

# FINANCIAL REPORT



## Diocese of Scranton Fiscal Year 2019-20



Dear Sisters and Brothers in Christ,

I am pleased to share with you the audited financial statements of the Administrative Offices of the Diocese of Scranton for the 2019-2020 fiscal year.

Due to the COVID-19 pandemic, this last year has presented numerous challenges to all of us. Despite struggle and pain, the Church of Scranton and its people have continued to provide help and hope to countless individuals on a daily basis. Your incredible generosity has made it possible for our parishes, schools, social service ministries and diocesan offices to continue serving our community generously and selflessly. I thank you for your continued financial support to your parish and our Diocese.

In his most recent encyclical letter, *Fratelli tutti*, Pope Francis said, "No one is saved alone; we can only be saved together." Throughout the last year, each one of you has embodied that notion – being both responsive and creative – in adapting to the challenges of the coronavirus and working to safeguard your friends and neighbors.

At the start of the pandemic, many parishes quickly adapted to livestreaming Masses so that while we needed to remain physically distant we did not need to be spiritually distant. Our Catholic Schools have served as an example to others, quickly transitioning to distance learning when schools closed in March 2020 and working tirelessly to make sure in-person learning safely resumed in the fall. Catholic Social Services of the Diocese of Scranton has also responded compassionately to the needs of tens of thousands in our community, providing food, shelter and assistance to those most in need.

I continue to be most grateful and inspired by the ministry of our priests, deacons, religious and lay faithful who work each day on behalf of our local Church. In both good and challenging times, they best exemplify how we care about and for one another.

May Our Lord Jesus bless you and your families, and fill you with his peace and continue to keep you safe.

Sincerely yours in Christ,

+ *Joseph C. Bambera*

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

The financial information contained on the following pages is derived from the audited financial statements of the Administrative Offices of the Diocese of Scranton as of June 30, 2020 and 2019. The full report is available under the "Financial Services" page at [www.dioceseofscranton.org](http://www.dioceseofscranton.org)



### Mission Statement of the Diocese of Scranton

*"We, the Catholic community of the Diocese of Scranton, are called through Baptism to imitate the servant leadership of Jesus Christ. In union with Our Holy Father, the Pope, we proclaim the Gospel faithfully, celebrate the sacraments joyfully, and boldly promote life, justice and peace in northeastern and north central Pennsylvania."*





# A message from the Chief Financial Officer of the Diocese of Scranton

Dear Friends of the Diocese of Scranton,

As the Chief Financial Officer of the Diocese of Scranton, it is my privilege to present the 2019-20 audited financial report for the Diocese of Scranton Administrative Offices. This report provides an overview of the prudent use of funds that have been received for the time period covering July 1, 2019 to June 30, 2020. Bishop Bambera continues to pledge accountability and transparency relating to financial information and we both feel it is important that the faithful of our Diocese understand how the funds entrusted to the Diocese are used to make a positive impact in our 11-county region and beyond.

The 2019-20 fiscal year was truly unique because of the COVID-19 pandemic. Our Diocesan ministries, parishes and schools have all been impacted by the global pandemic and the virus continues to have a financial impact at this time. We are thankful for the generous parishioners who continued to provide resources to their parishes, schools and the diocese, even as Masses were suspended amid state-at-home restrictions at the beginning of the pandemic last year.

The key points of the 2019-20 fiscal report are:

- The Diocese had net gain from operations in the amount of \$29,926,995. This came primarily from the sale of Little Flower Manor and Saint Luke's Villa. These funds are being used to pay claims from the Independent Survivors Compensation Program (ISCP). Due to the ISCP, the Diocese had a loss from operations of \$27,644,389 in the 2018-19 fiscal year. When looking at the two years together, the Diocese had a net gain of \$2,282,606 over that expanded period.

- In order to assist survivors of child sexual abuse, the Diocese established its Independent Survivors Compensation Program in January 2019. The last date for submitting a claim was September 30, 2019. The independently run Program provided assistance to more than 200 survivors of abuse committed by Diocese of Scranton priests, members of religious communities and lay employees. As of June 30, 2020, \$27,609,755 has been expensed related to Program claims, of which \$4,740,027 is accrued to be paid after June 30, 2020 in the Statement of Financial Position.

- The Diocese of Scranton Chancery received a Paycheck Protection Program (PPP) loan of \$1,290,730 granted by the Small Business Administration under the CARES Act. The loan helped keep Diocesan employees on payroll throughout the economic

shutdown, guaranteeing that critical ministries were able to continue. The Diocese used all funds received appropriately and the full amount of the loan was forgiven on December 8, 2020.

- Funds raised by the 2019 Diocesan Annual Appeal totaled \$4,106,002. The Diocese returned \$69,133 directly to parishes that exceeded their goal for the campaign. The amount raised from the 2019 Diocesan Annual Appeal increased from \$3.7 million collected in 2018.

- As in previous years, the financial statements of the Diocesan Administrative Offices have been independently audited by McGrail Merkel Quinn & Associates, P.C., Certified Public Accountants. The statements include activities related to the Diocesan Administrative Offices, not activities related to Catholic Social Services or the Catholic School System. These organizations are audited separately. The statements also do not include parish activities.

I invite you to view the complete audited financial statement for the 2019-20 fiscal year on the Diocese of Scranton website at [dioceseofscranton.org/directory/offices/financial-services/](https://dioceseofscranton.org/directory/offices/financial-services/).

I express gratitude to Bishop Bambera for his leadership and steadfast support for sensible fiscal practices in our Diocese. I am also grateful for the members of the Diocesan Finance Council who provide wise advice and guidance. As we move forward together in hope, I also renew my thanks to all of you for providing your support to our parishes and Diocese, which makes it possible to continue our ministries during these unprecedented times. They truly are needed now more than ever.

Sincerely in Christ,

*Robert J. Miller*

Robert J. Miller  
Diocesan Secretary for Financial Services



## Offices in Support of the Parishes and Diocese include:

**Administrative Offices and Chancellor:** The Chancery is composed of those institutes and persons who assist the Bishop in governing the entire Diocese, especially in providing for the administration of the Diocese and directing pastoral action.

