming County.	2,723,770	2,715,512
<u>Fanucci Trust Fund</u>		
The income derived from invested funds is to be distributed for Priest educational or career development including continuing education or Priestly formation.	212,817	212,817
Total	<u>\$ 3,087,952</u>	<u>\$ 3,079,694</u>

Note 7 - Contributions Payable

Contributions payable amounted to \$670,571 and \$2,258,178 at June 30, 2019 and 2018, respectively. The balance of the payable at June 30, 2019 will be paid out within the next fiscal year.

Note 8 - Retirement Plans

Priests' Pension Plan

There is a defined benefit pension plan in effect for all incardinated priests in good standing or priests in good standing permanently assigned to the Diocese. The entire cost of the Plan is paid by the parish or institution to which each eligible priest is assigned. The Plan is administered by the Bishop with advisory and consulting services available to him from a Retirement Board.

Note 8 - Retirement Plans - (Continued)

The Diocesan funding policy is to contribute annually amounts determined by actuarial estimates. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Lay Employee Pension Plan

There is a defined benefit pension plan for the lay employees of the Diocesan Administrative Offices. Prior to June 30, 2009, the cost of the Plan was paid jointly by the Diocesan offices and the employees. The employee contribution was 3% of base salary each year and the employer contribution rate was 7%. In May, 2008, the decision was made to freeze the pension plan as of June 30, 2009. After that date, no further benefits will accrue in the plan.

Postretirement Medical Benefits

The Diocese provides certain health care benefits for all retired priests. The Diocese's share of the estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expense over the priests' service periods to the dates they are fully eligible for benefits.

	<u>Pension Benefits</u>		<u>Postretirement Medical Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Obligations and funded status at June 30:				
Fair value of plan assets	\$ 13,651,628	\$ 13,883,744	\$ -	\$ -
Projected benefit obligations	<u>23,897,960</u>	<u>23,525,006</u>	<u>10,247,938</u>	<u>10,131,682</u>
Funded status at end of years	<u>\$(10,246,332)</u>	<u>\$ (9,641,262)</u>	<u>\$(10,247,938)</u>	<u>\$(10,131,682)</u>
Amounts recognized in the Statements of Financial Position consist of:				
Liability for benefits	<u>\$(10,246,332)</u>	<u>\$ (9,641,262)</u>	<u>\$(10,247,938)</u>	<u>\$(10,131,682)</u>
Net amount recognized	<u>\$(10,246,332)</u>	<u>\$ (9,641,262)</u>	<u>\$(10,247,938)</u>	<u>\$(10,131,682)</u>

The accumulated benefit obligation for both defined benefit pension plans was \$23,897,960 and \$23,525,006 at June 30, 2019 and 2018, respectively. Both plans had accumulated benefit obligations in excess of plan assets at June 30, 2019 and 2018.

Note 8 - Retirement Plans - (Continued)

Other Changes and Plan Assets and Benefit Obligations Recognized in Pension-related Changes Other Than Net Periodic Pension Cost:

	Pension Benefits		Postretirement Medical Benefits	
	2019	2018	2019	2018
Net (gain) loss	\$ (1,012,354)	\$ (595,977)	\$ 211,295	\$ 128,241
Prior service cost	(97,004)	(97,004)	-	-
Change in assumptions	1,560,503	(533,096)	28,919	(1,032,818)
	451,145	(1,226,077)	240,214	(904,577)
Net periodic benefit cost	967,377	1,087,347	(123,958)	(16,188)
Total	\$ 1,418,522	\$ (138,730)	\$ 116,256	\$ (920,765)

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$574,597 and \$97,004, respectively. The estimated net gain and prior service cost for the other defined benefit postretirement plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$207,609 and \$0, respectively.

	Pension Benefits		Postretirement Medical Benefits	
	2019	2018	2019	2018
<u>Assumptions</u>				
Weighted-average assumptions used in computing ending obligations:				
Discount rate	3.75%	4.50%	3.75%	4.50%
Rate of compensation increase	N/A	N/A	-	-
Weighted-average assumptions used in computing net cost:				
Discount rate	3.75%	4.50%	3.75%	4.50%
Expected long-term return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	N/A	N/A	-	-

The expected long-term return on plan assets was determined using average historical returns of the Diocese's plan assets.

Note 8 - Retirement Plans - (Continued)

Assumed health care cost trend rates at June 30:

	2019	2018
Health care cost trend rate assumed for next year	5.50%	5.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2021	2021

Plan Assets

The assets of the Plans are deposited in separate Merrill Lynch trust accounts for the Diocese of Scranton's lay and priest pension plans.

