

**ROMAN CATHOLIC DIOCESE  
OF SYRACUSE, NEW YORK**

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***FINANCIAL STATEMENTS***

June 30, 2020 and 2019

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Dermody, Burke & Brown, CPAs, LLC

## INDEPENDENT AUDITORS' REPORT

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### FINANCE COUNCIL ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

#### Report on the Financial Statements

We have audited the accompanying financial statements of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK** (the "Diocese"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 misstatements, whether due to fraud or error.

#### Auditors' 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 of 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.

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Syracuse, New York as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Roman Catholic Diocese of Syracuse, New York will continue as a going concern. As described in Note 3 to the financial statements, the Diocese has been the subject of material claims associated with the Child Victims Act. As a result of the significant number and dollar value of claims, the Diocese believes that these conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on pages 33 to 38 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 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 taken as a whole.

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, New York

October 22, 2020

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 2,332,201	\$ 2,041,244
Accounts Receivable, Net	1,901,682	2,501,423
Mortgages and Notes Receivable, Net	2,190,186	2,442,687
Prepaid Expenses and Other Assets	659,414	427,898
Investments:		
Collateral Held by Others	14,209,661	14,342,777
Designated for Specific Use	3,393,662	2,605,750
Investment in Non-Affiliated Entity	195,376	195,376
Designated for Self-Insurance Program	10,629,870	11,038,058
Total Investments	28,428,569	28,181,961
Land, Buildings and Equipment, Net of Accumulated Depreciation	2,568,884	2,614,501
<b>TOTAL ASSETS</b>	<b>\$ 38,080,936</b>	<b>\$ 38,209,714</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,062,725	\$ 687,255
Accrued Independent Reconciliation Compensation Program	0	60,000
Accrued Insurance Reserves	5,854,261	5,854,733
Deferred Income	502,938	414,291
Due to Affiliated Organizations	830,201	3,425,682
Liability for Custodial Accounts	625,692	291,474
Paycheck Protection Program Loan	1,256,123	0
Lines-of-Credit	0	6,500,000
Notes Payable	6,446,962	0
Pension Obligation	21,403,512	18,561,302
Total Liabilities	37,982,414	35,794,737
<b>NET ASSETS</b>		
Without Donor Restrictions	(580,492)	2,414,977
With Donor Restrictions	679,014	0
Total Net Assets	98,522	2,414,977
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,080,936</b>	<b>\$ 38,209,714</b>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>REVENUE AND SUPPORT</b>		
Contributions	\$ 745,292	\$ 1,030,154
Hope Appeal Grant from Foundation	3,758,271	3,579,753
Fees and Other Services	108,991	127,661
Total Revenue and Support from Program Services	4,612,554	4,737,568
 <b>PROGRAM SERVICES</b>		
Faith Formation	203,020	237,240
Tuition Assistance	650,000	650,000
Catholic School Office Support, Net of Revenue of \$619,660 and \$562,442, Respectively	322,263	319,476
Community Service	870,891	875,420
Pastoral	456,588	525,705
Evangelization	198,278	161,030
Hospital Ministry	173,632	193,996
Family and Respect for Life	338,142	375,888
Campus Ministry	396,857	357,357
Youth Ministry	315,931	320,754
Retreat House	50,000	50,000
Communications	286,066	329,919
Vicar for Parishes	110,967	111,002
Marriage Tribunal	159,099	139,533
Other	80,820	90,248
Total Program Service Expenses	4,612,554	4,737,568
 Change in Net Assets Without Donor Restrictions from Program Services	0	0
 <b>OPERATIONS</b>		
Syracuse Catholic Insurance Fund, Net	3,291,601	4,067,192
Catholic School Fund, Net	(188,652)	231,083
Plant Fund, Net	(579,870)	(592,044)
Central Administration Support Services, Net	(567,572)	(509,661)
Total Operations	1,955,507	3,196,570
 <b>RELEASED FROM RESTRICTIONS</b>	3,109	0
 <b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE NON-OPERATING ACTIVITY</b>	<b>\$ 1,958,616</b>	<b>\$ 3,196,570</b>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE NON-OPERATING ACTIVITY	\$ 1,958,616	\$ 3,196,570
NON-OPERATING ACTIVITY		
Investment Fund, Net	715,265	1,237,434
Lay Pension Plan Contributions	(600,000)	(750,000)
Capital Contributions	(67,648)	(67,648)
Depreciation	(232,165)	(235,774)
Bad Debt (Expense) Recoveries	(128,721)	39,330
Total Non-Operating Activity	(313,269)	223,342
Change in Net Assets Without Donor Restrictions before Pension Obligation Adjustment and Other Adjustments	1,645,347	3,419,912
Pension Obligation Adjustment	(2,842,210)	154,647
Attorney General Inquiry	(35,369)	(414,910)
Child Victims Act	(1,523,250)	(14,557)
Independent Reconciliation Compensation Program	(250,472)	(722,929)
Total Change in Net Assets Without Donor Restrictions	(3,005,954)	2,422,163
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	682,123	0
Released from Restrictions	(3,109)	0
Total Change in Net Assets With Donor Restrictions	679,014	0
Total Change in Net Assets	(2,326,940)	2,422,163
Net Assets, Beginning of Year	2,414,977	903,703
Transfer of Net Assets - Diocesan Elementary Schools	0	(1,061,247)
Transfer from Clerical Fund	24,386	150,358
Transfer to Gift Annuity	(13,901)	0
Net Assets, End of Year	\$ 98,522	\$ 2,414,977

See notes to financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2020 with Comparative Totals  
for Year Ended June 30, 2019

	<b>Salaries and Wages</b>	<b>Payroll Taxes and Benefits</b>	<b>Occupancy Costs</b>
Program Services:			
Faith Formation	\$ 164,977	\$ 21,447	\$ 230
Tuition Assistance	0	0	0
Catholic School Office Support	559,271	60,501	7,436
Community Service	212,564	63,459	12,515
Pastoral	176,673	56,213	0
Evangelization	116,721	30,437	0
Hospital Ministry	136,356	37,276	0
Family and Respect for Life	182,119	42,276	0
Campus Ministry	195,444	40,106	46,013
Youth Ministry	197,825	44,087	0
Retreat House	0	0	0
Communications	101,639	23,818	1,000
Vicar for Parishes	67,159	35,267	0
Marriage Tribunal	128,599	28,640	0
Other	0	180	0
	<hr/>	<hr/>	<hr/>
Total Program Services	2,239,347	483,707	67,194
Management and General:			
Plant Fund	347,264	59,466	483,864
Depreciation	0	0	0
Central Administration Supportive Services	1,381,822	324,461	57,183
	<hr/>	<hr/>	<hr/>
Total Management and General	1,729,086	383,927	541,047
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,968,433</b>	<b>\$ 867,634</b>	<b>\$ 608,241</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