**Catholic Schools:** The Catholic Schools Office is committed to educating students and their families in the Catholic faith. The office provides a Catholic education that is spiritually sound and academically excellent and strives to prepare students to be faith-filled leaders and life-long leaders dedicated to serving the Church and society.

**Catholic Social Services:** Catholic Social Services serves individuals and families in poverty and hardship, responding compassionately to their needs. The agency advocates for individual dignity and self-sufficiency and actively works to replace despair with hope.

**Child Protection/Victim Assistance:** The Safe Environment Office oversees the creation and implementation of child protection programs and policies across the Diocese. Staff ensures the safest possible place in which children, young people and adults can minister, study and work.

**Communications:** The mission of the Communications Office is to evangelize through informing all about the Good News of the Catholic faith, the teachings of the Holy Father and our Bishop, Diocesan and parish ministries, programs and events.

**Development Office:** Offers assistance and support to the development and stewardship programs of all Diocesan parishes, schools and other Catholic institutions. This office helps secure necessary funds to assist the Diocese in its mission to serve God's people.

**Finance Office:** The Diocesan Finance Office is responsible for administering the temporal resources of the Diocese under the authority of the bishop. The Finance Office provides assistance

with financial activities for diocesan parishes and schools and other related organizations.

**Human Resources:** Serves more than 1,200 employees of our parishes, schools and Diocesan offices, centrally administering insurance and benefit programs such as medical, dental, life insurance and 403(b) retirement savings plans.

**Information Technology:** Provides information technology support for diocesan ministries, parishes and offices.

**Parish Life Office:** The Office for Parish Life works directly on-site in parishes to provide leadership formation, spiritual renewal, program design and resourcing, training for people in all types of parish ministry and consulting on specific parish needs.

**Pontifical Mission Societies:** The Pontifical Mission Societies of the Diocese of Scranton promotes a mission spirituality and global vision in the hearts and minds of the faithful.

**Property and Risk Management:** Provides technical and fiduciary oversight in addition to project management for the physical development and maintenance of parish and diocesan properties.

**Tribunal:** The Diocesan Tribunal acts as the Judicial Arm of the Diocesan Bishop upholding rights and responding to grievances relating to Church Law. Deals mainly in the investigation of and pronouncements on petitions regarding invalidity of marriage (Annulments).

**Vocations/Clergy Formation:** The Vocations Office seeks to foster vocations to the Priesthood and Religious Life and provide opportunities for discernment and mentoring of potential seminary candidates.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

### **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.

*Michael Michael Quinn*  
*+ Associates, P.C.*

Scranton, Pennsylvania  
March 19, 2021

DIOCESAN ADMINISTRATIVE OFFICES  
OF THE DIOCESE OF SCRANTON  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 12,332,713	\$ 8,163,229
Certificates of deposit	-	1,922,000
Accounts receivable, less allowance for doubtful accounts of \$4,060,845 in 2020 and \$3,787,193 in 2019	6,411,106	5,166,973
Accrued interest receivable	133,928	126,207
Contributions receivable	1,225,520	863,450
Due from Catholic Cemeteries	324,059	396,313
Prepaid expense	123,270	357,705
Cash subject to program restrictions	6,028,305	5,239,905
Notes and loans receivable	3,181,856	3,352,440
Investments	54,710,041	55,891,370
Land, buildings and equipment, net	5,891,743	6,189,583
Other assets	<u>489,076</u>	<u>418,590</u>
Total assets	<u>\$ 90,851,617</u>	<u>\$ 88,087,765</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, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 963,507	\$ 481,692
Custodial funds payable	519,070	609,784
Accrued interest expense	205,159	301,298
Contributions payable	1,128,145	670,571
Scholarships payable	533,015	694,150
Liability for pension benefits	11,792,686	10,246,332
Accrued claim expense	3,440,649	2,921,941
Accrued Independent Survivors Compensation Program	4,740,027	20,000,000
Accrued postretirement benefit obligation	10,731,428	10,247,938
Refundable advances	23,101	-
Loans payable	3,181,856	8,352,440
Due to Diocese of Scranton Institute	12,882,371	22,982,170
Funds on deposit		
Catholic Cemeteries Perpetual Care and other funds	18,012,149	18,011,481
Other Diocesan organizations Perpetual Care	12,848,068	12,664,635
Total liabilities	<u>81,001,231</u>	<u>108,184,432</u>
Net assets		
Without donor restrictions	1,488,750	(27,730,374)
With donor restrictions	<u>8,361,636</u>	<u>7,633,707</u>
Total net assets	<u>9,850,386</u>	<u>(20,096,667)</u>
Total liabilities and net assets	<u>\$ 90,851,617</u>	<u>\$ 88,087,765</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Parish assessments						
Diocesan	\$ 4,381,933	\$ -	\$ 4,381,933	\$ 4,416,560	\$ -	\$ 4,416,560
Clergy Care and Wellness	955,984	-	955,984	956,368	-	956,368
Intra-Diocesan billings						
Self-insurance premiums - General	4,102,697	-	4,102,697	4,042,876	-	4,042,876
Self-insurance premiums - Medical	9,795,585	-	9,795,585	8,838,357	-	8,838,357
Clergy benefit programs	2,097,028	-	2,097,028	2,261,976	-	2,261,976
Diocesan Program Revenues - <u>Schedule 1</u>	696,278	-	696,278	618,230	-	618,230
Diocesan Annual Appeal	-	4,036,869	4,036,869	-	3,706,473	3,706,473
Special collections	-	20,102	20,102	-	36,007	36,007
Donations and bequests	692,249	707,537	1,399,786	465,925	109,646	575,571
Scholarship Foundation contributions	-	606,692	606,692	-	739,290	739,290
Custodial receipts						
National collections	-	523,053	523,053	-	535,461	535,461
Unemployment	403,833	-	403,833	216,462	-	216,462
Called to Holiness transfers	2,327	-	2,327	156,801	-	156,801
Propagation collections	445,512	-	445,512	410,708	-	410,708
Other revenue	210,512	-	210,512	224,095	-	224,095
Paycheck Protection Program loan funds	1,267,629	-	1,267,629	-	-	-
Investment income, net	1,060,406	155,907	1,216,313	1,102,831	171,864	1,274,695
Net realized gain on sale of investments	4,557,708	-	4,557,708	2,514,222	-	2,514,222
Net realized gain on sale of property	26,632,024	-	26,632,024	36,033	-	36,033
Net assets released from restrictions (Note 6):						
Satisfaction of program restrictions	5,322,231	(5,322,231)	-	5,191,295	(5,191,295)	-
 Total revenues, gains and other support	<u>\$ 62,623,936</u>	<u>\$ 727,929</u>	<u>\$ 63,351,865</u>	<u>\$ 31,452,739</u>	<u>\$ 107,446</u>	<u>\$ 31,560,185</u>