In determining fair value for pension plan assets, the Diocese uses various methods including market, income and cost approaches. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

Level I – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level II – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level III – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level III valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks, Corporate bonds, U.S. Government and Agencies obligations, and Money Markets: Valued at the closing price reported on the active market on which the individual securities are traded.

Note 8 - Retirement Plans - (Continued)

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2019 and 2018.

Assets:	June 30, 2019			
	Level I	Level II	Level III	Total
U.S. Obligations	\$ 1,341,177	\$ -	\$ -	\$ 1,341,177
Corporate bonds	973,046	-	-	973,046
Common stocks	8,638,491	-	-	8,638,491
Money markets	2,698,914	-	-	2,698,914
	<u>\$ 13,651,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,651,628</u>

Assets:	June 30, 2018			
	Level I	Level II	Level III	Total
U.S. Obligations	\$ 1,350,099	\$ -	\$ -	\$ 1,350,099
Corporate bonds	1,045,611	-	-	1,045,611
Common stocks	10,120,883	-	-	10,120,883
Money markets	1,367,151	-	-	1,367,151
	<u>\$ 13,883,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,883,744</u>

The Diocese's pension plan weighted-average asset allocations at June 30, 2019 and 2018, by asset category, are as follows:

	Pension Benefits	
	2019	2018
Equity securities	63.00%	73.00%
Debt securities	17.00%	17.00%
Other	20.00%	10.00%
Total	<u>100.00%</u>	<u>100.00%</u>

The Diocese's investment policies and strategies include:

- 1) The Diocese, in keeping with Canon Law and Catholic philosophy, excludes investments in companies whose products or performances are inconsistent with Catholic teaching.
- 2) Bonds must be rated "A" or better and maturities are limited to a maximum of ten years. Purchases of preferred stock are not permitted.
- 3) The asset allocation policy is 60% for equities and 40% for cash and fixed income.

Note 8 - Retirement Plans - (Continued)

Cash Flows

Contributions

Diocesan contributions:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2018 (actual)	\$1,223,584	\$ -
2019 (actual)	813,453	-
2020 (estimated)	1,000,000	-

There are no participant contributions after June 30, 2009.

Benefit Payments

Benefit payments:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2018	\$1,911,300	\$475,296
2019	1,909,511	467,334

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2020	\$1,931,845	\$427,276
2021	1,880,667	441,196
2022	1,870,431	473,063
2023	1,834,500	492,692
2024	1,798,045	513,449
Years 2025-2029	8,399,399	2,781,992

403(b) Plan

On July 1, 2009, the Diocese established a 403(b) Plan for employees. The Diocese contributes 2% of gross earnings to all employees and also matches employee deferral contributions up to 4%. For the years ended June 30, 2019 and 2018, the Diocese contributed \$166,221 and \$161,282 respectively, to the 403(b) Plan for the employees of the Administrative Offices.

Note 9 - Self-Insurance Program

General

Under the terms of the general insurance plan, individual claims above a specific amount (\$500,000 for property claims, \$250,000 for liability claims, and \$500,000 for workers compensation claims in 2019 and 2018) are insured with commercial insurance companies. Prior to July 1, 1993, an aggregate loss fund (\$1,250,000 for 1993) was also in place to limit claim expenses for the Diocese to that amount for the claim year. For the years ended June 30, 1994 and thereafter, the loss fund protection was eliminated to reduce excess commercial insurance premium expense.

Medical

As of July 1, 2005, the Diocese instituted a self-insurance medical plan. Under the terms of the plan, there is insurance coverage for individual claims exceeding \$200,000 with an unlimited maximum annual reimbursement.

Note 10 - Loan Payable

In December, 2004, the Diocese entered into a loan agreement with the Monroe County Industrial Development Authority (the Authority) to provide funding for a construction project at Notre Dame Junior Senior High School (the School). The Authority issued a revenue note in the amount of \$7,500,000 and subsequently sold the note to PNC Bank, NA. The proceeds were then loaned to the Diocese, and the Diocese agreed to pay all amounts due by the Authority under the note to the Bank. The note called for monthly payments of \$35,531, including principal and interest of 3.88%, until December, 2014, at which time the note was refinanced. The note was refinanced with the Authority in the amount of \$4,048,000 and was subsequently sold to FNCB Bank. The note calls for payments of \$22,539, including principal and interest of 3.00%, until January 2025. The Bank has a security interest in the property, and the Diocese is subject to various covenants; refer to the agreements for details. As disclosed in Note 1 to the financial statements, the School is an organization not reported on in these financial statements. Therefore, a loan receivable from the School has been recorded in the Statement of Financial Position in the same amount as the Loan Payable. The balance at June 30, 2019 and 2018 amounted to \$3,352,440 and \$3,518,184, respectively.

