

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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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 Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Diocesan Administrative Offices of the Diocese of Scranton (the Diocese), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Diocese as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

### **Supplementary Information**

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.

*McGlad Muellem*  
*+ Associates, P.C.*

Scranton, Pennsylvania  
December 14, 2023

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 10,926,979	\$ 9,806,124
Accounts receivable, less allowance for doubtful accounts of \$5,172,043 in 2023 and 2022	4,434,009	6,724,937
Accrued interest receivable	58,379	73,826
Contributions receivable	451,911	440,388
Due from Catholic Cemeteries	-	94,744
Prepaid expense	688,145	236,721
Cash subject to program restrictions	8,901,248	7,650,398
Notes and loans receivable	2,637,031	2,824,184
Investments	19,642,275	16,952,499
Land, buildings and equipment, net	5,744,059	5,630,300
Other assets	442,875	762,806
Beneficial interest in charitable trust	246,606	236,604
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 54,173,517</u>	<u>\$ 51,433,531</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, 2023 AND 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Accounts payable	\$ 1,299,736	\$ 747,812
Custodial funds payable	303,771	277,934
Contributions payable	812,916	1,296,533
Scholarships payable	610,788	723,343
Liability for pension benefits	4,862,024	5,962,339
Accrued claim expense	1,500,340	2,696,199
Accrued postretirement benefit obligation	6,911,279	8,150,832
Refundable advances	-	130,194
Loans payable	2,637,031	2,824,184
Due to Catholic Cemeteries	965,481	-
Due to Diocese of Scranton Institute	<u>16,162,140</u>	<u>16,239,427</u>
Total liabilities	<u>36,065,506</u>	<u>39,048,797</u>
Net assets		
Without donor restrictions	7,558,924	2,896,841
With donor restrictions	<u>10,549,087</u>	<u>9,487,893</u>
Total net assets	<u>18,108,011</u>	<u>12,384,734</u>
Total liabilities and net assets	<u><u>\$ 54,173,517</u></u>	<u><u>\$ 51,433,531</u></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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Parish assessments						
Diocesan	\$ 3,638,798	\$ -	\$ 3,638,798	\$ 4,000,982	\$ -	\$ 4,000,982
Clergy Care and Wellness	959,987	-	959,987	956,395	-	956,395
Catholic Schools	6,041,629	-	6,041,629	-	-	-
Intra-Diocesan billings						
Self-insurance premiums - General	4,379,604	-	4,379,604	4,259,961	-	4,259,961
Self-insurance premiums - Medical	9,846,276	-	9,846,276	9,602,375	-	9,602,375
Clergy benefit programs	2,015,321	-	2,015,321	1,977,909	-	1,977,909
Diocesan Program Revenues -						
<u>Schedule 1</u>	223,104	35,000	258,104	233,360	-	233,360
Diocesan Annual Appeal	-	4,053,006	4,053,006	-	4,253,326	4,253,326
Special collections	-	27,304	27,304	-	27,068	27,068
Donations and bequests	611,584	965,152	1,576,736	418,529	744,649	1,163,178
Scholarship Foundation contributions	-	838,282	838,282	-	709,769	709,769
Custodial receipts						
National collections	-	645,129	645,129	-	783,083	783,083
Unemployment	226,178	-	226,178	397,508	-	397,508
Propagation collections	168,657	-	168,657	193,180	-	193,180
Other revenue	358,701	-	358,701	278,152	-	278,152
Employee Retention Credit income	1,743,921	-	1,743,921	-	-	-
Investment income, net	590,061	275,630	865,691	2,251,259	243,591	2,494,850
Net realized (loss) gain on sale of investments	(254,895)	(40,403)	(295,298)	3,424,248	49,320	3,473,568
Net realized gain on sale of property	47,150	-	47,150	104,145	-	104,145
Net assets released from restrictions (Note 7):						
Satisfaction of program restrictions	5,913,906	(5,913,906)	-	5,890,016	(5,890,016)	-
 Total revenues, gains and other support	 \$ 36,509,982	 \$ 885,194	 \$ 37,395,176	 \$ 33,988,019	 \$ 920,790	 \$ 34,908,809

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Total revenues, gains and other support - carried forward	\$ 36,509,982	\$ 885,194	\$ 37,395,176	\$ 33,988,019	\$ 920,790	\$ 34,908,809
Expenses						
Pastoral - <u>Schedule 2</u>	6,316,256	-	6,316,256	5,964,117	-	5,964,117
Educational - <u>Schedule 3</u>	8,780,381	-	8,780,381	3,125,882	-	3,125,882
Community and Social Service - <u>Schedule 4</u>	2,121,794	-	2,121,794	4,377,318	-	4,377,318
Administrative - <u>Schedule 5</u>	16,819,982	-	16,819,982	16,230,430	-	16,230,430
Custodial disbursements						
National collections	645,129	-	645,129	783,083	-	783,083
Unemployment	134,735	-	134,735	76,921	-	76,921
Interest expense	-	-	-	936,111	-	936,111
Total expenses	34,818,277	-	34,818,277	31,493,862	-	31,493,862
Excess of revenues over expenses	1,691,705	885,194	2,576,899	2,494,157	920,790	3,414,947
Other changes						
Change in value of beneficial interest in perpetual trust	-	10,002	10,002	-	(45,773)	(45,773)
Provision for bad debt	-	-	-	(555,424)	-	(555,424)
Other components of net periodic pension cost	15,101	-	15,101	104,930	-	104,930
Pension-related changes other than net periodic pension cost	1,923,168	-	1,923,168	2,420,319	-	2,420,319
Transfer to lay pension plan	-	-	-	(7,184,731)	-	(7,184,731)
Transfer to Diocese of Scranton Institute	-	-	-	(2,150,000)	-	(2,150,000)
Change in net unrealized gains and losses on investments	1,032,109	165,998	1,198,107	(9,037,746)	(856,847)	(9,894,593)
Increase (decrease) in net assets	4,662,083	1,061,194	5,723,277	(13,908,495)	18,170	(13,890,325)
Net assets, beginning	2,896,841	9,487,893	12,384,734	16,805,336	9,469,723	26,275,059
Net assets, ending	\$ 7,558,924	\$ 10,549,087	\$ 18,108,011	\$ 2,896,841	\$ 9,487,893	\$ 12,384,734