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Total revenues, gains and other support - carried forward	\$ 62,623,936	\$ 727,929	\$ 63,351,865	\$ 31,452,739	\$ 107,446	\$ 31,560,185
Expenses						
Pastoral - <u>Schedule 2</u>	6,041,758	-	6,041,758	6,642,013	-	6,642,013
Educational - <u>Schedule 3</u>	3,524,095	-	3,524,095	2,920,246	-	2,920,246
Community and Social Service - <u>Schedule 4</u>	2,412,620	-	2,412,620	2,010,719	-	2,010,719
Administrative - <u>Schedule 5</u>	19,824,495	-	19,824,495	45,453,079	-	45,453,079
Called to Holiness transfers	133,071	-	133,071	321,246	-	321,246
Custodial disbursements						
National collections	523,053	-	523,053	535,461	-	535,461
Unemployment	119,813	-	119,813	186,951	-	186,951
Interest expense	845,965	-	845,965	837,756	-	837,756
Total expenses	33,424,870	-	33,424,870	58,907,471	-	58,907,471
Excess (deficiency) of revenues over expenses	29,199,066	727,929	29,926,995	(27,454,732)	107,446	(27,347,286)
Other changes						
Provision for bad debt	(362,007)	-	(362,007)	(689,621)	-	(689,621)
Other components of net periodic pension cost	(320,751)	-	(320,751)	(297,103)	-	(297,103)
Pension-related changes other than net periodic pension cost	(2,319,761)	-	(2,319,761)	(691,360)	-	(691,360)
Transfer to lay pension plan	(1,357,720)	-	(1,357,720)	(622,738)	-	(622,738)
Reduction of related party payable	10,000,000	-	10,000,000	-	-	-
Change in net unrealized gains and losses on investments	(5,619,703)	-	(5,619,703)	578,608	-	578,608
Increase (decrease) in net assets	29,219,124	727,929	29,947,053	(29,176,946)	107,446	(29,069,500)
Net assets, beginning	(27,730,374)	7,633,707	(20,096,667)	1,446,572	7,526,261	8,972,833
Net assets, ending	\$ 1,488,750	\$ 8,361,636	\$ 9,850,386	\$ (27,730,374)	\$ 7,633,707	\$ (20,096,667)

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Increase (decrease) in net assets	\$ 29,947,053	\$ (29,069,500)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	(4,557,708)	(2,514,222)
Net unrealized loss (gain) on investments	5,619,703	(578,608)
Net realized gain on sale of property	(26,632,024)	(36,033)
Accretion on investments	(35,829)	(50,222)
Depreciation expense	369,487	372,611
Provision for bad debt	362,007	689,621
Reduction in due to Diocese of Scranton Institute	(10,000,000)	-
Increase in accounts receivable	(1,606,140)	(1,478,261)
Increase in accrued interest receivable	(7,721)	(42,876)
(Increase) decrease in contributions receivable	(362,070)	307,564
Decrease (increase) in due from Catholic Cemeteries	72,254	(234,869)
Decrease in prepaid expense	234,435	151,798
Increase in other assets	(70,486)	(52,165)
Increase (decrease) in accounts payable	481,815	(271,343)
(Decrease) increase in custodial funds payable	(90,714)	101,100
(Decrease) increase in accrued interest expense	(96,139)	96,025
Increase (decrease) in contributions and scholarships payable	296,439	(1,738,375)
Increase in liability for pension benefits	1,546,354	605,070
Increase in accrued claim expense	518,708	918,599
(Decrease) increase in accrued Independent Survivors Compensation Program	(15,259,973)	20,000,000
Increase in accrued postretirement benefit obligation	483,490	116,256
Increase in refundable advances	23,101	-
Decrease in due to Diocese of Scranton Institute	(99,799)	(111,334)
Contributions and interest restricted for long-term investment	(8,279)	(8,258)
Net cash used in operating activities	<u>(18,872,036)</u>	<u>(12,827,422)</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Investing activities		
Purchase of fixed assets	\$ (71,647)	\$ (205,529)
Proceeds from sale of property	26,632,024	52,222
Principal collected-loans receivable	170,584	165,744
Purchase of investments	(79,671,594)	(30,827,448)
Proceeds from sale of investments	81,757,036	38,693,165
Net cash provided by investing activities	<u>28,816,403</u>	<u>7,878,154</u>
Financing activities		
Proceeds from loan	-	5,000,000
Principal payments on loan	(5,170,584)	(165,744)
Funds on deposit		
Additions	209,137	180,748
Withdrawals	(25,036)	(26,600)
Net cash (used in) provided by financing activities	<u>(4,986,483)</u>	<u>4,988,404</u>
Net increase in cash	4,957,884	39,136
Cash, cash equivalents and restricted cash, beginning	<u>13,403,134</u>	<u>13,363,998</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 18,361,018</u>	<u>\$ 13,403,134</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 Comerica Bank.

### Advertising

All advertising costs are expensed as incurred. For the years ended June 30, 2020 and 2019, advertising expense amounted to \$42,568 and \$60,506, 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.

During the years ended June 30, 2020 and 2019, the Diocese paid interest in the amounts of \$942,104 and \$741,731, 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 2016.

### 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, 2020, the following financial assets are available to meet annual operating needs for the year ended June 30, 2021:

Financial assets at year-end:	
Cash and equivalents	\$ 12,332,713
Accounts receivable	6,411,106
Accrued interest receivable	133,928
Investments	54,710,041
	<u>73,587,788</u>
Less amounts not available to be used within one year:	
Funds on deposit	30,860,217
Investments with donor restrictions	<u>3,096,231</u>
Financial assets available to meet general expenditures within one year	<u>\$ 39,631,340</u>

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

### Reclassifications

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

### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Diocese is currently evaluating the effect that the standard will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 was effective for the Diocese beginning on July 1, 2019. ASU 2016-18 must be applied using a retrospective transition method.