Note 11 - Diocesan Annual Appeal

The Diocesan Annual Appeal is a Diocesan program started as a means of supporting the charitable, educational and pastoral services of the Diocese. Campaigns for the years ended June 30, 2019 and 2018 had budget goals of \$5,000,000, respectively, which would be used to finance various Diocesan programs.

Based on the terms of the Appeal, each parish was assigned a "Parish Goal", which represented its portion of the overall Diocesan goal. Parishes shared in the success of the campaign to the extent that they received seventy-five percent of the funds which were raised in excess of their goal.

Note 11 - Diocesan Annual Appeal - (Continued)

Funds raised by the 2018 Diocesan Annual Appeal totaled \$3,719,899. The Diocese returned to parishes \$13,426 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2018 campaign. Also, contributions receivable of \$44,748 were recorded at their net realizable value in connection with the 2018 campaign; these contributions were collected within one year.

Funds raised by the 2017 Diocesan Annual Appeal totaled \$4,994,718. The Diocese returned to parishes \$244,281 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2017 campaign. Also, contributions receivable of \$79,223 were recorded at their net realizable value in connection with the 2017 campaign; these contributions were collected within one year.

Appeal contributions were committed to the following Diocesan programs and expenditures were made accordingly:

	2019		2018	
	Budgeted	Actual	Budgeted	Actual
Direct aid to schools and Religious Education Grants	\$ 850,000	\$ 632,644	\$ 850,000	\$ 806,141
Communication and Evangelization	850,000	632,644	850,000	806,141
Social services	600,000	446,572	600,000	569,041
Clergy formation, education and Retirement	1,200,000	893,144	1,200,000	1,138,081
Parish Ministries	1,100,000	818,715	1,100,000	1,043,241
Campaign Cost	400,000	297,715	400,000	379,360
	<u>\$ 5,000,000</u>	<u>\$3,721,434</u>	<u>\$ 5,000,000</u>	<u>\$4,742,005</u>

Interest income earned on Appeal funds amounted to \$32,249 and \$12,783 for the years ended June 30, 2019 and 2018.

Note 12 - Called to Holiness

Parish Restructuring

Called to Holiness is the consolidation of parishes within the Diocese. Through this consolidation, whenever an ethnic parish closes and has net assets, part of the net assets will be given to the territorial parish which has assumed care of the former members of the closed parish. The part of the net assets not passed on, approximately 42%, will be retained by the Diocese to cover the net liabilities of closed ethnic parishes which become the responsibility of the Diocese. During the years ended June 30, 2019 and 2018, the Diocese received assets in the amount of \$156,801 and \$4,644, respectively, and made transfers and debt reductions in the amount of \$321,246 and \$4,960, respectively.

Note 13 - Cash Subject to Program Restrictions

Cash subject to program restrictions consists of the cash held to meet the requirements of net assets with donor restrictions.

Note 14 - Contingencies

Related Party Loans

The Diocese has agreed to guarantee repayment of principal and interest on the following bank loans of Diocesan organizations:

	<u>Balance at June 30, 2019</u>
Little Flower Manor	\$ 1,113,666

The Diocese had guaranteed the bank loans of Catholic Social Services of the Diocese of Scranton, Inc. In June, 2018, the loan agreements were amended to include the Diocese as a borrower. There is a \$1,000,000 line of credit with interest at the Daily LIBOR rate plus 3.13%, and borrowings amounted to \$600,866 at June 30, 2019. There was also a term loan payable in monthly installments of \$24,866 including principal and interest at the Daily LIBOR rate plus 1.50%. The balance outstanding at June 30, 2018 amounted to \$4,097,391. The loans are secured by real estate and are subject to financial performance covenants. Catholic Social Services is paying all amounts due. In February 2019, the term loan was paid in full with the proceeds of a \$4,000,000 promissory note from the Diocese of Scranton Institute to Catholic Social Services.

Litigation

The Diocese has several claims and pending legal proceedings that generally involve personal liability and employment issues. In the opinion of management and outside legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Diocese's financial position, results of operations or cash flows.

In August, 2016, the Diocese was one of six Roman Catholic Dioceses in the Commonwealth of Pennsylvania to be served with a subpoena from the Pennsylvania Attorney General's Office requiring production of documents related to allegations of childhood sexual abuse. The Diocese has provided documentation in response to the subpoena. Findings were reported in August 2018 to support abuse victims. The Diocese is evaluating the impact of the grand jury report outcomes at this time and has announced an Independent Survivors Compensation Program. The Fund is administered by a third party with an independent oversight committee. The last date for submitting a claim was September 30, 2019. The total claims payable is estimated to be approximately \$25,000,000. Approximately \$20,000,000 of claims was estimated to be paid after June 30, 2019 and this amount was accrued on the Statement of Financial Position. To provide funds for these claims, in March 2019, the Diocese entered into a promissory note agreement with the Diocese of Scranton Institute in the amount of \$5,000,000. Also, Little Flower Manor and St. Luke's Villa were sold in September 2019 for approximately \$17,750,000. In connection with the sale and subsequent transfer of assets, the Diocese received approximately \$26,000,000. The proceeds from this sale were also used to pay off the note with the Institute.