Office Expenses	Program Expenses	Advertising	Administrative Expenses	Depreciation Expense	Total	
					2020	2019
\$ 7,916	\$ 3,135	\$ 0	\$ 5,315	\$ 0	\$ 203,020	\$ 237,240
0	650,000	0	0	0	650,000	650,000
73,887	105,322	15,477	116,920	0	938,814	881,918
5,694	572,534	0	4,125	0	870,891	875,420
14,125	183,022	0	26,555	0	456,588	525,705
5,348	32,302	1,730	11,740	0	198,278	161,030
0	0	0	0	0	173,632	193,996
3,057	109,716	0	974	0	338,142	375,888
12,119	93,474	0	9,701	0	396,857	357,357
4,189	67,177	0	2,653	0	315,931	320,754
0	50,000	0	0	0	50,000	50,000
3,100	84,407	69,793	2,309	0	286,066	329,919
3,450	2,148	0	2,943	0	110,967	111,002
1,842	0	0	18	0	159,099	139,533
0	65,640	0	15,000	0	80,820	90,248
<b>134,727</b>	<b>2,018,877</b>	<b>87,000</b>	<b>198,253</b>	<b>0</b>	<b>5,229,105</b>	<b>5,300,010</b>
12,916	864	0	119,743	0	1,024,117	875,986
0	0	0	0	232,165	232,165	235,774
<b>313,517</b>	<b>148,208</b>	<b>0</b>	<b>334,635</b>	<b>0</b>	<b>2,559,826</b>	<b>2,513,925</b>
<b>326,433</b>	<b>149,072</b>	<b>0</b>	<b>454,378</b>	<b>232,165</b>	<b>3,816,108</b>	<b>3,625,685</b>
<b>\$ 461,160</b>	<b>\$ 2,167,949</b>	<b>\$ 87,000</b>	<b>\$ 652,631</b>	<b>\$ 232,165</b>	<b>\$ 9,045,213</b>	<b>\$ 8,925,695</b>

See notes to financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2019

	<b>Salaries and Wages</b>	<b>Payroll Taxes and Benefits</b>	<b>Occupancy Costs</b>
Program Services:			
Faith Formation	\$ 179,994	\$ 34,061	\$ 508
Tuition Assistance	0	0	0
Catholic School Office Support	543,987	62,304	6,924
Community Service	211,026	63,917	14,537
Pastoral	220,847	81,291	0
Evangelization	86,050	26,770	0
Hospital Ministry	152,787	41,209	0
Family and Respect for Life	187,059	41,396	0
Campus Ministry	158,059	37,198	50,613
Youth Ministry	173,170	36,794	0
Retreat House	0	0	0
Communications	101,459	37,197	2,139
Vicar for Parishes	68,726	29,621	0
Marriage Tribunal	114,474	22,323	0
Other	0	77	0
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Total Program Services	2,197,638	514,158	74,721
Management and General:			
Plant Fund	321,743	62,878	350,141
Depreciation	0	0	0
Central Administration Supportive Services	1,317,340	330,300	42,256
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Total Management and General	1,639,083	393,178	392,397
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TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,836,721</u>	<u>\$ 907,336</u>	<u>\$ 467,118</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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Office Expenses	Program Expenses	Advertising	Administrative Expenses	Depreciation Expense	Total Expenses
\$ 9,013	\$ 4,523	\$ 0	\$ 9,141	\$ 0	\$ 237,240
0	650,000	0	0	0	650,000
6,093	103,556	38,636	120,418	0	881,918
5,225	574,872	0	5,843	0	875,420
15,239	169,938	0	38,390	0	525,705
7,479	28,144	1,259	11,328	0	161,030
0	0	0	0	0	193,996
2,534	142,654	0	2,245	0	375,888
14,618	90,122	0	6,747	0	357,357
4,102	102,481	0	4,207	0	320,754
0	50,000	0	0	0	50,000
3,891	117,817	63,984	3,432	0	329,919
3,640	5,158	0	3,857	0	111,002
2,450	204	0	82	0	139,533
321	74,713	0	15,137	0	90,248
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74,605	2,114,182	103,879	220,827	0	5,300,010
14,694	1,005	0	125,525	0	875,986
0	0	0	0	235,774	235,774
259,819	195,304	0	368,906	0	2,513,925
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
274,513	196,309	0	494,431	235,774	3,625,685
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<u>\$ 349,118</u>	<u>\$ 2,310,491</u>	<u>\$ 103,879</u>	<u>\$ 715,258</u>	<u>\$ 235,774</u>	<u>\$ 8,925,695</u>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,326,940)	\$ 2,422,163
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation Expense	232,165	235,774
Gain on Investments	(341,254)	(793,144)
Loss on Disposal of Equipment	887	0
Bad Debt Expense (Recoveries)	107,287	(100,116)
Pension Obligation Adjustment	2,842,210	(154,647)
Transfer to Elementary Schools	0	(558,386)
Due to Clerical Fund	24,386	150,358
Transfer to Gift Annuity	(13,901)	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable	492,454	(109,710)
Prepaid Expenses and Other Assets	(231,516)	(8,223)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	375,470	(508,664)
Accrued Independent Account Reconciliation Program	(60,000)	(10,867,500)
Accrued Insurance Reserves	(472)	(791,775)
Refundable Advances	88,647	69,621
Due to Affiliated Organizations	(2,595,481)	(607,700)
Liability for Custodial Accounts	334,218	34,412
	<hr/>	<hr/>
Net Cash Used In Operating Activities	(1,071,840)	(11,587,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgages and Notes Receivable - Net Change	252,501	46,537
Withdrawal from Investments	1,909,360	6,425,111
Investment Activity - Net	(1,814,714)	(1,356,639)
Building and Equipment Additions	(187,435)	(302,003)
	<hr/>	<hr/>
Net Cash Provided By Investing Activities	159,712	4,813,006
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	1,256,123	0
Proceeds from Line of Credit	0	6,500,000
Principal Payments on Notes Payable	(53,038)	0
	<hr/>	<hr/>
Net Cash Provided By Financing Activities	1,203,085	6,500,000
Net Change in Cash	290,957	(274,531)
Cash, Beginning of Year	2,041,244	2,315,775
	<hr/>	<hr/>
Cash, End of Year	\$ 2,332,201	\$ 2,041,244
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See notes to financial statements.

## ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE 1 – NATURE OF OPERATIONS

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The Roman Catholic Diocese of Syracuse, New York (the “Diocese”) was originally incorporated under New York Law in 1886 to serve the Catholic Community in Central and South Central New York. The Diocese was reincorporated in 1968 under a Legislative Act of the New York State Senate and Assembly. The Diocese serves approximately 227,000 Catholics residing in the following seven New York State counties: Broome, Chenango, Cortland, Madison, Oneida, Onondaga and Oswego. The primary activity of the Diocese is to provide support to the other independent legal entities of the Diocese in achieving the mission of Evangelization.

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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##### **Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

##### **Adoption of New Accounting Pronouncements**

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition guidance in GAAP. The ASU became effective for the Diocese for the year ended June 30, 2020. Insurance premiums are the only material revenue stream which constitutes an exchange transaction falling under the guidance of ASU 2014-09. The new guidance did not have an impact on the Diocese’s financial statements. The Diocese adopted the new guidance effective July 1, 2019 using the modified prospective basis. There was no effect on total net assets or changes in net assets.

During the year ended June 30, 2020, the Diocese adopted ASU 2018-08, “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*” ASU 2018-08 provides guidance on characterizing grants and similar contracts as contributions or exchange transactions. It also clarifies how the Diocese determines whether a resource provider is receiving commensurate value and expands the criteria for determining whether a contribution is conditional. The Diocese adopted the standard on a modified prospective basis, in which the change in accounting principle is applied only to agreements that are either not completed as of, or are not entered into after, the adoption date. There was no effect on total net assets or changes in net assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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**Adoption of New Accounting Pronouncements – Continued**

The Diocese has adopted ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*” as of June 30, 2020. ASU 2016-01 requires equity securities to be measured at fair value, with unrealized holding gains and losses reflected in net income. There is a measurement alternative available whereby certain entities can make an election on a security-by-security basis to account for qualifying equity securities that do not have readily determinable fair values at cost, with adjustments for impairment, and observable price changes. The adoption of this accounting standard did not have an impact on the Diocese’s financial position or changes in total net assets.

**Financial Statement Presentation**

The financial statements of the Diocese have been prepared in accordance with U.S. generally accepted accounting principles, which require the Diocese to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese’s management and the finance council.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Diocese had net assets restricted by purpose of \$679,014 and \$-0- for the years ended June 30, 2020 and 2019, respectively. Donor restricted net assets will be used to support the Catholic Schools in improving education and health outcomes for low-income students.

On an annual basis the Diocese receives grants from the HOPE Appeal campaign conducted by the Foundation of the Roman Catholic Diocese of Syracuse, Inc. These grants are donor restricted and are spent by the Diocese for HOPE Appeal programs only. Any unused HOPE Appeal funds are designated for return to the Foundation of the Roman Catholic Diocese of Syracuse, Inc. therefore, there are no net assets held by the Diocese that are associated with HOPE Appeal restricted funds.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Revenue Recognition**

Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed stipulations. Additionally, gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Upon the expirations of restrictions on net assets due to time or purpose; that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, such net assets are released from restrictions and reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Dividends, interest, and net gains on investments subject to donor-imposed stipulations that the corpus be maintained in perpetuity are reported as increases in net assets with donor restrictions since the terms of these gifts impose restrictions on the income and net gains.

Parish assessments paid by the parishes are billed by the Diocese and are recognized as revenue when the assessment is billed. Insurance premiums charged to the parishes and other Diocesan entities are billed monthly and are recognized as revenue in the month billed.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Diocese uses the indirect method of reporting net cash flows from operating activities and considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents included in cash as of June 30, 2020 and 2019.

The Diocese places its operating cash holdings with several financial institutions and thus all cash held in excess of the FDIC insurable limit is subject to the solvency of those particular financial institutions. From time to time throughout the year bank balances exceeded insurance limits and management considered those circumstances to be a normal business risk.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Investments**

The Diocese reports investments at fair value. Fair value is determined principally on the basis of quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the net change in net assets. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and obligations and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

Investment designations are as follows:

- Collateral Held by Others – This consists of the maximum amount of investments required to meet bank requirements for debt agreements. The table below outlines the maximum collateral required and collateral pledged. See also Notes 11 and 12.
- Designated for Specific Use – This consists mainly of investments restricted for Hope Appeal Ministries, the elementary schools and various other departments within the Diocese.
- Investment in Non-Affiliated Entity – This consists of an investment in the National Catholic Risk Retention Group, Inc.
- Self-Insurance Program – This consists of investments designated for potential uninsured losses.

**Non-Cash Investing and Financing Activities**

For the year ended June 30, 2020, the proceeds from the notes payable were used to pay off the line-of-credit. There were no non-cash investing and financing activities for the year ended June 30, 2019.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Land, Buildings and Equipment**

Land, buildings and equipment are capitalized at cost when purchased or at fair value at date of donation. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful life of the respective asset. All acquisitions of land, buildings and equipment in excess of \$25,000 and all expenditures for repairs and maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Maintenance and repairs are charged to expense when incurred.

**Functional Allocation of Expenses**

The costs of providing programs have been charged directly and summarized on a functional basis in the statement of functional expenses.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Tax Exempt Status**

No provision for income taxes is required since the Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, and under similar requirements of New York State law, no provision has been made for federal or state taxes. Management is not aware of any unrelated business activities that may be subject to unrelated business income tax or any activities that would jeopardize the Diocese's tax exempt status.

**Reclassifications**

Certain 2019 amounts have been reclassified to conform with the 2020 financial statement presentation. Total assets, liabilities, and net assets are unchanged due to the reclassification.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 3 – GOING CONCERN UNCERTAINTY**

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

- Extended New York State’s statute of limitations for child abuse claims;
- Allowed for criminal charges against abusers of children until their victims turn 28 years of age, vs. the previous law which provided that right up to age 23;
- Allowed for civil actions against abusers, and institutions where they were abused, until their victims turn 55; and
- Opened a two-year window beginning on August 14, 2019, permitting any victim of child abuse to take civil action, regardless of when the abuse occurred. This window has since been extended to August 14, 2021.