## 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 was 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 adoption of this guidance is reflected in the Statement of Activities.

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 implemented ASU 2018-08 effective July 1, 2019 and the impact to the financial statements was immaterial.

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.

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. 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.

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

### Subsequent Events

The Diocese has evaluated subsequent events through March 19, 2021, the date the financial statements were available to be issued. See Note 18 for a discussion of subsequent events noted.

## Note 2 - Cash and Equivalents

Cash and equivalents at June 30, 2020, consisted of the following:

FNCB Bank	\$ 5,268,650
Community Bank	543,214
BB&T Bank	1,005,551
Citibank self-insurance checking	(153,080)
PNC Bank	7,331,827
Fidelity Bank – Self-insurance	2,578,578
Mid Penn Bank	343,588
KeyBank	239
Comerica Bank	1,367,434
Merrill Lynch	4,052
Fidelity Bank trust account	67,824
Petty cash	3,141
Total cash and restricted cash shown in the Statement of Cash Flows	18,361,018
Less: Cash subject to donor restrictions	(6,028,305)
Total cash and equivalents	<u>\$ 12,332,713</u>

The above table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Position that amount to the totals shown in the Statement of Cash Flows. Cash subject to program restrictions consists of the cash held to meet the requirements of net assets with donor restrictions and bank loans.

## Note 3 - Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Contributions receivable in:		
Less than one year	\$ 1,084,471	\$ 680,999
One year to five years	<u>141,049</u>	<u>182,451</u>
Total contributions receivable, net	<u>\$ 1,225,520</u>	<u>\$ 863,450</u>



#### Note 4 - Investments

Investments at June 30, 2020 and 2019 are summarized as follows:

	2020		2019	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Without donor restrictions				
U.S. Obligations	\$ 10,572,068	\$ 10,659,347	\$ 11,218,291	\$ 11,391,206
Corporate Bonds	8,582,362	8,962,296	7,156,670	7,481,575
Corporate Equities	-	-	22,416,422	28,890,809
Mutual Funds	31,023,476	31,992,167	4,956,428	5,039,828
	<u>50,177,906</u>	<u>51,613,810</u>	<u>45,747,811</u>	<u>52,803,418</u>
With donor restrictions				
Cash	<u>3,096,231</u>	<u>3,096,231</u>	<u>3,087,952</u>	<u>3,087,952</u>
Total investments	<u>\$ 53,274,137</u>	<u>\$ 54,710,041</u>	<u>\$ 48,835,763</u>	<u>\$ 55,891,370</u>

As of June 30, 2020 the above investments were deposited with Comerica Bank and Fidelity Bank. At June 30, 2019 the above investments were deposited with Merrill Lynch and Fidelity Bank.

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

	2020	2019
<u>Income</u>		
Interest and dividends, net of fees of \$252,971 in 2020 and \$358,067 in 2019	<u>\$ 1,060,406</u>	<u>\$ 1,102,831</u>
Net realized gains on investment transactions	<u>\$ 4,557,708</u>	<u>\$ 2,514,222</u>
<u>Other Changes in Net Assets</u>		
Net unrealized (losses) gains on investments	<u>\$(5,619,703)</u>	<u>\$ 578,608</u>

#### Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019	Depreciable Lives
Land, buildings and improvements	\$ 10,123,888	\$ 10,074,905	20-40 Years
Equipment	<u>3,691,716</u>	<u>3,669,052</u>	3-10 Years
	13,815,604	13,743,957	
Less: Accumulated depreciation	<u>7,923,861</u>	<u>7,554,374</u>	
Total	<u>\$ 5,891,743</u>	<u>\$ 6,189,583</u>	

Note 5 - Land, Buildings and Equipment - (Continued)

Depreciation expense amounted to \$369,487 and \$372,611 for the years ended June 30, 2020 and 2019.

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, 2020 and 2019 are as follows:

	Net Assets	
	2020	2019
Saint Pius X Seminary/St. John Vianney	\$ 2,238,820	\$ 1,569,216
Villa St. Joseph	181,394	189,545
Diocese of Scranton Scholarship Foundation	161,919	98,451
Msgr. Paul F. Terracciano Tuition Trust Fund	4,689	6,689
Reverend Niebrzydowski Tuition Fund	10,260	13,037
Msgr. Jordan Tuition Fund	20,545	20,139
Christie D. Shull Fund	2,460,980	2,459,527
Campaign for Human Development Program	12,646	19,568
Restricted for program and educational expenditures	174,152	169,583
Total	<u>\$ 5,265,405</u>	<u>\$ 4,545,755</u>

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

	Net Assets	
	2020	2019
Diocesan Annual Appeal Program costs	\$ 4,037,756	\$ 3,721,434
Campaign for Human Development Program costs	19,568	6,192
National Collections - collections remitted	523,053	535,461
Beatrice M. Eck Endowment Fund Scholarship	85,000	43,000
Villa St. Joseph Capital improvements	17,941	51,961
Seminary/St. John Vianney Fund improvements	29,947	33,720
Diocese of Scranton Scholarship Foundation Scholarships and program costs	608,966	799,527
Total restrictions released	<u>\$ 5,322,231</u>	<u>\$ 5,191,295</u>

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

Net assets with donor restrictions not subject to appropriation or expenditure as of June 30, 2020 and 2019 are as follows:

	Net Assets	
	2020	2019
<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.	2,732,049	2,723,770
<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>\$ 3,096,231</u>	<u>\$ 3,087,952</u>

Note 7 - Contributions Payable

Contributions payable amounted to \$1,128,145 and \$670,571 at June 30, 2020 and 2019, respectively. The balance of the payable at June 30, 2020 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Obligations and funded status at June 30:				
Fair value of plan assets	\$ 13,063,532	\$ 13,651,628	\$ -	\$ -
Projected benefit obligations	<u>24,856,218</u>	<u>23,897,960</u>	<u>10,731,428</u>	<u>10,247,938</u>
Funded status at end of years	<u>\$(11,792,686)</u>	<u>\$(10,246,332)</u>	<u>\$(10,731,428)</u>	<u>\$(10,247,938)</u>
Amounts recognized in the Statements of Financial Position consist of:				
Liability for benefits	<u>\$(11,792,686)</u>	<u>\$(10,246,332)</u>	<u>\$(10,731,428)</u>	<u>\$(10,247,938)</u>
Net amount recognized	<u>\$(11,792,686)</u>	<u>\$(10,246,332)</u>	<u>\$(10,731,428)</u>	<u>\$(10,247,938)</u>

The accumulated benefit obligation for both defined benefit pension plans was \$24,856,218 and \$23,897,960 at June 30, 2020 and 2019, respectively. Both plans had accumulated benefit obligations in excess of plan assets at June 30, 2020 and 2019.