Note 15 - Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Diocese uses various methods including market, income and cost approaches. Based on these approaches, the Diocese often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Diocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level I – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level II – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level III – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level III valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks, Corporate bonds, U.S. Government and Agencies obligations and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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

Note 15 - Fair Value Measurements - (Continued)

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2019 and 2018.

Assets:	June 30, 2019			
	Level I	Level II	Level III	Total
U.S. Obligations	\$ 11,391,206	\$ -	\$ -	\$ 11,391,206
Corporate Bonds				
Aaa credit rating	-	293,611	-	293,611
Aa1 credit rating	-	809,829	-	809,829
Aa2 credit rating	-	587,090	-	587,090
Aa3 credit rating	-	298,728	-	298,728
A1 credit rating	-	636,345	-	636,345
A2 credit rating	-	767,465	-	767,465
A3 credit rating	-	1,555,135	-	1,555,135
Baa1 credit rating	-	1,571,153	-	1,571,153
Baa2 credit rating	-	962,219	-	962,219
Total Corporate Bonds	-	7,481,575	-	7,481,575
Corporate Equities				
Industrials	2,456,098	-	-	2,456,098
Consumer Discretionary	3,166,191	-	-	3,166,191
Consumer Staples	2,041,264	-	-	2,041,264
Energy	1,979,717	-	-	1,979,717
Financial	4,503,255	-	-	4,503,255
Materials	905,712	-	-	905,712
Information Technology	5,985,145	-	-	5,985,145
Utilities	1,148,582	-	-	1,148,582
Health Care	2,940,084	-	-	2,940,084
Telecommunication Services	2,739,079	-	-	2,739,079
Real Estate	1,025,682	-	-	1,025,682
Total Corporate Equities	28,890,809	-	-	28,890,809
Mutual Funds	5,039,828	-	-	5,039,828
Restricted cash	3,087,952	-	-	3,087,952
	<u>\$ 48,409,795</u>	<u>\$ 7,481,575</u>	<u>\$ -</u>	<u>\$ 55,891,370</u>

Note 15 - Fair Value Measurements - (Continued)

	June 30, 2018			
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 8,939,334	\$ -	\$ -	\$ 8,939,334
Corporate Bonds				
Aaa credit rating	-	296,802	-	296,802
Aa1 credit rating	-	436,733	-	436,733
Aa2 credit rating	-	1,148,344	-	1,148,344
Aa3 credit rating	-	49,546	-	49,546
A1 credit rating	-	997,696	-	997,696
A2 credit rating	-	991,814	-	991,814
A3 credit rating	-	1,671,610	-	1,671,610
Baa1 credit rating	-	1,042,523	-	1,042,523
Baa2 credit rating	-	669,329	-	669,329
Total Corporate Bonds	-	7,304,397	-	7,304,397
Corporate Equities				
Industrials	3,824,197	-	-	3,824,197
Consumer Discretionary	4,288,601	-	-	4,288,601
Consumer Staples	2,487,702	-	-	2,487,702
Energy	3,085,636	-	-	3,085,636
Financial	5,522,495	-	-	5,522,495
Materials	1,201,793	-	-	1,201,793
Information Technology	8,477,764	-	-	8,477,764
Utilities	1,388,573	-	-	1,388,573
Health Care	3,751,432	-	-	3,751,432
Telecommunication Services	1,510,041	-	-	1,510,041
Real Estate	1,153,408	-	-	1,153,408
Total Corporate Equities	36,691,642	-	-	36,691,642
Mutual Funds	4,329,710	-	-	4,329,710
Restricted cash	3,079,694	-	-	3,079,694
	<u>\$ 53,040,380</u>	<u>\$ 7,304,397</u>	<u>\$ -</u>	<u>\$ 60,344,777</u>

Note 16 - Endowments

The Diocese's endowment funds consist of approximately 8 individual funds established primarily for student scholarships that are donor-restricted funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by type of fund as of June 30, 2019 and 2018 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 5,736,148</u>	<u>\$ 5,736,148</u>
2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 5,702,863</u>	<u>\$ 5,702,863</u>

Changes in Endowment Net Assets for the years ended June 30, 2019 and 2018, are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 5,702,863	\$ 5,702,863
Investment return:			
Investment income	-	120,052	120,052
Total investment return	-	120,052	120,052
Contributions	-	739,321	739,321
Appropriation of endowment assets for expenditure	-	(826,088)	(826,088)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,736,148</u>	<u>\$ 5,736,148</u>

Note 16 - Endowments - (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 5,803,492	\$ 5,803,492
Investment return:			
Investment income	-	98,984	98,984
Total investment return	-	98,984	98,984
Contributions	-	770,914	770,914
Appropriation of endowment assets for expenditure	-	(970,527)	(970,527)
Endowment net assets, end of year	\$ -	\$ 5,702,863	\$ 5,702,863

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The donor-restricted endowment assets earn a fixed rate of return in the Diocesan Deposit Fund.