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Increase (decrease) in net assets	\$ 5,723,277	\$ (13,890,325)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized loss (gain) on sale of investments	295,298	(3,473,568)
Net unrealized (gain) loss on investments	(1,198,107)	9,894,593
Net realized gain on sale of property	(47,150)	(104,145)
Amortization (accretion) on investments	41,821	(61,192)
Depreciation expense	350,955	350,701
Provision for bad debt	-	555,424
Change in beneficial interest in charitable trust	(10,002)	45,773
Decrease (increase) in accounts receivable	2,290,928	(989,962)
Decrease in accrued interest receivable	15,447	146,053
(Increase) decrease in contributions receivable	(11,523)	106,408
Decrease in due from Catholic Cemeteries	94,744	66,794
Increase in prepaid expense	(451,424)	(98,381)
Decrease (increase) in other assets	319,931	(163,466)
Increase (decrease) in accounts payable	551,924	(98,705)
Increase in custodial funds payable	25,837	28,202
(Decrease) increase in contributions and scholarships payable	(596,172)	284,325
Decrease in liability for pension benefits	(1,100,315)	(1,591,553)
Decrease in accrued claim expense	(1,195,859)	(534,630)
Decrease in accrued postretirement benefit obligation	(1,239,553)	(1,969,900)
(Decrease) increase in refundable advances	(130,194)	130,194
Increase in due to Catholic Cemeteries	965,481	-
(Decrease) increase in due to Diocese of Scranton Institute	(77,287)	2,999,804
Net cash provided by (used in) operating activities	<u>4,618,057</u>	<u>(8,367,556)</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Investing activities		
Purchase of fixed assets	\$ (464,714)	\$ (242,678)
Proceeds from sale of property	47,150	104,145
Principal collected-loans receivable	187,153	181,552
Purchase of investments	(20,472,916)	(35,067,982)
Proceeds from sale of investments	18,644,128	48,978,269
Net cash (used in) provided by investing activities	<u>(2,059,199)</u>	<u>13,953,306</u>
Financing activities		
Principal payments on loan	(187,153)	(181,552)
Funds on deposit		
Additions	-	1,268,071
Withdrawals	-	(4,408,309)
Net cash used in financing activities	<u>(187,153)</u>	<u>(3,321,790)</u>
Net increase in cash	2,371,705	2,263,960
Cash, cash equivalents and restricted cash, beginning	<u>17,456,522</u>	<u>15,192,562</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 19,828,227</u>	<u>\$ 17,456,522</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 maintained separately from the Administrative Offices are not reported on in these financial statements, including 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.

#### Parish Assessments and Insurance and Benefit Programs

Assessments and billings to parishes, schools and other Diocesan organizations are for parish services, clergy support, property insurance and medical insurance. Revenue is recognized when the service is provided.

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

### 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.

### 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.

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

### 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 standby letters of credit in the amount of \$1,800,000 to provide security for future workers' compensation claim payments and \$1,000,000 to provide security for future auto liability 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 10 for additional information.

### 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 9.

### Advertising

All advertising costs are expensed as incurred. For the years ended June 30, 2023 and 2022, advertising expense amounted to \$47,858 and \$49,652, 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 year ended June 30, 2023, the Diocese did not pay any interest. During the year ended June 30, 2022, the Diocese paid interest in the amounts of \$936,111.

In March 2023, the Diocese approved an investment transfer in the amount of \$1,982,575 to the Diocese of Scranton Institute to fund Diocesan deposit accounts. In January, 2022, the Diocese of Scranton Institute approved the transfer of cemetery perpetual care deposit accounts from the Diocesan Administrative Offices to the Institute. In April, 2022, investments in the amount of \$28,928,514 were transferred to the Institute.

### 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.

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

### Income Tax Status - (Continued)

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 2019.

### 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.

### Liquidity

The Diocese regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2023, the following financial assets are available to meet annual operating needs for the year ended June 30, 2024:

Financial assets at year-end:	
Cash and equivalents	\$ 10,926,979
Accounts receivable	4,434,009
Accrued interest receivable	58,379
Investments	<u>19,642,275</u>
	35,061,642
Less amounts not available to be used within one year:	
Investments with donor restrictions	<u>2,703,860</u>
Financial assets available to meet general expenditures within one year	<u>\$ 32,357,782</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.

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

### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard was effective for fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year making it effective for annual reporting periods beginning after December 15, 2021. The adoption of ASU 2016-02 did not have a significant impact on the Diocese's financial statements.