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	
	2020	2019	2020	2019
Net (gain) loss	\$ 117,260	\$ (1,012,354)	\$ 207,609	\$ 211,295
Prior service cost	(97,004)	(97,004)	-	-
Change in assumptions	1,677,749	1,560,503	414,147	28,919
	<u>1,698,005</u>	<u>451,145</u>	<u>621,756</u>	<u>240,214</u>
Net periodic benefit cost	<u>882,417</u>	<u>967,377</u>	<u>(138,266)</u>	<u>(123,958)</u>
Total	<u>\$ 2,580,422</u>	<u>\$ 1,418,522</u>	<u>\$ 483,490</u>	<u>\$ 116,256</u>

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 \$750,893 and \$574,597, 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 \$146,691 and \$207,609, respectively.

	Pension Benefits		Postretirement Medical Benefits	
	2020	2019	2020	2019
<u>Assumptions</u>				
Weighted-average assumptions used in computing ending obligations:				
Discount rate	3.00%	3.75%	3.00%	3.75%
Rate of compensation increase	N/A	N/A	-	-
Weighted-average assumptions used in computing net cost:				
Discount rate	3.00%	3.75%	3.00%	3.75%
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:

	<u>2020</u>	<u>2019</u>
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	2023	2021

### Plan Assets

The assets of the Plans are deposited in separate Comerica Bank and 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, Mutual Funds 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, 2020 and 2019.

	June 30, 2020			
	Level I	Level II	Level III	Total
Assets:				
U.S. Obligations	\$ 1,221,420	\$ -	\$ -	\$ 1,221,420
Corporate bonds	1,059,331	-	-	1,059,331
Mutual Funds – Equity	7,738,544	-	-	7,738,544
Mutual Funds – Fixed	1,419,491	-	-	1,419,491
Money markets	1,624,746	-	-	1,624,746
	<u>\$ 13,063,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,063,532</u>

	June 30, 2019			
	Level I	Level II	Level III	Total
Assets:				
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>

The Diocese's pension plan weighted-average asset allocations at June 30, 2020 and 2019, by asset category, are as follows:

	Pension Benefits	
	2020	2019
Equity securities	60.00%	63.00%
Debt securities	28.00%	17.00%
Other	12.00%	20.00%
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>
2019 (actual)	\$ 813,453	\$ -
2020 (actual)	1,034,068	-
2021 (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>
2019	\$ 1,909,511	\$ 467,334
2020	\$ 1,818,813	\$ 427,276

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

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2021	\$ 1,896,930	\$ 405,592
2022	1,888,531	439,843
2023	1,848,978	458,873
2024	1,819,853	482,313
2025	1,769,530	495,947
Years 2026-2030	8,255,026	1,640,787

### 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, 2020 and 2019, the Diocese contributed \$163,713 and \$166,221 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 2020 and 2019) 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 \$225,000 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, 2020 and 2019 amounted to \$3,181,856 and \$3,352,440, 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, 2020 and 2019 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 2019 Diocesan Annual Appeal totaled \$4,106,002. The Diocese returned to parishes \$69,133 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2019 campaign. Also, contributions receivable of \$41,239 were recorded at their net realizable value in connection with the 2019 campaign; these contributions were collected within one year.

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.

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

	2020		2019	
	Budgeted	Actual	Budgeted	Actual
Direct aid to schools and Religious Education Grants	\$ 800,000	\$ 646,041	\$ 850,000	\$ 632,644
Communication and Evangelization	850,000	686,418	850,000	632,644
Parish Faith Formation Grants	150,000	121,133	-	-
Social services	900,000	726,796	600,000	446,572
Clergy formation, education and Retirement	950,000	767,174	1,200,000	893,144
Parish Ministries	950,000	767,174	1,100,000	818,715
Campaign Cost	400,000	323,020	400,000	297,715
	<u>\$ 5,000,000</u>	<u>\$4,037,756</u>	<u>\$ 5,000,000</u>	<u>\$3,721,434</u>

Interest income earned on Appeal funds amounted to \$24,229 and \$32,249 for the years ended June 30, 2020 and 2019.

#### 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, 2020 and 2019, the Diocese received assets in the amount of \$2,327 and \$156,801, respectively, and made transfers and debt reductions in the amount of \$133,071 and \$321,246, respectively.



### Note 13 - Paycheck Protection Program

The Diocese received a Paycheck Protection Program (PPP) loan of \$1,290,730 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Diocese recognized the amount received as grant revenue as qualified expenses occurred. The Diocese met the criteria and the full amount of the loan was forgiven on December 8, 2020.

### Note 14 - Contingencies

#### Related Party Loans

The Diocese is a co-borrower on the Catholic Social Services of the Diocese of Scranton Line of Credit Note with PNC Bank. The note is a \$700,000 line of credit with interest at the Daily LIBOR rate plus 3.13%, and borrowings amounted to \$588,366 at June 30, 2020. The Diocese was required to reserve collateral to cover the line of credit. A separate money market account is maintained at PNC Bank by the Diocese in the amount of \$700,000 and is included in cash subject to program restrictions.

#### 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. As of June 30, 2020, \$27,609,755 has been expensed related to the Independent Survivors Compensation Program claims, of which \$4,740,027 is accrued to be paid after June 30, 2020 in 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, 2020 and 2019.