Note 17 - Functional Expenses

Expenses by functional classification for the years ended June 30, 2019 and 2018, respectively, consist of the following:

	2019					
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$3,088,818	\$ 866,182	\$ -	\$ 3,955,000	\$ 1,868,767	\$ 5,823,767
Clergy support	1,767,480	-	-	1,767,480	-	1,767,480
Grants and contributions	-	3,187,422	-	3,187,422	856,707	4,044,129
Supplies and program	1,274,963	621,311	1,588	1,897,862	1,325,143	3,223,005
Occupancy	282,149	179,807	-	461,956	141,466	603,422
Legal and professional fees	270,451	1,230	1,396,379	1,668,060	243,703	1,911,763
Insurance premiums & claims	-	-	41,458,397	41,458,397	-	41,458,397
Depreciation	255,255	75,013	-	330,268	42,343	372,611
Total	<u>\$6,939,116</u>	<u>\$ 4,930,965</u>	<u>\$ 42,856,364</u>	<u>\$54,726,445</u>	<u>\$ 4,478,129</u>	<u>\$59,204,574</u>

	2018					
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$3,005,999	\$ 821,740	\$ -	\$ 3,827,739	\$ 1,762,865	\$ 5,590,604
Clergy support	2,192,898	-	-	2,192,898	-	2,192,898
Grants and contributions	-	5,617,719	-	5,617,719	1,449,712	7,067,431
Supplies and program	1,559,576	549,969	687	2,110,232	1,048,050	3,158,282
Occupancy	256,735	156,096	-	412,831	137,195	550,026
Legal and professional fees	369,111	6,200	529,815	905,126	392,520	1,297,646
Insurance premiums & claims	-	-	11,913,189	11,913,189	-	11,913,189
Depreciation	254,023	78,865	-	332,888	39,702	372,590
Total	<u>\$7,638,342</u>	<u>\$ 7,230,589</u>	<u>\$ 12,443,691</u>	<u>\$27,312,622</u>	<u>\$ 4,830,044</u>	<u>\$32,142,666</u>

SUPPLEMENTARY INFORMATION

DIOCESAN ADMINISTRATIVE OFFICES

SCHEDULE 1

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PROGRAM REVENUES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Parish Ministry	\$ 150,121	\$ 307,370
The Catholic Light	87,950	98,207
Communications Office	335,474	229,598
Matrimonial Tribunal	4,540	6,040
Catholic Schools Office	9,507	19,537
Pastoral Center	<u>30,638</u>	<u>32,470</u>
	<u>\$ 618,230</u>	<u>\$ 693,222</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 2

SCHEDULE OF PASTORAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Matrimonial Tribunal</u>		<u>Parish Ministry</u>		<u>Communications Office</u>		<u>The Catholic Light</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and benefits:								
Compensation - clergy and religious	\$ 48,048	\$ 47,112	\$ 16,016	\$ 15,704	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	1,000	1,000	450	450	-	-	-	-
Salaries and wages - lay persons	109,224	126,257	577,648	480,295	247,636	283,825	174,542	157,630
Benefits - lay persons	85,161	77,547	205,200	189,229	89,375	120,187	83,522	77,853
Total salaries and benefits	243,433	251,916	799,314	685,678	337,011	404,012	258,064	235,483
Supplies, office and program expense	6,520	3,958	201,697	290,333	5,023	15,652	3,542	2,512
Telephone, postage and printing	7,659	9,508	24,424	37,166	3,330	4,861	184,227	161,478
Conferences, meetings and travel	1,696	1,776	28,071	73,877	5,929	7,228	198	80
Legal and professional fees	17,744	17,786	14,083	33,000	5,906	12,937	43,706	43,999
Advertising	-	-	-	350	-	-	-	-
Publishing	-	-	-	-	-	-	99,027	103,345
Dues and subscriptions	1,614	1,575	4,249	3,714	3,664	4,317	1,160	1,277
Other	-	-	-	-	-	-	14,743	11,547
Insurance	677	594	58,112	53,094	8,571	8,248	4,052	3,934
Building occupancy and maintenance expense	-	-	-	-	1,189	1,160	-	-
Depreciation expense	931	932	3,112	415	10,318	10,488	3,473	3,394
Utilities	-	-	-	-	1,300	1,676	-	-
Priests' pension expense	-	-	-	-	-	-	-	-
Priests' medical expense	-	-	-	-	-	-	-	-
Priests' postretirement benefit cost	-	-	-	-	-	-	-	-
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-
Seminary and clergy education	-	-	-	-	-	-	-	-
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-	-	-
Other dues	-	-	-	-	-	-	-	-
	<u>\$ 280,274</u>	<u>\$ 288,045</u>	<u>\$ 1,133,062</u>	<u>\$ 1,177,627</u>	<u>\$ 382,241</u>	<u>\$ 470,579</u>	<u>\$ 612,192</u>	<u>\$ 567,049</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PASTORAL EXPENSES - CONTINUED