### Subsequent Events

The Diocese has evaluated subsequent events through December 14, 2023, the date the financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

## Note 2 - Cash and Equivalents

Cash and equivalents at June 30, 2023, consisted of the following:

FNCB Bank	\$ 6,279,992
Community Bank	112,673
Citibank	32,297
PNC Bank	2,951,414
Fidelity Bank	6,109,929
Mid Penn Bank	467,879
Key Bank	62,259
Comerica Bank	143,750
Merrill Lynch	3,204
Fidelity Bank trust account	11,593
Diocese of Scranton Institute	2,370,942
First National Bank of Omaha	16,500
Peoples Security Bank and Trust	1,262,570
Petty cash	3,225
Total cash and restricted cash shown in the Statement of Cash Flows	19,828,227
Less: Cash subject to program restrictions	8,901,248
Total cash and equivalents	<u>\$ 10,926,979</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:

	2023	2022
Contributions receivable in:		
Less than one year	\$ 251,911	\$ 240,279
One year to five years	200,000	200,109
Total contributions receivable, net	<u>\$ 451,911</u>	<u>\$ 440,388</u>

### Note 4 - Investments

Investments at June 30, 2023 and 2022 are summarized as follows:

	2023		2022	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Without donor restrictions				
U.S. Obligations	\$ 2,246,408	\$ 2,251,654	\$ 2,527,946	\$ 2,445,751
Corporate Bonds	2,313,876	2,126,583	2,550,372	2,347,110
Mutual Funds	12,793,493	12,560,178	10,307,627	9,145,613
	<u>17,353,777</u>	<u>16,938,415</u>	<u>15,385,945</u>	<u>13,938,474</u>
With donor restrictions				
Cash	-	-	364,182	364,182
U.S. Obligations	253,799	248,732	309,192	285,382
Corporate Bonds	239,702	234,916	296,723	273,873
Mutual Funds	2,265,441	2,220,212	2,265,008	2,090,588
	<u>2,758,942</u>	<u>2,703,860</u>	<u>3,235,105</u>	<u>3,014,025</u>
Total investments	<u>\$ 20,112,719</u>	<u>\$ 19,642,275</u>	<u>\$ 18,621,050</u>	<u>\$ 16,952,499</u>

The above investments were deposited with Comerica Bank and Fidelity Bank.

The following schedule summarizes the investment return in the Statements of Activities:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of fees of \$45,836	\$ 590,061	\$ 275,630	\$ 865,691
Net realized losses	(254,895)	(40,403)	(295,298)
Net unrealized gains	1,032,109	165,998	1,198,107
Total investment return	<u>\$ 1,367,275</u>	<u>\$ 401,225</u>	<u>\$ 1,768,500</u>

Note 4 - Investments - (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, net of fees of \$93,814	\$ 2,251,259	\$ 243,591	\$ 2,494,850
Net realized gains	3,424,248	49,320	3,473,568
Net unrealized losses	(9,037,746)	(856,847)	(9,894,593)
Total investment return	<u>\$ (3,362,239)</u>	<u>\$ (563,936)</u>	<u>\$ (3,926,175)</u>

Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022	Depreciable Lives
Land, buildings and improvements	\$ 10,486,814	\$ 10,460,799	20-40 Years
Equipment	3,764,121	3,723,833	3-10 Years
Construction in progress	441,043	43,900	
	<u>14,691,978</u>	<u>14,228,532</u>	
Less: Accumulated depreciation	<u>8,947,919</u>	<u>8,598,232</u>	
Total	<u>\$ 5,744,059</u>	<u>\$ 5,630,300</u>	

Depreciation expense amounted to \$350,955 and \$350,701 for the years ended June 30, 2023 and 2022. Construction in progress at June 30, 2023 includes improvements at the Chancery building and Villa St. Joseph. Projects are expected to be completed in 2024 with remaining estimated costs of \$195,000.

Note 6 - Beneficial Interest in Charitable Trust

The Diocese receives income from a charitable trust held by a third party; it is the sole beneficiary of the trust. Under the terms of the trust, the Diocese has the irrevocable right to receive an annual distribution of 5% of the value of the assets. The beneficial interest in the trust at June 30, 2023 and 2022 of \$246,606 and \$236,604, respectively, was recorded at fair value, measured by the present value of estimated future distributions.

## Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions subject to expenditure for specified purposes or time restraints as of June 30, 2023 and 2022 are as follows:

	Net Assets	
	2023	2022
Saint Pius X Seminary/St. John Vianney	\$ 2,685,412	\$ 2,551,134
Villa St. Joseph	1,078,266	655,028
Diocese of Scranton Scholarship Foundation	284,581	212,007
Msgr. Paul F. Terracciano Tuition Trust Fund	6,544	5,519
Reverend Niebrzydowski Tuition Fund	10,815	10,600
Msgr. Jordan Tuition Fund	20,646	21,225
Edward A. Bambera Scholarship Fund	213,750	-
Christie D. Shull Fund	2,558,700	2,507,831
Campaign for Human Development Program	11,753	12,646
Beneficial interest in charitable trust	246,606	236,604
Restricted for program and educational expenditures	296,843	151,200
Total	<u>\$ 7,413,916</u>	<u>\$ 6,363,794</u>

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

	Net Assets	
	2023	2022
Diocesan Annual Appeal Program costs	\$ 4,095,004	\$ 4,252,894
Campaign for Human Development Program costs	12,646	10,587
National Collections - collections remitted	645,129	783,083
Beatrice M. Eck Endowment Fund Scholarship	86,829	95,000
Villa St. Joseph Capital improvements	463,448	7,983
Seminary/St. John Vianney Fund improvements	25,257	28,362
Diocese of Scranton Scholarship Foundation Scholarships and program costs	585,593	712,107
Total restrictions released	<u>\$ 5,913,906</u>	<u>\$ 5,890,016</u>

#### Note 7 - Net Assets With Donor Restrictions - (Continued)

Net assets with donor restrictions not subject to appropriation or expenditure as of June 30, 2023 and 2022 are as follows:

	Net Assets	
	2023	2022
<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.	2,770,989	2,759,917
<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>\$ 3,135,171</u>	<u>\$ 3,124,099</u>

#### Note 8 - Contributions Payable

Contributions payable amounted to \$812,916 and \$1,296,533 at June 30, 2023 and 2022, respectively. The balance of the payable at June 30, 2023 will be paid out within the next fiscal year.