As a result of the passage of the CVA, through the date of this report, the Diocese has been notified or become aware of a significant number of abuse related claims for alleged inappropriate conduct. Aggregate demands for damages from these claims and lawsuits are expected to be material, although presently not determinable. During the timeframe of the alleged abuses, the Diocese had a combination of commercial insurance coverage and self-insurance programs. At present, the Diocese is not certain as to the amount of commercial coverage available to assist it in meeting its ultimate obligations for these matters.

In response to the magnitude of both the number of claims and lawsuits and alleged damages, on June 18, 2020, the Diocese filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating as a debtor in possession subject to the control and supervision of the Bankruptcy Court. The Diocese believes that this filing best allows the Diocese to manage the claims adjudication process in an orderly manner as well as to ensure the equitable treatment of all claimants. The Diocese believes that this process will result in the eventual settlement of the claims and ultimately in the Diocese’s ability to conduct ongoing business operations consistent with its recent historical practices.

The ability of the Diocese to remain as a going concern and meet its obligations as they become due is dependent on the outcome of the reorganization case. These factors create substantial doubt about the Diocese’s ability to continue as a going concern for the year following the date the financial statements are available to be issued. The financial statements do not include any adjustments that might be necessary if the Diocese is unable to continue as a going concern.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Diocese’s financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	<b>2020</b>	<b>2019</b>
<b>Financial Assets:</b>		
Cash	\$ 2,332,201	\$ 2,041,244
Accounts Receivable, Net	1,901,682	2,501,423
Mortgages and Notes Receivable, Net	2,190,186	2,442,687
Investments	<u>28,428,569</u>	<u>28,181,961</u>
Total Financial Assets	34,852,638	35,167,315
<b>Financial Assets Not Available in One Year:</b>		
Long-Term Portion of Mortgages and Notes Receivable	(2,190,186)	(2,164,423)
Investments:		
Collateral Held by Others	(14,209,661)	(14,342,777)
Designated for Specific Use	(3,393,662)	(2,605,750)
Investment in Non-Affiliated Entity	(195,376)	(195,376)
Designated for Self Insurance Program	<u>(10,629,870)</u>	<u>(11,038,058)</u>
Total Investments	(28,428,569)	(28,181,961)
Due to Affiliated Organizations	(830,201)	(3,425,682)
Liability for Custodial Accounts	(625,692)	(291,474)
Donor Restricted Net Assets	<u>(679,014)</u>	<u>0</u>
Total Financial Assets Not Available in One Year	<u>(32,753,662)</u>	<u>(34,063,540)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<u><u>\$ 2,098,976</u></u>	<u><u>\$ 1,103,775</u></u>

The Diocese’s financial assets held are primarily for budgeted operating expenses and to satisfy bank debt. The Diocese’s defined benefit pension plan is underfunded by \$21,403,512 and \$18,561,302 as of June 30, 2020 and 2019, respectively. As a result, the Diocese may need to provide additional funding in future years. The Diocese has also established reserves to cover claims for its self-insured programs, however, there is still a risk of unpredicted or catastrophic claims which could have a significant financial impact on its financial assets.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 5 – ACCOUNTS RECEIVABLE**

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Accounts receivable consist mainly of amounts due for insurance premiums and program services provided to participating Diocesan entities. An allowance for uncollectible accounts is maintained, which is based on management's assessment of the collectability of accounts receivable. The allowance for uncollectible accounts was \$183,078 and \$379,817 as of June 30, 2020 and 2019, respectively.

**NOTE 6 – MORTGAGES AND NOTES RECEIVABLE**

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Mortgages and notes receivable consist of loans to Diocesan entities at various interest rates and terms of repayment. An allowance for uncollectible accounts is maintained, which is based on management's assessment of the collectability of mortgages and notes receivable. The allowance for uncollectible accounts was \$634,781 and \$512,121 as of June 30, 2020 and 2019, respectively.

**NOTE 7 – INVESTMENTS**

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The Diocese's investments consist of corporate equity securities, government and corporate bonds, exchange-traded and closed-ended funds, and cash equivalents. These investments are subject to market and credit risks due to changes in market conditions and interest rates. Corporate equity securities are subject to market value changes associated with publicly held equity securities. Governmental and corporate bond values will fluctuate due to interest rate changes. The Diocese utilizes the services of outside money managers for the majority of its investments.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 7 – INVESTMENTS – Continued**

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The Diocese operates a cooperative investment and deposit program for the mutual benefit of Diocesan organizations, parishes, and related organizations. The Syracuse Diocesan Investment Fund (SDIF) consists mainly of cash equivalents and mutual funds.

Investments by category are summarized below:

	<b>2020</b>	<b>2019</b>
Cash Equivalents	\$ 3,012,773	\$ 667,901
Equity Securities	11,788,639	12,374,304
Governmental and Corporate Bonds	6,590,013	6,924,981
Exchange-Traded and Closed-Ended Funds	3,448,106	5,413,649
Other Investments	<u>3,589,038</u>	<u>2,801,126</u>
Total	<u>\$ 28,428,569</u>	<u>\$ 28,181,961</u>

Net investment activity consists of the following:

	<b>2020</b>	<b>2019</b>
Dividends and Interest	\$ 586,204	\$ 651,820
Realized Gain	1,033,868	538,271
Investment and Affiliation Fees	(212,193)	(207,530)
Unrealized Gain (Loss)	<u>(692,614)</u>	<u>254,873</u>
Total	<u>\$ 715,265</u>	<u>\$ 1,237,434</u>

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 7 – INVESTMENTS – Continued**

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**Fair Value Measurements**

Guidance provided by the Financial Accounting Standards Board defines fair value as 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. When measuring fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 7 – INVESTMENTS – Continued**

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**Fair Value Measurements – Continued**

Fair values of assets measured utilizing the levels of the fair value hierarchy as of June 30, 2020 and 2019:

**Fair Value Measurements as of June 30, 2020**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 3,012,773	\$ 0	\$ 0	\$ 3,012,773
Mutual Funds	968,934	0	0	968,934
Equity Securities	11,788,639	0	0	11,788,639
Governmental and Corporate Bonds	6,590,013	0	0	6,590,013
Exchange Traded Funds and Close Ended Funds	2,479,172	0	0	2,479,172
Syracuse Diocesan Investment Funds	0	3,315,104	0	3,315,104
Other Investments	0	0	273,934	273,934
	<u>0</u>	<u>0</u>	<u>273,934</u>	<u>273,934</u>
Total Investments	<u>\$ 24,839,531</u>	<u>\$ 3,315,104</u>	<u>\$ 273,934</u>	<u>\$ 28,428,569</u>