SCHEDULE 2

YEARS ENDED JUNE 30, 2019 AND 2018

	Vicar for Priests		Episcopal Vicars		Clergy and Religious	
	2019	2018	2019	2018	2019	2018
Salaries and benefits:						
Compensation - clergy and religious	\$ 79,654	\$ 78,092	\$ 64,064	\$ 62,816	\$ 224,201	\$ 211,836
Benefits - clergy and religious	33,003	32,109	1,000	1,000	145,325	149,582
Salaries and wages - lay persons	93,658	91,850	-	-	-	-
Benefits - lay persons	20,166	19,906	-	-	-	-
Total salaries and benefits	226,481	221,957	65,064	63,816	369,526	361,418
Supplies, office and program expense	5,915	3,730	-	-	45,942	42,741
Telephone, postage and printing	11,922	10,517	1,458	1,432	3,214	3,829
Conferences, meetings and travel	15,724	16,004	2,393	2,322	29,210	26,519
Legal and professional fees	-	-	-	-	23,342	36,110
Advertising	-	-	-	-	-	-
Publishing	-	-	-	-	-	-
Dues and subscriptions	334	226	-	-	-	-
Other	-	-	-	-	857	35,400
Insurance	1,268	594	-	-	3,894	3,760
Building occupancy and maintenance expense	-	15	-	-	47,973	49,856
Depreciation expense	2,118	1,237	-	-	4,173	4,173
Utilities	-	-	-	-	-	-
Priests' pension expense	-	-	-	-	814,252	938,062
Priests' medical expense	-	-	-	-	599,287	561,852
Priests' postretirement benefit cost	-	-	-	-	(123,958)	(16,188)
Clergy medical assistance and maintenance	-	-	-	-	38,675	213,904
Seminary and clergy education	-	-	-	-	439,224	495,268
Pennsylvania Catholic Conference dues	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-
Other dues	-	-	-	-	-	-
	<u>\$ 263,762</u>	<u>\$ 254,280</u>	<u>\$ 68,915</u>	<u>\$ 67,570</u>	<u>\$ 2,295,611</u>	<u>\$ 2,756,704</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PASTORAL EXPENSES - CONTINUED

YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE 2

	Diocesan Annual Appeal		Diocesan Properties Facility Operating Costs		Pastoral Center		Other Programs		Total Pastoral Expenses	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Salaries and benefits:										
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,602	\$ 156,801	\$ 581,585	\$ 572,361
Benefits - clergy and religious	-	-	-	-	-	-	50,405	57,561	231,183	241,702
Salaries and wages - lay persons	344,695	337,664	-	-	33,723	33,086	44,126	44,224	1,625,252	1,554,831
Benefits - lay persons	132,343	131,842	-	-	6,388	5,945	28,643	14,596	650,798	637,105
Total salaries and benefits	477,038	469,506	-	-	40,111	39,031	272,776	273,182	3,088,818	3,005,999
Supplies, office and program expense	67,861	83,714	-	-	25,053	25,043	56,394	100,709	417,947	568,392
Telephone, postage and printing	87,680	96,998	-	-	1,117	2,153	6,441	6,753	331,472	334,695
Conferences, meetings and travel	10,553	21,916	-	-	-	-	15,392	15,416	109,166	165,138
Legal and professional fees	158,010	213,180	-	-	-	-	7,660	12,099	270,451	369,111
Advertising	-	-	-	-	-	-	1,434	6,787	1,434	7,137
Publishing	-	-	-	-	-	-	-	-	99,027	103,345
Dues and subscriptions	1,723	4,107	-	-	-	-	2,055	1,855	14,799	17,071
Other	-	-	-	-	-	-	-	-	15,600	46,947
Insurance	1,376	594	54,005	50,255	-	-	612	594	132,567	121,667
Building occupancy and maintenance expense	-	-	96,720	79,961	-	-	2,400	2,400	148,282	133,392
Depreciation expense	1,747	1,711	229,383	231,673	-	-	-	-	255,255	254,023
Utilities	-	-	-	-	-	-	-	-	1,300	1,676
Priests' pension expense	-	-	-	-	-	-	-	-	814,252	938,062
Priests' medical expense	-	-	-	-	-	-	-	-	599,287	561,852
Priests' postretirement benefit cost	-	-	-	-	-	-	-	-	(123,958)	(16,188)
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-	38,675	213,904
Seminary and clergy education	-	-	-	-	-	-	-	-	439,224	495,268
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	147,403	164,955	147,403	164,955
United States Catholic Conference dues	-	-	-	-	-	-	71,331	76,030	71,331	76,030
Other dues	-	-	-	-	-	-	66,784	75,866	66,784	75,866
	<u>\$ 805,988</u>	<u>\$ 891,726</u>	<u>\$ 380,108</u>	<u>\$ 361,889</u>	<u>\$ 66,281</u>	<u>\$ 66,227</u>	<u>\$ 650,682</u>	<u>\$ 736,646</u>	<u>\$ 6,939,116</u>	<u>\$ 7,638,342</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 3