#### Note 9 - 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.

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.

Note 9 - Retirement Plans - (Continued)

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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Obligations and funded status at June 30:				
Fair value of plan assets	\$ 14,361,433	\$ 13,705,358	\$ -	\$ -
Projected benefit obligations	<u>19,223,457</u>	<u>19,667,697</u>	<u>6,911,279</u>	<u>8,150,832</u>
Funded status at end of years	<u>\$ (4,862,024)</u>	<u>\$ (5,962,339)</u>	<u>\$ (6,911,279)</u>	<u>\$ (8,150,832)</u>
Amounts recognized in the Statements of Financial Position consist of:				
Liability for benefits	<u>\$ (4,862,024)</u>	<u>\$ (5,962,339)</u>	<u>\$ (6,911,279)</u>	<u>\$ (8,150,832)</u>
Net amount recognized	<u>\$ (4,862,024)</u>	<u>\$ (5,962,339)</u>	<u>\$ (6,911,279)</u>	<u>\$ (8,150,832)</u>

The accumulated benefit obligation for both defined benefit pension plans was \$19,223,457 and \$19,667,697 at June 30, 2023 and 2022, respectively. Both plans had accumulated benefit obligations in excess of plan assets at June 30, 2023 and 2022.

Note 9 - 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	
	2023	2022	2023	2022
Net (gain) loss	\$ (1,452,417)	\$ 2,759,921	\$ 418,705	\$ 218,550
Prior service cost	24,071	(97,004)	-	-
Plan amendment	1,094,854	-	-	-
Change in assumptions	(721,134)	(3,278,674)	(1,287,247)	(2,023,112)
	(1,054,626)	(615,757)	(868,542)	(1,804,562)
Net periodic benefit cost	574,311	510,973	39,233	233,683
Total	\$ (480,315)	\$ (104,784)	\$ (829,309)	\$ (1,570,879)

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 \$337,213 and \$530,825, respectively. The estimated net gain for the other defined benefit postretirement plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year is \$517,955 and there is no prior service cost.

	Pension Benefits		Postretirement Medical Benefits	
	2023	2022	2023	2022
<u>Assumptions</u>				
Weighted-average assumptions used in computing ending obligations:				
Discount rate	5.25%	4.75%	5.25%	4.75%
Rate of compensation increase	N/A	N/A	-	-
Weighted-average assumptions used in computing net cost:				
Discount rate	5.25%	4.75%	5.25%	4.75%
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 9 - Retirement Plans - (Continued)

Assumed health care cost trend rates at June 30:

	<u>2023</u>	<u>2022</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	2024	2023

### Plan Assets

The assets of the Plans are deposited in separate Comerica Bank 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:

*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 9 - Retirement Plans - (Continued)

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2023 and 2022.

June 30, 2023				
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 776,903	\$ -	\$ -	\$ 776,903
Corporate bonds	756,650	-	-	756,650
Mutual Funds – Equity	10,533,579	-	-	10,533,579
Mutual Funds – Fixed	1,706,321	-	-	1,706,321
Money markets	587,980	-	-	587,980
	<u>\$ 14,361,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,361,433</u>

June 30, 2022				
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 1,132,025	\$ -	\$ -	\$ 1,132,025
Corporate bonds	1,073,967	-	-	1,073,967
Mutual Funds – Equity	9,235,006	-	-	9,235,006
Mutual Funds – Fixed	1,324,367	-	-	1,324,367
Money markets	939,993	-	-	939,993
	<u>\$ 13,705,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,705,358</u>

The Diocese’s pension plan weighted-average asset allocations at June 30, 2023 and 2022, by asset category, are as follows:

	Pension Benefits	
	2023	2022
Equity securities	73.64%	67.00%
Debt securities	22.85%	26.00%
Other	3.51%	7.00%
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 75% for equities and 25% for cash and fixed income.



## Note 9 - Retirement Plans - (Continued)

### Cash Flows

#### Contributions

Diocesan contributions:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2022 (actual)	\$1,486,769	\$ -
2023 (actual)	620,000	-
2024 (estimated)	-	-

There are no participant contributions after June 30, 2009.

#### Benefit Payments

Benefit payments:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2022	\$1,757,941	\$399,021
2023	1,654,870	410,244

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

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2024	\$ 1,921,802	\$ 395,322
2025	1,873,156	418,798
2026	1,866,304	450,080
2027	1,814,686	464,111
2028	1,773,052	482,555
Years 2029-2033	7,724,222	2,443,631

#### 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, 2023 and 2022, the Diocese contributed \$149,315 and \$143,462 respectively, to the 403(b) Plan for the employees of the Administrative Offices.

## Note 10 - Self-Insurance Program

### General

Under the terms of the general insurance plan, individual claims above a specific amount (\$750,000 for property claims, \$250,000 for liability claims, and \$500,000 for workers compensation claims in 2023 and 2022) 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.

#### Note 10 - Self-Insurance Program - (Continued)

##### 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 11 - 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, 2023 and 2022 amounted to \$2,637,031 and \$2,824,184, respectively.

#### Note 12 - 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 each of the years ended June 30, 2023 and 2022 had budget goals of \$4,500,000, 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.

Funds raised by the 2022 Diocesan Annual Appeal totaled \$4,245,866. The Diocese returned to parishes \$192,860 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2022 campaign. Also, contributions receivable of \$49,033 were recorded at their net realizable value in connection with the 2022 campaign; these contributions were collected within one year.