**Fair Value Measurements as of June 30, 2019**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 667,901	\$ 0	\$ 0	\$ 667,901
Mutual Funds	469,351	0	0	469,351
Equity Securities	12,374,304	0	0	12,374,304
Governmental and Corporate Bonds	6,924,981	0	0	6,924,981
Exchange Traded Funds and Close Ended Funds	4,944,298	0	0	4,944,298
Syracuse Diocesan Investment Funds	0	2,493,410	0	2,493,410
Other Investments	0	0	307,716	307,716
	<u>0</u>	<u>0</u>	<u>307,716</u>	<u>307,716</u>
Total Investments	<u>\$ 25,380,835</u>	<u>\$ 2,493,410</u>	<u>\$ 307,716</u>	<u>\$ 28,181,961</u>

The Level 3 investments had net investment activity of \$(33,782) and \$41,429 for the years ended June 30, 2020 and 2019, respectively.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 8 – LAND, BUILDINGS AND EQUIPMENT**

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The summary of land, buildings and equipment is as follows:

	<b>2020</b>	<b>2019</b>
Land	\$ 755,100	\$ 755,100
Furniture and Fixtures	235,994	220,171
Buildings and Improvements	5,837,411	5,791,929
Equipment	561,795	512,725
Automobiles	195,117	165,003
	<hr/>	<hr/>
Total Land, Buildings and Equipment	7,585,417	7,444,928
Less: Accumulated Depreciation	5,016,533	4,830,427
	<hr/>	<hr/>
Net Land, Buildings and Equipment	<u>\$ 2,568,884</u>	<u>\$ 2,614,501</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$232,165 and \$235,774, respectively.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 9 – SELF INSURANCE PROGRAM AND CONTINGENCIES**

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The Diocese provides health, dental, property, casualty, workers compensation and auto insurance for the Diocese, parishes, diocesan schools, and other related organizations (“Participants”) under self-insured programs. The Diocese receives insurance premiums from the Participants and, in turn, pays claims for the self-insured portion, pays premiums for conventional excess umbrella coverage, and pays the programs’ administrative costs.

Health and dental claims are administered by a third-party. The Diocese has a stop loss policy for individual claims in excess of \$300,000 per year.

Property claims are subject to a \$300,000 self-insured retention per occurrence, which represents the Diocese’s maximum self-insured portion per occurrence. The casualty program provides liability coverage subject to a self-insured retention of \$250,000 per claim. Workers’ compensation coverage is subject to a \$650,000 self-insured retention per occurrence claim with excess coverage thereafter. The Diocese uses a third-party administrator to process workers’ compensation claims. Auto coverage has a \$250,000 self-insured retention per occurrence.

The Diocese has conventional excess umbrella coverage beyond the aforementioned self-insured retention limits. The maximum umbrella policy limit for property is \$100 million, auto is \$40 million and liability is \$39.5 million.

The Diocese has a workers’ compensation letter-of-credit in the amount of \$5,300,000 which matures on February 28, 2021. The terms of the letter-of-credit require that the Diocese maintain a minimum cash and unrestricted investments balance equal to 120 percent. The Diocese met this requirement for the year ended June 30, 2020. No balances were outstanding on the letter-of-credit as of June 30, 2020 and 2019.

Accrued reserve liabilities of \$5,854,261 and \$5,854,733 at June 30, 2020 and 2019, respectively, have been established to cover claims in the various self-insured programs. Reserve estimates for reported claims are determined by evaluation of individual reported claims by the Plan Administrator. Procedures for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current operations.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN**

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On April 17, 2020, the Diocese was granted an unsecured loan from KeyBank National Association (the “Bank”) in the aggregate amount of \$1,256,123, pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (CARES), which was enacted March 27, 2020.

The loan, which is in the form of a note dated April 17, 2020 issued by the Bank, matures on April 17, 2022 and bears interest at a rate of 1% per annum, payable with seventeen monthly payments of \$52,885 commencing on November 17, 2020. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties.

Under the terms of the PPP, a certain amount of the loan may be forgiven if it is used for covered costs as described in the CARES Act. The covered costs consist of payroll costs, mortgage payments, rent, utilities, and interest on other secured debt obligations incurred before February 15, 2020.

The Diocese intends to use the entire loan amount for qualifying expenses resulting in forgiveness of the entire loan.

**NOTE 11 – LINES-OF-CREDIT**

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The Diocese had a secured line-of-credit agreement for \$5,000,000 with a financial institution. The line-of-credit was wholly secured by the investments held by the financial institution. The terms of the agreement called for monthly interest only payments at 2.00% over the LIBOR overnight rate. The LIBOR overnight rate was 2.37% as of June 30, 2019. There was an outstanding balance of \$4,000,000 as of June 30, 2019. The agreement was terminated during the fiscal year ended June 30, 2020.

The Diocese had a secured line-of-credit agreement for \$2,500,000 with another financial institution as of June 30, 2019. The line-of-credit was wholly secured by the investments held by the financial institution. The terms of the agreement called for monthly interest only payments at 1.50% over the one-month LIBOR. The LIBOR one-month rate was 2.40% as of June 2019. The agreement was terminated during the fiscal year ended June 30, 2020.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 12 – NOTES PAYABLE**

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Notes Payable consisted of the following as of June 30:

	<b>2020</b>	<b>2019</b>
Note Payable to Bank with monthly principal payments of \$10,833 commencing on April 1, 2020. Interest is at a variable rate equal to the LIBOR Rate plus the applicable LIBOR Rate Margin. The note is secured by unencumbered marketable investment property and matures March 1, 2030.	\$ 3,217,500	\$ 0
Note Payable to Bank with monthly payments of \$16,254 commencing on April 1, 2020, including interest at 3.44% to be reset on March 1, 2027 to be one and one half percent (1.5%) in excess of the three (3) year Federal Home Loan Bank of New York (FHLB) Fixed-Rate Advance Indicator as published by the FHLB on the third year anniversary of the first payment of principal and interest. The note is secured by unencumbered marketable investment property and matures March 1, 2030.	<u>3,229,462</u>	<u>0</u>
Total Notes Payable	6,446,962	0
Less: Current Portion	<u>(215,303)</u>	<u>0</u>
Total Long-Term Notes Payable	<u><u>\$ 6,231,659</u></u>	<u><u>\$ 0</u></u>