	June 30, 2020			
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 10,659,347	\$ -	\$ -	\$ 10,659,347
Corporate Bonds				
Aa1 credit rating	-	207,371	-	207,371
Aa2 credit rating	-	841,530	-	841,530
Aa3 credit rating	-	50,393	-	50,393
A1 credit rating	-	474,296	-	474,296
A2 credit rating	-	1,432,203	-	1,432,203
A3 credit rating	-	1,453,195	-	1,453,195
Baa1 credit rating	-	1,968,998	-	1,968,998
Baa2 credit rating	-	1,990,558	-	1,990,558
Baa3 credit rating	-	427,836	-	427,836
Ba1 credit rating	-	115,916	-	115,916
Total Corporate Bonds	-	8,962,296	-	8,962,296
Mutual Funds – Fixed	5,389,972	-	-	5,389,972
Mutual Funds – Equity	26,602,195	-	-	26,602,195
Restricted cash	3,096,231	-	-	3,096,231
	\$ 45,747,745	\$ 8,962,296	\$ -	\$ 54,710,041

Note 15 - Fair Value Measurements - (Continued)

	June 30, 2019			
Assets:	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 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, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	\$ -	\$ 5,771,371	\$ 5,771,371

  

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	\$ -	\$ 5,736,148	\$ 5,736,148

Changes in Endowment Net Assets for the years ended June 30, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 5,736,148	\$ 5,736,148
Investment return:			
Investment income	-	114,885	114,885
Total investment return	-	114,885	114,885
Contributions	-	606,728	606,728
Appropriation of endowment assets for expenditure	-	(686,390)	(686,390)
Endowment net assets, end of year	\$ -	\$ 5,771,371	\$ 5,771,371

Note 16 - Endowments - (Continued)

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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, 2020 and 2019, respectively, consist of the following:

2020						
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$3,302,468	\$ 924,000	\$ -	\$ 4,226,468	\$ 1,881,803	\$ 6,108,271
Clergy support	794,972	-	-	794,972	-	794,972
Grants and contributions	-	4,264,046	-	4,264,046	656,124	4,920,170
Supplies and program	1,124,107	502,718	2,078	1,628,903	1,182,882	2,811,785
Occupancy	255,425	168,217	-	423,642	134,346	557,988
Legal and professional fees	308,490	-	1,412,815	1,721,305	277,012	1,998,317
Insurance premiums & claims	-	-	15,863,880	15,863,880	-	15,863,880
Depreciation	256,296	77,734	-	334,030	35,457	369,487
Total	<u>\$6,041,758</u>	<u>\$ 5,936,715</u>	<u>\$17,278,773</u>	<u>\$29,257,246</u>	<u>\$ 4,167,624</u>	<u>\$33,424,870</u>
2019						
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$3,482,009	\$ 866,182	\$ -	\$ 4,348,191	\$ 1,868,767	\$ 6,216,958
Clergy support	1,077,186	-	-	1,077,186	-	1,077,186
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>\$6,642,013</u>	<u>\$ 4,930,965</u>	<u>\$ 42,856,364</u>	<u>\$54,429,342</u>	<u>\$ 4,478,129</u>	<u>\$58,907,471</u>

### Note 18 - Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States. It is uncertain how long these conditions will last and what the complete financial effect will be to the Diocese. It is reasonably possible that estimates made in the financial statements have been, or will be materially and adversely impacted in the near term as a result of these conditions.

Note 18 - Subsequent Events - (Continued)

In June, 2020, the Diocese entered into a license purchase agreement to sell licensed spectrum rights for \$5,000,000. The sale was completed in October, 2020, after the Federal Communications Commission issued its Final Order for the sale.



SUPPLEMENTARY INFORMATION

DIOCESAN ADMINISTRATIVE OFFICES

SCHEDULE 1

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PROGRAM REVENUES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Parish Ministry	\$ 153,486	\$ 150,121
The Catholic Light	78,094	87,950
Communications Office	445,387	335,474
Matrimonial Tribunal	3,398	4,540
Catholic Schools Office	4,771	9,507
Pastoral Center	<u>11,142</u>	<u>30,638</u>
	<u>\$ 696,278</u>	<u>\$ 618,230</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, 2020 AND 2019

	Matrimonial Tribunal		Parish Ministry		Communications Office		The Catholic Light	
	2020	2019	2020	2019	2020	2019	2020	2019
Salaries and benefits:								
Compensation - clergy and religious	\$ 35,169	\$ 48,048	\$ 9,501	\$ 16,016	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	1,250	1,000	450	450	-	-	-	-
Salaries and wages - lay persons	108,199	109,224	530,796	577,648	230,289	247,636	154,086	174,542
Benefits - lay persons	76,652	85,161	199,548	205,200	68,235	89,375	87,320	83,522
Total salaries and benefits	221,270	243,433	740,295	799,314	298,524	337,011	241,406	258,064
Supplies, office and program expense	5,012	6,520	202,046	201,697	6,989	5,023	1,815	3,542
Telephone, postage and printing	4,754	7,659	18,753	24,424	2,726	3,330	155,571	184,227
Conferences, meetings and travel	2,273	1,696	23,825	28,071	5,584	5,929	-	198
Legal and professional fees	10,802	17,744	-	14,083	6,614	5,906	43,226	43,706
Advertising	-	-	-	-	-	-	-	-
Publishing	-	-	-	-	-	-	94,355	99,027
Dues and subscriptions	1,540	1,614	2,548	4,249	3,846	3,664	1,288	1,160
Other	-	-	-	-	-	-	3,380	14,743
Insurance	701	677	34,776	58,112	8,911	8,571	4,214	4,052
Building occupancy and maintenance expense	-	-	-	-	1,217	1,189	-	-
Depreciation expense	-	931	4,665	3,112	7,831	10,318	2,941	3,473
Utilities	-	-	-	-	1,648	1,300	-	-
Priests' medical expense	-	-	-	-	-	-	-	-
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-
Seminary and clergy education	-	-	-	-	-	-	-	-
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-	-	-
Other dues	-	-	-	-	-	-	-	-
	<u>\$ 246,352</u>	<u>\$ 280,274</u>	<u>\$ 1,026,908</u>	<u>\$ 1,133,062</u>	<u>\$ 343,890</u>	<u>\$ 382,241</u>	<u>\$ 548,196</u>	<u>\$ 612,192</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 - CONTINUED