Funds raised by the 2021 Diocesan Annual Appeal totaled \$4,458,893. The Diocese returned to parishes \$205,567 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2021 campaign. Also, contributions receivable of \$27,510 were recorded at their net realizable value in connection with the 2021 campaign; these contributions were collected within one year.

## Note 12 - Diocesan Annual Appeal - (Continued)

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

	2023		2022	
	Budgeted	Actual	Budgeted	Actual
Direct aid to schools and Religious Education Grants	\$ 810,000	\$ 737,373	\$ 810,000	\$ 765,521
Communication and Evangelization	810,000	737,373	810,000	765,522
Parish Faith Formation Grants	135,000	122,896	135,000	127,587
Social services	810,000	737,374	810,000	765,521
Clergy formation, education and Retirement	810,000	737,373	810,000	765,521
Parish Ministries	765,000	696,408	765,000	722,992
Campaign Cost	360,000	326,207	360,000	340,230
	<u>\$ 4,500,000</u>	<u>\$4,095,004</u>	<u>\$ 4,500,000</u>	<u>\$4,252,894</u>

Interest income earned on Appeal funds amounted to \$49,596 and \$1,658 for the years ended June 30, 2023 and 2022.

## Note 13 - 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 \$282,605 at June 30, 2023. 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. The line of credit was refinanced with a loan in the amount of the outstanding balance from the Diocese of Scranton Institute in August, 2023.

### 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.

The Pennsylvania General Assembly and Senate continue to debate a proposed constitutional amendment which would create a two-year retroactive window for survivors of childhood sexual abuse to file civil suits against their perpetrators and related institutional defendants. If this proposal were to become law, the Diocese of Scranton could face significant liability for otherwise time barred claims of historic childhood sexual abuse. It is the opinion of Diocesan management and outside legal counsel that some of these claims may have insurance coverage. However, the Diocese is unable to predict with certainty 1) whether the proposed legislation will become law, or 2) the result of window legislation on the Diocese's financial position and operations.

### Note 13 - Contingencies - (Continued)

#### Employee Retention Credits

The Diocese filed amended quarterly payroll tax returns and recorded Employee Retention Tax Credits income in the amount of \$1,743,921 during the year ended June 30, 2023. Claims filed for the credits are subject to review and audit by regulatory agencies.

### Note 14 - 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:

*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 14 - 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, 2023 and 2022.

	June 30, 2023			
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 2,500,386	\$ -	\$ -	\$ 2,500,386
Corporate Bonds				
Aaa credit rating	-	12,633	-	12,633
Aa2 credit rating	-	67,440	-	67,440
Aa3 credit rating	-	37,801	-	37,801
A1 credit rating	-	449,173	-	449,173
A2 credit rating	-	185,345	-	185,345
A3 credit rating	-	370,707	-	370,707
Baa1 credit rating	-	421,733	-	421,733
Baa2 credit rating	-	689,608	-	689,608
Baa3 credit rating	-	108,177	-	108,177
Ba1 credit rating	-	18,882	-	18,882
Total Corporate Bonds	-	2,361,499	-	2,361,499
Mutual Funds – Fixed	4,130,883	-	-	4,130,883
Mutual Funds – Equity	10,649,507	-	-	10,649,507
	<u>\$ 17,280,776</u>	<u>\$ 2,361,499</u>	<u>\$ -</u>	<u>\$ 19,642,275</u>

	June 30, 2022			
Assets:	Level I	Level II	Level III	Total
U.S. Obligations	\$ 2,731,133	\$ -	\$ -	\$ 2,731,133
Corporate Bonds				
Aaa credit rating	-	12,754	-	12,754
Aa2 credit rating	-	87,881	-	87,881
Aa3 credit rating	-	24,260	-	24,260
A1 credit rating	-	193,429	-	193,429
A2 credit rating	-	381,557	-	381,557
A3 credit rating	-	373,018	-	373,018
Baa1 credit rating	-	614,836	-	614,836
Baa2 credit rating	-	661,512	-	661,512
Baa3 credit rating	-	252,294	-	252,294
Ba1 credit rating	-	19,442	-	19,442
Total Corporate Bonds	-	2,620,983	-	2,620,983
Mutual Funds – Fixed	3,403,381	-	-	3,403,381
Mutual Funds – Equity	7,832,820	-	-	7,832,820
Restricted cash	364,182	-	-	364,182
	<u>\$ 14,331,516</u>	<u>\$ 2,620,983</u>	<u>\$ -</u>	<u>\$ 16,952,499</u>

## Note 15 - Endowments

The Diocese's endowment funds consist of approximately 9 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, 2023 and 2022 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 6,141,882</u>	<u>\$ 6,141,882</u>
2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 5,898,107</u>	<u>\$ 5,898,107</u>

Changes in Endowment Net Assets for the years ended June 30, 2023 and 2022, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 5,898,107	\$ 5,898,107
Investment return:			
Investment income	-	147,580	147,580
Realized and unrealized gains		125,595	125,595
Total investment return	-	273,175	273,175
Contributions	-	624,949	624,949
Appropriation of endowment assets for expenditure	-	(654,349)	(654,349)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,141,882</u>	<u>\$ 6,141,882</u>

Note 15 - Endowments - (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 6,518,959	\$ 6,518,959
Investment return:			
Investment income	-	173,653	173,653
Realized and unrealized losses		(807,527)	(807,527)
Total investment return	-	(633,874)	(633,874)
Contributions	-	803,528	803,528
Appropriation of endowment assets for expenditure	-	(790,506)	(790,506)
Endowment net assets, end of year	\$ -	\$ 5,898,107	\$ 5,898,107

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.