Notes payable mature as follows:

2021	\$ 215,303
2022	218,284
2023	221,369
2024	224,562
2025	227,867
Thereafter	<u>5,339,577</u>
Total	<u><u>\$ 6,446,962</u></u>

At June 30, 2020, notes payable are collateralized by investments of \$7,584,661. Cash paid for interest on the debt was \$239,715 and \$230,326 for the years ended June 30, 2020 and 2019, respectively.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 13 – INDEPENDENT RECONCILIATION COMPENSATION PROGRAM**

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The Diocese has established an Independent Reconciliation Compensation Program to allow survivors of sexual abuse by priests or deacons of the Diocese to seek financial compensation. The effective date of the program was February 14, 2018. All claims were required to be submitted to an independent third-party administrator by May 16, 2018. The Diocese has accrued an estimated liability in settlements amounting to \$-0- and \$60,000 at June 30, 2020 and 2019, respectively.

**NOTE 14 – TRANSFERS TO DIOCESAN ELEMENTARY SCHOOLS**

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The financial statements reflect the activities of Trinity Catholic, Rome Catholic and St. Patrick's schools for year ended June 30, 2019. On June 30, 2019, net assets of \$1,061,247 were transferred to the respective stand-alone legal entities.

**NOTE 15 – LEASES**

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The Diocese leases vehicles and copy machines under operating leases expiring in various years through December 2024. Future minimum lease payments as of June 30, 2020 are:

2021	\$ 105,290
2022	60,081
2023	31,267
2024	20,263
2025	<u>2,261</u>
Total	<u><u>\$ 219,162</u></u>

Total lease expense amounted to \$123,614 and \$77,849 for the years ended June 30, 2020 and 2019, respectively.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 16 – MULTI-EMPLOYER RETIREMENT BENEFIT PLANS**

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**Defined Benefit Pension Plan (Lay Plan)**

The Diocese contributes to the Roman Catholic Diocese of Syracuse Pension Plan which is a multi-employer defined benefit plan. This plan provides retirement income to the lay employees of the Diocese, Parishes, Cemeteries and Schools affiliated with the Diocese. The plan is non-contributory and covers lay employees who meet certain minimum service requirements. The plan is a “church plan” which exempts it from certain requirements enumerated by ERISA and the Department of Labor. Participation in the plan for new employees has been frozen as of July 1, 2011. New employees are eligible to participate in a Diocesan sponsored 403(b) plan.

Participating organizations have a responsibility to contribute to the plan amounts as may be required to meet minimum funding standards. As a means of reducing the underfunded status of the plan, the Diocese paid \$600,000 and \$750,000 in contributions for the years ended June 30, 2020 and 2019, respectively. The Trustees of the Plan have the option to terminate the Plan at any time and pay out all participants in the Plan at the then current funded rate.

**Plan Summary**

A summary of the actuarial information used in determining the underfunded status of the plan is described below:

- Active and retired participants in the plan at the end of 2020 and 2019 totaled 1,080 and 1,091, respectively.
- In conjunction with various third party administrators, the Diocese assists in administering the plan.
- Benefits are based on years of service and the employee’s compensation during their years of employment.
- The Roman Catholic Diocese of Syracuse, New York contributes annually a prorated share of the total liability as determined by the actuary.
- Total contribution for all eligible employees totaled \$1,116,880 and \$1,030,234 in 2020 and 2019, respectively.
- 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.
- Benefit payments totaled \$2,512,361 and \$2,381,079 in 2020 and 2019, respectively.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 16 – MULTI-EMPLOYER RETIREMENT BENEFIT PLANS –**

Continued

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The following sets forth the plan's funded status as of June 30, 2020 and 2019 from the most recent actuarial study, which was prepared for the June 30, 2020 and 2019 plan years. The changes in the benefit obligation and fair value of plan assets, the funded status of the plan, the components of net periodic pension cost and the assumptions used in the measurement of the Diocese's benefit obligation are as follows:

	<b>2020</b>	<b>2019</b>
<b>CHANGE IN BENEFIT OBLIGATION</b>		
Projected Benefit Obligation at the Beginning of the Year	\$ 45,604,541	\$ 46,788,848
Service Cost	384,773	417,697
Interest Cost	1,882,357	1,934,862
Actuarial (Gain) Loss	70,919	(1,155,787)
Benefits Paid	<u>(2,512,361)</u>	<u>(2,381,079)</u>
Projected Benefit Obligation at the End of the Year	<u>\$ 45,430,229</u>	<u>\$ 45,604,541</u>
<b>CHANGE IN PLAN ASSETS</b>		
Fair Value of Plan Assets at the Beginning of the Year	\$ 27,043,239	\$ 28,072,899
Actual Return on Plan Assets	(1,621,041)	321,185
Contributions	1,116,880	1,030,234
Benefits Paid	<u>(2,512,361)</u>	<u>(2,381,079)</u>
Fair Value of Plan Assets at the End the Year	<u>\$ 24,026,717</u>	<u>\$ 27,043,239</u>
<b>FUNDED STATUS:</b>		
Underfunded Status of Plan	<u>\$ 21,403,512</u>	<u>\$ 18,561,302</u>

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 16 – MULTI-EMPLOYER RETIREMENT BENEFIT PLANS –**

Continued

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For the fiscal years ending June 30, 2020 and 2019, the net periodic pension cost included the following components:

	<b>2020</b>	<b>2019</b>
Service Cost	\$ 384,773	\$ 417,697
Interest Cost	1,882,357	1,934,862
Expected Return on Assets	(1,836,074)	(1,922,027)
Amortization of Net Loss	<u>94,966</u>	<u>28,083</u>
Net Periodic Pension Cost	<u><u>\$ 526,022</u></u>	<u><u>\$ 458,615</u></u>

The accumulated benefit obligation totaled \$44,240,832 and \$44,334,940 as of June 30, 2020 and 2019, respectively.

The total amount recognized in net periodic cost and unrestricted net assets totaled \$3,959,090 and \$875,587 in 2020 and 2019, respectively.

The total change recognized in unrestricted net assets amounted to \$3,433,068 and \$416,972 in 2020 and 2019, respectively.