YEARS ENDED JUNE 30, 2020 AND 2019

	Vicar for Priests		Episcopal Vicars		Clergy and Religious	
	2020	2019	2020	2019	2020	2019
Salaries and benefits:						
Compensation - clergy and religious	\$ 82,333	\$ 79,654	\$ 37,378	\$ 64,064	\$ 209,528	\$ 224,201
Benefits - clergy and religious	33,954	33,003	1,000	1,000	571,621	538,516
Salaries and wages - lay persons	93,220	93,658	-	-	-	-
Benefits - lay persons	18,622	20,166	-	-	-	-
Total salaries and benefits	228,129	226,481	38,378	65,064	781,149	762,717
Supplies, office and program expense	4,505	5,915	-	-	43,343	45,942
Telephone, postage and printing	6,805	11,922	919	1,458	2,158	3,214
Conferences, meetings and travel	11,722	15,724	1,023	2,393	27,732	29,210
Legal and professional fees	-	-	-	-	34,068	23,342
Advertising	-	-	-	-	-	-
Publishing	-	-	-	-	-	-
Dues and subscriptions	406	334	-	-	-	-
Other	-	-	-	-	47	857
Insurance	1,272	1,268	-	-	4,662	3,894
Building occupancy and maintenance expense	-	-	-	-	46,341	47,973
Depreciation expense	1,678	2,118	-	-	4,173	4,173
Utilities	-	-	-	-	-	-
Priests' medical expense	-	-	-	-	534,028	599,287
Clergy medical assistance and maintenance	-	-	-	-	11,146	38,675
Seminary and clergy education	-	-	-	-	249,798	439,224
Pennsylvania Catholic Conference dues	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-
Other dues	-	-	-	-	-	-
	<u>\$ 254,517</u>	<u>\$ 263,762</u>	<u>\$ 40,320</u>	<u>\$ 68,915</u>	<u>\$ 1,738,645</u>	<u>\$ 1,998,508</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, 2020 AND 2019

SCHEDULE 2

	Diocesan Annual Appeal		Diocesan Properties Facility Operating Costs		Pastoral Center		Other Programs		Total Pastoral Expenses	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries and benefits:										
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,273	\$ 149,602	\$ 508,182	\$ 581,585
Benefits - clergy and religious	-	-	-	-	-	-	46,725	50,405	655,000	624,374
Salaries and wages - lay persons	341,911	344,695	-	-	22,954	33,723	35,576	44,126	1,517,031	1,625,252
Benefits - lay persons	137,594	132,343	-	-	2,702	6,388	31,582	28,643	622,255	650,798
Total salaries and benefits	479,505	477,038	-	-	25,656	40,111	248,156	272,776	3,302,468	3,482,009
Supplies, office and program expense	55,662	67,861	-	-	11,855	25,053	45,268	56,394	376,495	417,947
Telephone, postage and printing	101,272	87,680	-	-	837	1,117	3,826	6,441	297,621	331,472
Conferences, meetings and travel	8,055	10,553	-	-	158	-	15,912	15,392	96,284	109,166
Legal and professional fees	208,070	158,010	-	-	-	-	5,710	7,660	308,490	270,451
Advertising	400	-	-	-	-	-	1,700	1,434	2,100	1,434
Publishing	-	-	-	-	-	-	-	-	94,355	99,027
Dues and subscriptions	1,567	1,723	-	-	-	-	2,086	2,055	13,281	14,799
Other	-	-	-	-	-	-	-	-	3,427	15,600
Insurance	1,272	1,376	56,252	54,005	-	-	636	612	112,696	132,567
Building occupancy and maintenance expense	-	-	91,123	96,720	-	-	2,400	2,400	141,081	148,282
Depreciation expense	284	1,747	234,724	229,383	-	-	-	-	256,296	255,255
Utilities	-	-	-	-	-	-	-	-	1,648	1,300
Priests' medical expense	-	-	-	-	-	-	-	-	534,028	599,287
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-	11,146	38,675
Seminary and clergy education	-	-	-	-	-	-	-	-	249,798	439,224
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	107,096	147,403	107,096	147,403
United States Catholic Conference dues	-	-	-	-	-	-	66,744	71,331	66,744	71,331
Other dues	-	-	-	-	-	-	66,704	66,784	66,704	66,784
	<u>\$ 856,087</u>	<u>\$ 805,988</u>	<u>\$ 382,099</u>	<u>\$ 380,108</u>	<u>\$ 38,506</u>	<u>\$ 66,281</u>	<u>\$ 566,238</u>	<u>\$ 650,682</u>	<u>\$ 6,041,758</u>	<u>\$ 6,642,013</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, 2020 AND 2019

	Catholic Schools Office		Educational Grants		Total Educational Expenses	
	2020	2019	2020	2019	2020	2019
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	-	-	-	-	-	-
Salaries and wages - lay persons	449,326	392,972	-	-	449,326	392,972
Benefits - lay persons	155,899	146,905	-	-	155,899	146,905
Total salaries and benefits	605,225	539,877	-	-	605,225	539,877
Supplies, office and program expense	25,718	44,767	-	-	25,718	44,767
Telephone, postage and printing	12,220	9,955	-	-	12,220	9,955
Conferences, meetings and travel	12,257	19,365	-	-	12,257	19,365
Legal and professional fees	-	600	-	-	-	600
Advertising	34,160	32,904	-	-	34,160	32,904
Dues and subscriptions	1,400	2,292	-	-	1,400	2,292
Depreciation expense	655	2,083	-	-	655	2,083
Contributions and program grants	6,464	13,828	518,692	308,267	525,156	322,095
Educational grants:						
Diocesan Catholic Schools	-	-	2,287,918	1,920,696	2,287,918	1,920,696
Catholic University of America	-	-	18,750	25,000	18,750	25,000
Insurance	636	612	-	-	636	612
	<u>\$ 698,735</u>	<u>\$ 666,283</u>	<u>\$ 2,825,360</u>	<u>\$ 2,253,963</u>	<u>\$ 3,524,095</u>	<u>\$ 2,920,246</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, 2020 AND 2019