## Note 16 - Functional Expenses

Expenses by functional classification for the years ended June 30, 2023 and 2022, respectively, consist of the following:

2023						
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$2,964,794	\$ 884,207	\$ -	\$ 3,849,001	\$ 1,850,552	\$ 5,699,553
Clergy support	1,298,424	-	-	1,298,424	-	1,298,424
Grants and contributions	-	9,176,110	-	9,176,110	645,129	9,821,239
Supplies and program	1,196,573	431,753	-	1,628,326	436,561	2,064,887
Occupancy	259,003	212,449	-	471,452	176,715	648,167
Legal and professional fees	350,577	128,285	91,835	570,697	704,005	1,274,702
Insurance premiums & claims	-	-	13,660,350	13,660,350	-	13,660,350
Depreciation	246,885	69,371	-	316,256	34,699	350,955
Total	<u>\$6,316,256</u>	<u>\$10,902,175</u>	<u>\$ 13,752,185</u>	<u>\$ 30,970,616</u>	<u>\$ 3,847,661</u>	<u>\$34,818,277</u>
2022						
	Pastoral Expenses	Community and Educational Expenses	Self- Insurance Program Expenses	Total Program	General & Administrative	Total
Salaries and benefits	\$3,023,244	\$ 1,044,387	\$ -	\$ 4,067,631	\$ 1,822,277	\$ 5,889,908
Clergy support	1,025,130	-	-	1,025,130	-	1,025,130
Grants and contributions	-	5,726,111	-	5,726,111	783,083	6,509,194
Supplies and program	1,059,554	486,712	-	1,546,266	1,288,350	2,834,616
Occupancy	240,284	174,746	-	415,030	140,346	555,376
Legal and professional fees	363,794	1,187	359,606	724,587	246,476	971,063
Insurance premiums & claims	-	-	13,357,874	13,357,874	-	13,357,874
Depreciation	252,111	70,057	-	322,168	28,533	350,701
Total	<u>\$5,964,117</u>	<u>\$ 7,503,200</u>	<u>\$ 13,717,480</u>	<u>\$ 27,184,797</u>	<u>\$ 4,309,065</u>	<u>\$31,493,862</u>



## SUPPLEMENTARY INFORMATION

DIOCESAN ADMINISTRATIVE OFFICESSCHEDULE 1OF THE DIOCESE OF SCRANTONSCHEDULE OF PROGRAM REVENUESYEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Parish Ministry	\$ 126,692	\$ 121,965
The Catholic Light	75,557	62,358
Communications Office	53,068	43,233
Matrimonial Tribunal	2,347	3,574
Catholic Schools Office	140	205
Pastoral Center	<u>300</u>	<u>2,025</u>
	<u>\$ 258,104</u>	<u>\$ 233,360</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, 2023 AND 2022

	Matrimonial Tribunal		Parish Ministry		Communications Office		The Catholic Light	
	2023	2022	2023	2022	2023	2022	2023	2022
Salaries and benefits:								
Compensation - clergy and religious	\$ 26,968	\$ 29,312	\$ 10,000	\$ 11,387	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	7,624	1,000	350	350	-	-	-	-
Salaries and wages - lay persons	72,107	92,469	474,016	430,719	216,675	208,374	140,885	134,677
Benefits - lay persons	42,604	55,038	140,683	158,298	51,087	46,708	67,369	69,927
Total salaries and benefits	149,303	177,819	625,049	600,754	267,762	255,082	208,254	204,604
Supplies, office and program expense	3,929	5,915	192,756	196,819	13,240	1,110	2,950	2,498
Telephone, postage and printing	5,876	5,395	8,755	10,397	1,825	1,737	119,438	62,958
Conferences, meetings and travel	5,621	2,473	24,243	20,993	5,176	5,617	-	-
Legal and professional fees	15,539	16,386	-	33,875	23,855	42,383	33,876	45,613
Advertising	-	-	-	-	-	-	-	-
Publishing	-	-	-	-	-	-	84,452	82,546
Dues and subscriptions	1,458	1,293	7,038	5,344	4,435	4,342	1,930	841
Insurance	721	286	721	286	10,496	4,165	4,786	1,899
Building occupancy and maintenance expense	-	-	-	-	1,226	1,217	-	-
Depreciation expense	-	-	4,423	4,423	5,497	6,504	2,862	2,941
Utilities	-	-	-	-	1,592	1,332	-	-
Priests' medical expense	-	-	-	-	-	-	-	-
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-
Seminary and clergy education	-	-	-	-	-	-	-	-
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-	-	-
Other dues	-	-	-	-	-	-	-	-
	<u>\$ 182,447</u>	<u>\$ 209,567</u>	<u>\$ 862,985</u>	<u>\$ 872,891</u>	<u>\$ 335,104</u>	<u>\$ 323,489</u>	<u>\$ 458,548</u>	<u>\$ 403,900</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, 2023 AND 2022