The plan assets are measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. Accounting standards establish a three level hierarchy based upon the prioritization of inputs to measure fair value. All the plan assets have been designated as Level 1. Fair value at this level is determined by quoted prices in active markets for identical assets.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 16 – MULTI-EMPLOYER RETIREMENT BENEFIT PLANS –**

Continued

The Diocese's share of plan assets as of June 30, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Investments at Fair Value (Level 1):		
Cash and Money Market Fund	\$ 670,298	\$ 929,428
Intermediate Government Fixed Income	454,889	0
Emerging Markets	2,609,815	2,733,149
International Core Equity	3,676,357	3,924,475
Real Estate Securities	1,521,425	1,572,381
U.S. Core Equity	6,476,548	7,549,090
Short-Term Government	8,617,385	10,334,716
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 24,026,717</u>	<u>\$ 27,043,239</u>

Long-term investment objectives are to maintain plan assets that will assist in covering long-term obligations and to generate a return on plan assets sufficient to offset the growth of obligations. A diversified portfolio and various risk management techniques are used to achieve these objectives.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 4.25% in both 2020 and 2019. The expected long-term return on plan assets was 7% in both 2020 and 2019. The rate of compensation increase was 2.0% in both 2020 and 2019, respectively. The discount rates were selected to reflect the interest rate environment at the respective measurement dates. The expected long-term rate of return assumptions was selected to represent reasonable expectations of future experience.

Plan benefits expected to be paid by the Diocese for the next ten years are as follows:

2021	\$ 2,678,276
2022	2,730,714
2023	2,785,127
2024	2,883,501
2025	2,915,638
2026 - 2030	<u>14,915,611</u>
	<u>                    </u>
Total	<u>\$ 28,908,867</u>

Plan contributions expected to be paid by the Diocese in 2021 amount to \$750,000.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 16 – MULTI-EMPLOYER RETIREMENT BENEFIT PLANS –**

Continued

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**Mortality Assumption**

The mortality assumption has been revised as of June 30, 2020 to the sex-distinct Amount-Weighted Pri-2012 Mortality Tables for employees, healthy annuitants, and contingent survivors, adjusted for mortality improvements with the Scale MP-2019 mortality improvement scale on a generational basis. This assumption reflects newly published mortality tables and a review of the Plan's demographics and industry. The change in mortality tables resulted in a decrease in liabilities.

Prior to June 30, 2019, the mortality assumption was based in the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2018. This assumption was based on a review of published mortality tables and the demographics and industry of the Plan and resulted in a decrease in liabilities.

**Other Post-Retirement Benefit Plans**

The Retirement Plan for Secular Priests of the Roman Catholic Diocese of Syracuse, New York (the Priests Plan) provides pension benefits to retired priests. As of June 30, 2020, the Priests Plan has an underfunded post-retirement pension liability of approximately \$15,100,000 that is recorded on that legal entity. In addition, the Clerical Fund Society of the Roman Catholic Diocese of Syracuse, New York, Inc. (the Clerical Fund) has recorded an underfunded liability of approximately \$11,000,000 related to post-retirement health care benefits for retired priests. It is anticipated that the majority of the \$26,100,000 of underfunded post-retirement liabilities in these two separate legal entities will be funded by The Robert L. McDevitt, K.S.G., K.C.H.S. and Catherine H. McDevitt, L.C.H.S. Foundation, Inc. (the Foundation). One of the stated purposes of the Foundation is to provide for the retirement and welfare of the priests of the Diocese of Syracuse. Distributions from the Foundation to the Priests Plan was \$1,317,509 and \$1,230,436 in 2020 and 2019, respectively. Distributions from the Foundation to the Clerical Fund was \$852,612 and \$746,566 in 2020 and 2019, respectively. The Foundation has the funds available to meet these liabilities as of June 30, 2020. The Diocese would be required to meet these liabilities if the Foundation was unable to meet these liabilities.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

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Various legal actions are pending against the Diocese. The outcome of these matters is not presently determinable, but in the opinion of management under current New York State law, the Diocese is adequately protected by purchased insurance coverage and by insurance reserves, and any ultimate resolution will not have a material adverse effect on the financial condition of the Diocese. Management will continue to monitor these matters and adjust insurance reserves as appropriate

On September 6, 2018, the Diocese received a subpoena from the New York State Attorney General. A Memorandum of Understanding already exists with the local District Attorneys of the Diocese and they have been made aware of any allegation of abuse of a minor and have been provided with the names of those accused along with their status and any information they may request. The Diocese will continue to work closely with the local District Attorneys and will cooperate fully with the New York State Attorney General's investigation. The potential financial impact of this matter on the Diocese, if any, is not presently determinable.

The Diocese is a guarantor of the following debt:

- \$250,000 M&T Bank line-of-credit to Bishop Ludden Jr./Sr. High School – no amount outstanding at June 30, 2020.
- \$100,000 M&T Bank line-of-credit to Bishop Grimes Jr./Sr. High School – no amount outstanding at June 30, 2020.

The Diocese has determined that no liability is necessary for the guarantee of debt as of June 30, 2020 and 2019.

**NOTE 18 – COVID-19**

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In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Diocese's operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge. The related financial impact and duration cannot be reasonably quantified at this time.

**NOTE 19 – SUBSEQUENT EVENT**

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On October 15, 2020, the United States Bankruptcy Court set April 15, 2021 as the deadline for submission of claims against the Diocese in its reorganization proceedings.

Management has evaluated subsequent events through October 22, 2020, which is the date the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

**SCHEDULE OF SYRACUSE CATHOLIC INSURANCE FUND**

Year Ended June 30, 2020 with Comparative Totals for Year Ended June 30, 2019

	PSI	Health
<b>REVENUE</b>		
Insurance Premiums	\$ 5,036,284	\$ 17,979,996
Rebates	0	1,255,922
Other Income	0	0
Total Revenue	5,036,284	19,235,918
<b>EXPENSES</b>		
Administrative and Operational	316,107	1,398,293
Insurance - Outside Carrier	1,559,037	438,651
Insurance - Claims Paid	1,217,723	14,457,115
Insurance - Claims Accrued	(629,600)	250,389
Program Expense - Departments	998,712	690,073
Total Expenses	3,461,979	17,234,521
<b>CHANGE IN NET ASSETS</b>	1,574,305	2,001,397
Net Assets at Beginning of Year	3,882,081	6,696,272
Attorney General Inquiry	(35,369)	0
Child Victims Act	(1,523,250)	0
Independent Reconciliation Compensation Program	(250,472)	0
Net Assets at End of Year	\$ 3,647,295	\$ 8,697,669