SCHEDULE OF EDUCATIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	Catholic Schools Office		Educational Grants		Total Educational Expenses	
	2019	2018	2019	2018	2019	2018
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	-	-	-	-	-	-
Salaries and wages - lay persons	392,972	305,704	-	-	392,972	305,704
Benefits - lay persons	146,905	120,757	-	-	146,905	120,757
Total salaries and benefits	539,877	426,461	-	-	539,877	426,461
Supplies, office and program expense	44,767	35,787	-	-	44,767	35,787
Telephone, postage and printing	9,955	18,807	-	-	9,955	18,807
Conferences, meetings and travel	19,365	18,332	-	-	19,365	18,332
Legal and professional fees	600	6,200	-	-	600	6,200
Advertising	32,904	35,704	-	-	32,904	35,704
Dues and subscriptions	2,292	2,008	-	-	2,292	2,008
Depreciation expense	2,083	1,764	-	-	2,083	1,764
Contributions and program grants	13,828	11,311	308,267	338,696	322,095	350,007
Educational grants:						
Diocesan Catholic Schools	-	-	1,920,696	1,925,899	1,920,696	1,925,899
Catholic University of America	-	-	25,000	25,000	25,000	25,000
Insurance	612	594	-	-	612	594
	<u>\$ 666,283</u>	<u>\$ 556,968</u>	<u>\$ 2,253,963</u>	<u>\$ 2,289,595</u>	<u>\$ 2,920,246</u>	<u>\$ 2,846,563</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 4

SCHEDULE OF COMMUNITY AND SOCIAL SERVICE EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Villa St. Joseph</u>		<u>Social Service Grants</u>		<u>Propagation of the Faith</u>		<u>Total Community and Social Service Expenses</u>	
	2019	2018	2019	2018	2019	2018	2019	2018
Salaries and benefits:								
Compensation - clergy and religious	\$ 16,016	\$ 15,704	\$ -	\$ -	\$ 16,016	\$ 16,984	\$ 32,032	\$ 32,688
Benefits - clergy and religious	8,376	8,152	-	-	8,376	8,119	16,752	16,271
Salaries and wages - lay persons	165,741	199,385	-	-	-	-	165,741	199,385
Benefits - lay persons	109,544	144,755	-	-	2,236	2,180	111,780	146,935
Total salaries and benefits	299,677	367,996	-	-	26,628	27,283	326,305	395,279
Supplies, office and program expense	26,040	22,889	-	-	209,487	192,658	235,527	215,547
Telephone, postage and printing	4,429	4,112	-	-	254	613	4,683	4,725
Dues and subscriptions	1,355	541	-	-	52	50	1,407	591
Food service	269,197	216,070	-	-	-	-	269,197	216,070
Utilities	63,504	61,008	-	-	-	-	63,504	61,008
Building occupancy and maintenance	82,851	62,733	-	-	-	-	82,851	62,733
Depreciation expense	72,930	77,101	-	-	-	-	72,930	77,101
Insurance	32,840	31,761	-	-	-	-	32,840	31,761
Conferences, meetings and travel	509	609	-	-	705	1,789	1,214	2,398
Legal and professional fees	630	-	-	-	-	-	630	-
Social Service Grants:								
Catholic Social Services	-	-	384,831	490,377	-	-	384,831	490,377
Saint Peter's Cathedral	-	-	162,000	162,000	-	-	162,000	162,000
United Way Campaigns	-	-	24,400	21,575	-	-	24,400	21,575
Commissions for Catholic Missions	-	-	25,000	25,000	-	-	25,000	25,000
Secretariat for Latin America	-	-	10,000	10,000	-	-	10,000	10,000
Contributions	-	-	147,831	2,521,066	165,569	86,795	313,400	2,607,861
	<u>\$ 853,962</u>	<u>\$ 844,820</u>	<u>\$ 754,062</u>	<u>\$ 3,230,018</u>	<u>\$ 402,695</u>	<u>\$ 309,188</u>	<u>\$ 2,010,719</u>	<u>\$ 4,384,026</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 5