	Vicar for Priests		Episcopal Vicars		Clergy and Religious	
	2023	2022	2023	2022	2023	2022
Salaries and benefits:						
Compensation - clergy and religious	\$ 99,320	\$ 100,238	\$ 40,000	\$ 42,493	\$ 254,047	\$ 165,088
Benefits - clergy and religious	37,461	36,163	1,000	1,000	455,627	627,088
Salaries and wages - lay persons	112,769	95,944	-	-	-	-
Benefits - lay persons	21,071	18,292	-	-	-	-
Total salaries and benefits	270,621	250,637	41,000	43,493	709,674	792,176
Supplies, office and program expense	7,230	9,215	-	-	109,141	107,596
Telephone, postage and printing	6,187	6,334	649	629	531	1,846
Conferences, meetings and travel	10,839	11,517	910	80	12,692	6,313
Legal and professional fees	-	-	-	-	104,305	27,967
Advertising	-	-	-	-	-	-
Publishing	-	-	-	-	-	-
Dues and subscriptions	109	405	-	-	-	-
Insurance	1,441	286	-	-	4,068	2,101
Building occupancy and maintenance expense	-	-	-	-	58,458	58,856
Depreciation expense	1,160	1,236	-	-	2,952	2,027
Utilities	-	-	-	-	-	-
Priests' medical expense	-	-	-	-	632,201	671,832
Clergy medical assistance and maintenance	-	-	-	-	322,579	11,698
Seminary and clergy education	-	-	-	-	343,644	341,600
Pennsylvania Catholic Conference dues	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-
Other dues	-	-	-	-	-	-
	<u>\$ 297,587</u>	<u>\$ 279,630</u>	<u>\$ 42,559</u>	<u>\$ 44,202</u>	<u>\$ 2,300,245</u>	<u>\$ 2,024,012</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, 2023 AND 2022

SCHEDULE 2

	Diocesan Annual Appeal		Diocesan Properties Facility Operating Costs		Pastoral Center		Other Programs		Total Pastoral Expenses	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Salaries and benefits:										
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 107,650	\$ 530,335	\$ 456,168
Benefits - clergy and religious	-	-	-	-	-	-	23,180	26,810	525,242	692,411
Salaries and wages - lay persons	380,297	350,435	-	-	-	-	48,203	71,122	1,444,952	1,383,740
Benefits - lay persons	112,104	106,106	-	-	-	-	29,347	36,556	464,265	490,925
Total salaries and benefits	492,401	456,541	-	-	-	-	200,730	242,138	2,964,794	3,023,244
Supplies, office and program expense	62,295	68,144	-	-	10,425	7,208	93,697	60,249	495,663	458,754
Telephone, postage and printing	62,024	82,492	-	-	5,271	2,926	2,145	2,627	212,701	177,341
Conferences, meetings and travel	6,159	5,036	-	-	460	857	7,619	6,692	73,719	59,578
Legal and professional fees	163,118	185,036	-	-	-	-	9,884	12,534	350,577	363,794
Advertising	-	-	-	-	-	-	3,156	4,493	3,156	4,493
Publishing	-	-	-	-	-	-	-	-	84,452	82,546
Dues and subscriptions	5,378	3,702	-	-	-	-	1,261	1,886	21,609	17,813
Insurance	1,442	572	61,379	24,548	-	-	721	572	85,775	34,715
Building occupancy and maintenance expense	-	-	111,952	142,564	-	-	-	1,600	171,636	204,237
Depreciation expense	283	284	229,708	234,696	-	-	-	-	246,885	252,111
Utilities	-	-	-	-	-	-	-	-	1,592	1,332
Priests' medical expense	-	-	-	-	-	-	-	-	632,201	671,832
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-	322,579	11,698
Seminary and clergy education	-	-	-	-	-	-	-	-	343,644	341,600
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	173,073	125,544	173,073	125,544
United States Catholic Conference dues	-	-	-	-	-	-	66,100	67,385	66,100	67,385
Other dues	-	-	-	-	-	-	66,100	66,100	66,100	66,100
	<u>\$ 793,100</u>	<u>\$ 801,807</u>	<u>\$ 403,039</u>	<u>\$ 401,808</u>	<u>\$ 16,156</u>	<u>\$ 10,991</u>	<u>\$ 624,486</u>	<u>\$ 591,820</u>	<u>\$ 6,316,256</u>	<u>\$ 5,964,117</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, 2023 AND 2022

	Catholic Schools Office		Educational Grants		Total Educational Expenses	
	2023	2022	2023	2022	2023	2022
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	-	-	-	-	-	-
Salaries and wages - lay persons	363,325	518,229	-	-	363,325	518,229
Benefits - lay persons	155,773	181,809	-	-	155,773	181,809
Total salaries and benefits	519,098	700,038	-	-	519,098	700,038
Supplies, office and program expense	36,796	23,858	-	-	36,796	23,858
Telephone, postage and printing	2,664	4,964	-	-	2,664	4,964
Conferences, meetings and travel	15,741	8,354	-	-	15,741	8,354
Legal and professional fees	128,285	-	-	-	128,285	-
Advertising	19,259	31,016	-	-	19,259	31,016
Dues and subscriptions	2,649	1,993	-	-	2,649	1,993
Depreciation expense	668	668	-	-	668	668
Contributions and program grants	10,298	9,718	122,896	127,587	133,194	137,305
Educational grants:						
Diocesan Catholic Schools	-	-	7,902,556	2,198,650	7,902,556	2,198,650
Catholic University of America	-	-	18,750	18,750	18,750	18,750
Insurance	721	286	-	-	721	286
	<u>\$ 736,179</u>	<u>\$ 780,895</u>	<u>\$ 8,044,202</u>	<u>\$ 2,344,987</u>	<u>\$ 8,780,381</u>	<u>\$ 3,125,882</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, 2023 AND 2022