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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<b>Unemployment</b>	<b>Disability</b>	<b>2020</b>	<b>Total</b>	<b>2019</b>
\$ 538,163	\$ 367,745	\$ 23,922,188		\$ 23,619,062
0	0	1,255,922		1,752,897
383,299	0	383,299		0
921,462	367,745	25,561,409		25,371,959
110,096	393,802	2,218,298		1,987,311
0	0	1,997,688		2,016,918
1,071,089	(1,679)	16,744,248		16,426,821
0	0	(379,211)		(777,132)
0	0	1,688,785		1,650,849
1,181,185	392,123	22,269,808		21,304,767
(259,723)	(24,378)	3,291,601		4,067,192
229,229	(16,351)	10,791,231		7,876,435
0	0	(35,369)		(414,910)
0	0	(1,523,250)		(14,557)
0	0	(250,472)		(722,929)
\$ (30,494)	\$ (40,729)	\$ 12,273,741		\$ 10,791,231

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See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**SCHEDULES OF CATHOLIC SCHOOL FUND  
STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Tuition Billed	\$ 0	\$ 1,703,750
Tuition Waivers and Discounts	0	(267,596)
Net Tuition	0	1,436,154
Foundation Grants	0	52,259
Hope Appeal and Other Grants	0	99,938
Other Income	545,832	731,864
Total Revenue	545,832	2,320,215
<b>EXPENSES</b>		
Personnel (S&B)	619,772	2,837,756
Instructional	0	77,717
Building/Occupancy	0	175,183
Other Expenses	319,042	426,176
Total Expenses	938,814	3,516,832
Operating Income (Loss) before Parish Assessments and Hope Appeal	(392,982)	(1,196,617)
Parish Assessments	0	689,324
Operating Income (Loss) before Hope Appeal	(392,982)	(507,293)
Hope Appeal	322,263	319,476
<b>OPERATING INCOME (LOSS)</b>	<b>(70,719)</b>	<b>(187,817)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Investment Activity, Net	(119,324)	106,660
Cabrini Grant Activity	(3,109)	0
Net Fundraising	4,500	312,240
Total Other Income	(117,933)	418,900
<b>TOTAL (INCOME) LOSS</b>	<b>\$ (188,652)</b>	<b>\$ 231,083</b>

See notes to financial statements.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**SCHEDULES OF PLANT FUND**

Years Ended June 30, 2020 and 2019

	2020	2019
<b>REVENUE</b>		
Assessments	\$ 29,114	\$ 28,411
Service Fees	<u>415,133</u>	<u>255,531</u>
Total Revenue	444,247	283,942
<b>EXPENSES</b>		
Facilities Management	409,446	378,968
Plant Fund	127,803	50,049
Building Occupancy Cost	<u>486,868</u>	<u>446,969</u>
Total Expenses	<u>1,024,117</u>	<u>875,986</u>
<b>PLANT FUND ACTIVITY BEFORE TRANSFER</b>	(579,870)	(592,044)
Transfer from Investment Fund for Capital Expenses	<u>146,547</u>	<u>60,364</u>
<b>PLANT FUND ACTIVITY AFTER TRANSFER, NET</b>	<u><u>\$ (433,323)</u></u>	<u><u>\$ (531,680)</u></u>

The Plant Fund is used to account for the acquisition, construction, and maintenance of the physical plant of the Diocese.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

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**SCHEDULES OF CENTRAL ADMINISTRATION SUPPORT SERVICES**

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Fees - Other Services	\$ 26,148	\$ 28,276
Affiliation Fees	1,372,921	1,372,573
Parish Administration Fees	<u>593,185</u>	<u>603,415</u>
Total Revenue	1,992,254	2,004,264
<b>EXPENSES</b>		
Executive Management	727,378	653,808
Development and Fundraising	250,000	330,060
Information Technology	545,245	489,179
Finance	629,086	601,742
Banking Fees	38,022	35,282
Parish Services	44,946	43,941
Chancery Support Services	103,762	104,140
Central Purchasing	97,061	117,750
Archives	54,923	59,372
National Assessments	<u>69,403</u>	<u>78,651</u>
Total Expenses	<u>2,559,826</u>	<u>2,513,925</u>
<b>CENTRAL ADMINISTRATION SUPPORT SERVICES, NET</b>	<u><u>\$ (567,572)</u></u>	<u><u>\$ (509,661)</u></u>

Central administration support services provide support to the programs operated by the Diocese.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**

**SCHEDULE OF INVESTMENT FUND**

Year Ended June 30, 2020 with Comparative Totals for Year Ended June 30, 2019

	<b>Investment Pool</b>	<b>Deposit and Loan</b>	<b>Total 2020</b>	<b>Total 2019</b>
<b>REVENUE</b>				
Investment Earnings	\$ 579,030	\$ 7,174	\$ 586,204	\$ 651,820
Realized Gains	1,033,868	0	1,033,868	538,271
Unrealized Gains (Losses)	<u>(692,614)</u>	<u>0</u>	<u>(692,614)</u>	<u>254,873</u>
Total Revenue	920,284	7,174	927,458	1,444,964
<b>EXPENSES</b>				
Investment Fees	87,193	0	87,193	89,530
Affiliation Fees - Support Services	125,000	0	125,000	118,000
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>212,193</u>	<u>0</u>	<u>212,193</u>	<u>207,530</u>
<b>CHANGE IN NET ASSETS BEFORE BAD DEBT RECOVERY</b>				
	708,091	7,174	715,265	1,237,434
Bad Debt Recovery	<u>0</u>	<u>(125,833)</u>	<u>(125,833)</u>	<u>28,449</u>
<b>CHANGE IN NET ASSETS</b>	708,091	(118,659)	589,432	1,265,883
Net Assets, Beginning of Year	23,007,052	232,716	23,239,768	22,034,249
Transfer to Plant Fund for Capital Expenses	<u>(146,547)</u>	<u>0</u>	<u>(146,547)</u>	<u>(60,364)</u>
Net Assets, End of Year	<u>\$ 23,568,596</u>	<u>\$ 114,057</u>	<u>\$ 23,682,653</u>	<u>\$ 23,239,768</u>

See notes to financial statements.