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	Chancery Office		Finance Office		Self-Insurance Program - General		Self-Insurance Program - Medical	
	2019	2018	2019	2018	2019	2018	2019	2018
Salaries and benefits:								
Compensation - clergy and religious	\$ 76,421	\$ 82,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	17,002	19,251	-	-	-	-	-	-
Salaries and wages - lay persons	202,359	179,612	380,461	330,554	-	-	-	-
Benefits - lay persons	91,395	84,756	152,638	135,135	-	-	-	-
Total salaries and benefits	387,177	366,403	533,099	465,689	-	-	-	-
Supplies, office and program expense	91,692	79,448	31,952	25,179	-	-	-	-
Telephone, postage and printing	22,810	18,466	6,536	8,909	-	-	-	-
Conferences, meetings and travel	18,929	19,116	9,214	4,410	-	-	-	-
Legal and professional fees	126,724	231,759	70,378	112,407	1,396,379	529,815	-	-
Advertising	475	1,675	-	-	-	-	-	-
Dues and subscriptions	2,933	3,426	725	990	-	-	-	-
Depreciation expense	8,827	11,451	1,489	1,275	-	-	-	-
Miscellaneous	-	-	-	-	1,588	687	-	-
Self-insurance premiums	-	-	-	-	1,589,023	1,571,497	-	-
Claims expense	-	-	-	-	1,916,404	1,019,114	9,688,188	7,904,159
Independent Survivors Compensation Program	-	-	-	-	26,512,650	-	-	-
Administrative fees	-	-	-	-	221,109	208,911	1,531,023	1,209,508
Occupancy expense	-	-	-	-	-	-	-	-
Repairs and maintenance expense	-	-	-	-	-	-	-	-
Insurance	5,682	5,517	612	594	-	-	-	-
	<u>\$ 665,249</u>	<u>\$ 737,261</u>	<u>\$ 654,005</u>	<u>\$ 619,453</u>	<u>\$ 31,637,153</u>	<u>\$ 3,330,024</u>	<u>\$ 11,219,211</u>	<u>\$ 9,113,667</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
SCHEDULE OF ADMINISTRATIVE EXPENSES - CONTINUED
YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE 5

	Facilities Manager		Other Administrative Expenses		Total Administrative Expenses	
	2019	2018	2019	2018	2019	2018
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ 76,421	\$ 82,784
Benefits - clergy and religious	-	-	-	-	17,002	19,251
Salaries and wages - lay persons	144,375	141,569	570,807	566,161	1,298,002	1,217,896
Benefits - lay persons	59,239	68,097	174,070	154,946	477,342	442,934
Total salaries and benefits	203,614	209,666	744,877	721,107	1,868,767	1,762,865
Supplies, office and program expense	1,497	1,207	50,023	32,369	175,164	138,203
Telephone, postage and printing	2,185	2,573	18,891	27,392	50,422	57,340
Conferences, meetings and travel	3,462	3,965	9,849	9,360	41,454	36,851
Legal and professional fees	4,059	9,450	42,542	38,904	1,640,082	922,335
Advertising	-	-	25,693	11,134	26,168	12,809
Dues and subscriptions	395	435	3,175	3,290	7,228	8,141
Depreciation expense	5,829	5,829	26,198	21,147	42,343	39,702
Miscellaneous	-	-	-	-	1,588	687
Self-insurance premiums	-	-	-	-	1,589,023	1,571,497
Claims expense	-	-	-	-	11,604,592	8,923,273
Independent Survivors Compensation Program	-	-	-	-	26,512,650	-
Administrative fees	-	-	-	-	1,752,132	1,418,419
Occupancy expense	-	-	102,735	103,986	102,735	103,986
Repairs and maintenance expense	-	-	29,460	24,921	29,460	24,921
Insurance	-	-	2,977	2,177	9,271	8,288
	<u>\$ 221,041</u>	<u>\$ 233,125</u>	<u>\$ 1,056,420</u>	<u>\$ 995,787</u>	<u>\$ 45,453,079</u>	<u>\$ 15,029,317</u>

The accompanying Notes are an integral part of these Financial Statements.