	<u>Villa St. Joseph</u>		<u>Social Service Grants</u>		<u>Propagation of the Faith</u>		<u>Total Community and Social Service Expenses</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Salaries and benefits:								
Compensation - clergy and religious	\$ 16,968	\$ 15,945	\$ -	\$ -	\$ 6,667	\$ 12,493	\$ 23,635	\$ 28,438
Benefits - clergy and religious	9,428	9,103	-	-	6,310	9,103	15,738	18,206
Salaries and wages - lay persons	215,749	194,292	-	-	4,000	-	219,749	194,292
Benefits - lay persons	105,872	103,413	-	-	115	-	105,987	103,413
Total salaries and benefits	348,017	322,753	-	-	17,092	21,596	365,109	344,349
Supplies, office and program expense	32,246	29,538	-	-	48,141	119,635	80,387	149,173
Telephone, postage and printing	4,967	5,359	-	-	10	-	4,977	5,359
Dues and subscriptions	399	1,696	-	-	-	56	399	1,752
Food service	264,099	252,690	-	-	-	-	264,099	252,690
Utilities	92,071	78,983	-	-	-	-	92,071	78,983
Building occupancy and maintenance	80,820	80,161	-	-	-	-	80,820	80,161
Depreciation expense	68,703	69,389	-	-	-	-	68,703	69,389
Insurance	38,837	15,316	-	-	-	-	38,837	15,316
Conferences, meetings and travel	2,184	1,108	-	-	-	6,445	2,184	7,553
Legal and professional fees	-	1,187	-	-	-	-	-	1,187
Advertising	2,598	-	-	-	-	-	2,598	-
Social Service Grants:								
Catholic Social Services	-	-	665,478	2,985,934	-	-	665,478	2,985,934
Saint Peter's Cathedral	-	-	162,000	162,000	-	-	162,000	162,000
United Way Campaigns	-	-	25,000	30,650	-	-	25,000	30,650
Commissions for Catholic Missions	-	-	18,750	18,750	-	-	18,750	18,750
Contributions	-	-	177,565	136,538	72,817	37,534	250,382	174,072
	<u>\$ 934,941</u>	<u>\$ 858,180</u>	<u>\$ 1,048,793</u>	<u>\$ 3,333,872</u>	<u>\$ 138,060</u>	<u>\$ 185,266</u>	<u>\$ 2,121,794</u>	<u>\$ 4,377,318</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, 2023 AND 2022

	Chancery Office		Finance Office		Self-Insurance Program - General		Self-Insurance Program - Medical	
	2023	2022	2023	2022	2023	2022	2023	2022
Salaries and benefits:								
Compensation - clergy and religious	\$ 80,964	\$ 80,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	18,606	17,957	-	-	-	-	-	-
Salaries and wages - lay persons	184,893	184,676	445,894	425,595	-	-	-	-
Benefits - lay persons	82,286	73,435	141,405	145,586	-	-	-	-
Total salaries and benefits	366,749	356,248	587,299	571,181	-	-	-	-
Supplies, office and program expense	90,868	102,136	45,255	20,767	-	-	-	-
Telephone, postage and printing	23,944	13,770	7,004	5,214	-	-	-	-
Conferences, meetings and travel	27,618	24,085	8,248	5,280	-	-	-	-
Legal and professional fees	228,403	45,538	387,888	114,063	91,835	359,606	-	-
Advertising	900	1,660	-	-	-	-	-	-
Dues and subscriptions	4,499	4,355	895	874	-	-	-	-
Depreciation expense	10,051	7,395	285	285	-	-	-	-
Self-insurance premiums	-	-	-	-	2,135,096	2,022,654	157,252	-
Claims expense	-	-	-	-	1,499,723	1,572,678	8,168,528	8,036,587
Administrative fees	-	-	-	-	69,666	154,898	1,630,085	1,571,057
Occupancy expense	-	-	-	-	-	-	-	-
Repairs and maintenance expense	-	-	-	-	-	-	-	-
Insurance	10,448	3,428	721	286	-	-	-	-
	<u>\$ 763,480</u>	<u>\$ 558,615</u>	<u>\$ 1,037,595</u>	<u>\$ 717,950</u>	<u>\$ 3,796,320</u>	<u>\$ 4,109,836</u>	<u>\$ 9,955,865</u>	<u>\$ 9,607,644</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

SCHEDULE 5

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Facilities Manager</u>		<u>Other Administrative Expenses</u>		<u>Total Administrative Expenses</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ 80,964	\$ 80,180
Benefits - clergy and religious	-	-	-	-	18,606	17,957
Salaries and wages - lay persons	160,103	148,790	517,924	531,930	1,308,814	1,290,991
Benefits - lay persons	47,070	41,154	171,407	172,974	442,168	433,149
Total salaries and benefits	<u>207,173</u>	<u>189,944</u>	<u>689,331</u>	<u>704,904</u>	<u>1,850,552</u>	<u>1,822,277</u>
Supplies, office and program expense	14	26	50,481	60,691	186,618	183,620
Telephone, postage and printing	913	772	8,951	11,698	40,812	31,454
Conferences, meetings and travel	1,360	275	4,988	4,715	42,214	34,355
Legal and professional fees	48,275	50,911	39,439	35,964	795,840	606,082
Advertising	-	-	21,945	12,483	22,845	14,143
Dues and subscriptions	-	-	3,943	6,517	9,337	11,746
Depreciation expense	229	229	24,134	20,624	34,699	28,533
Self-insurance premiums	-	-	-	-	2,292,348	2,022,654
Claims expense	-	-	-	-	9,668,251	9,609,265
Administrative fees	-	-	-	-	1,699,751	1,725,955
Occupancy expense	-	-	126,509	105,222	126,509	105,222
Repairs and maintenance expense	-	-	35,669	30,074	35,669	30,074
Insurance	-	-	3,368	1,336	14,537	5,050
	<u>\$ 257,964</u>	<u>\$ 242,157</u>	<u>\$ 1,008,758</u>	<u>\$ 994,228</u>	<u>\$ 16,819,982</u>	<u>\$ 16,230,430</u>

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