	<u>Villa St. Joseph</u>		<u>Social Service Grants</u>		<u>Propagation of the Faith</u>		<u>Total Community and Social Service Expenses</u>	
	2020	2019	2020	2019	2020	2019	2020	2019
Salaries and benefits:								
Compensation - clergy and religious	\$ 14,975	\$ 16,016	\$ -	\$ -	\$ 16,335	\$ 16,016	\$ 31,310	\$ 32,032
Benefits - clergy and religious	10,613	8,376	-	-	8,614	8,376	19,227	16,752
Salaries and wages - lay persons	174,534	165,741	-	-	-	-	174,534	165,741
Benefits - lay persons	93,704	109,544	-	-	-	2,236	93,704	111,780
Total salaries and benefits	293,826	299,677	-	-	24,949	26,628	318,775	326,305
Supplies, office and program expense	28,068	26,040	-	-	124,813	209,487	152,881	235,527
Telephone, postage and printing	5,314	4,429	-	-	144	254	5,458	4,683
Dues and subscriptions	770	1,355	-	-	54	52	824	1,407
Food service	255,106	269,197	-	-	-	-	255,106	269,197
Utilities	63,736	63,504	-	-	-	-	63,736	63,504
Building occupancy and maintenance	69,686	82,851	-	-	-	-	69,686	82,851
Depreciation expense	77,079	72,930	-	-	-	-	77,079	72,930
Insurance	34,159	32,840	-	-	-	-	34,159	32,840
Conferences, meetings and travel	1,843	509	-	-	851	705	2,694	1,214
Legal and professional fees	-	630	-	-	-	-	-	630
Social Service Grants:								
Catholic Social Services	-	-	653,663	384,831	-	-	653,663	384,831
Saint Peter's Cathedral	-	-	162,000	162,000	-	-	162,000	162,000
United Way Campaigns	-	-	24,400	24,400	-	-	24,400	24,400
Commissions for Catholic Missions	-	-	18,750	25,000	-	-	18,750	25,000
Secretariat for Latin America	-	-	7,500	10,000	-	-	7,500	10,000
Contributions	-	-	345,019	147,831	220,890	165,569	565,909	313,400
	<u>\$ 829,587</u>	<u>\$ 853,962</u>	<u>\$ 1,211,332</u>	<u>\$ 754,062</u>	<u>\$ 371,701</u>	<u>\$ 402,695</u>	<u>\$ 2,412,620</u>	<u>\$ 2,010,719</u>

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

DIOCESAN ADMINISTRATIVE OFFICES  
OF THE DIOCESE OF SCRANTON  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEARS ENDED JUNE 30, 2020 AND 2019

SCHEDULE 5

	Chancery Office		Finance Office		Self-Insurance Program - General		Self-Insurance Program - Medical	
	2020	2019	2020	2019	2020	2019	2020	2019
Salaries and benefits:								
Compensation - clergy and religious	\$ 71,462	\$ 76,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	17,227	17,002	-	-	-	-	-	-
Salaries and wages - lay persons	198,239	202,359	385,556	380,461	-	-	-	-
Benefits - lay persons	85,371	91,395	144,863	152,638	-	-	-	-
Total salaries and benefits	372,299	387,177	530,419	533,099	-	-	-	-
Supplies, office and program expense	63,903	91,692	21,436	31,952	-	-	-	-
Telephone, postage and printing	18,096	22,810	5,753	6,536	-	-	-	-
Conferences, meetings and travel	18,567	18,929	7,541	9,214	-	-	-	-
Legal and professional fees	110,783	126,724	123,973	70,378	1,412,815	1,396,379	-	-
Advertising	300	475	-	-	-	-	-	-
Dues and subscriptions	4,897	2,933	-	725	-	-	-	-
Depreciation expense	6,824	8,827	824	1,489	-	-	-	-
Miscellaneous	-	-	-	-	2,078	1,588	-	-
Self-insurance premiums	-	-	-	-	1,657,808	1,589,023	-	-
Claims expense	-	-	-	-	2,325,038	1,916,404	8,989,919	9,688,188
Independent Survivors Compensation Program	-	-	-	-	1,097,105	26,512,650	-	-
Administrative fees	-	-	-	-	242,094	221,109	1,551,916	1,531,023
Occupancy expense	-	-	-	-	-	-	-	-
Repairs and maintenance expense	-	-	-	-	-	-	-	-
Insurance	5,821	5,682	636	612	-	-	-	-
	<u>\$ 601,490</u>	<u>\$ 665,249</u>	<u>\$ 690,582</u>	<u>\$ 654,005</u>	<u>\$ 6,736,938</u>	<u>\$31,637,153</u>	<u>\$10,541,835</u>	<u>\$11,219,211</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 - CONTINUED

YEARS ENDED JUNE 30, 2020 AND 2019

	Facilities Manager		Other Administrative Expenses		Total Administrative Expenses	
	2020	2019	2020	2019	2020	2019
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ 71,462	\$ 76,421
Benefits - clergy and religious	-	-	-	-	17,227	17,002
Salaries and wages - lay persons	144,442	144,375	593,886	570,807	1,322,123	1,298,002
Benefits - lay persons	44,476	59,239	196,281	174,070	470,991	477,342
Total salaries and benefits	188,918	203,614	790,167	744,877	1,881,803	1,868,767
Supplies, office and program expense	762	1,497	36,824	50,023	122,925	175,164
Telephone, postage and printing	2,142	2,185	19,627	18,891	45,618	50,422
Conferences, meetings and travel	3,110	3,462	6,393	9,849	35,611	41,454
Legal and professional fees	10,296	4,059	31,960	42,542	1,689,827	1,640,082
Advertising	-	-	6,008	25,693	6,308	26,168
Dues and subscriptions	425	395	1,320	3,175	6,642	7,228
Depreciation expense	5,563	5,829	22,246	26,198	35,457	42,343
Miscellaneous	-	-	-	-	2,078	1,588
Self-insurance premiums	-	-	-	-	1,657,808	1,589,023
Claims expense	-	-	-	-	11,314,957	11,604,592
Independent Survivors Compensation Program	-	-	-	-	1,097,105	26,512,650
Administrative fees	-	-	-	-	1,794,010	1,752,132
Occupancy expense	-	-	103,157	102,735	103,157	102,735
Repairs and maintenance expense	-	-	21,635	29,460	21,635	29,460
Insurance	-	-	3,097	2,977	9,554	9,271
	<u>\$ 211,216</u>	<u>\$ 221,041</u>	<u>\$ 1,042,434</u>	<u>\$ 1,056,420</u>	<u>\$ 19,824,495</u>	<u>\$ 45,453,079</u>

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