THE DIOCESE OF ROCHESTER
PASTORAL CENTER
OPERATIONS AND ASSOCIATED FUNDS
(Debtor in Possession)

Financial Statements as of
June 30, 2020
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 20, 2020

To the Bishop's Stewardship Council of
The Diocese of Rochester:

Report on the Financial Statements
We have audited the accompanying financial statements of The Diocese of Rochester (a New York religious corporation) Pastoral Center Operations and Associated Funds (the Pastoral Center) which comprise the balance sheet as of June 30, 2020, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocese of Rochester Pastoral Center Operations and Associated Funds as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Substantial Doubt about the Organization's Ability to Continue as a Going Concern
The accompanying financial statements have been prepared assuming the Pastoral Center will continue as a going concern. As described in Note 3, the Roman Catholic Diocese of Rochester (the Diocese and debtor in possession) has been the subject of material claims associated with alleged inappropriate conduct on the part of its employees. As a result of the significant number and dollar value of claims, the Pastoral Center 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.

Bonadio & Co., LLP

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS
(Debtor in Possession)
BALANCE SHEET
JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	$ 6,993,424	$ 2,554,474	$ 9,547,898
Accounts receivable	303,727	-	303,727
Agency fund investments	404,660	-	404,660
Investments - insurance reserves	2,410,000	-	2,410,000
Second collection assets	92,605	-	92,605
Other current assets	255,848	200	256,048
Total current assets	10,460,264	2,554,674	13,014,938
INVESTMENTS	18,013,293	34,239,067	52,252,360
FIXED ASSETS, net	798,137	-	798,137
LIMITED USE ASSETS	2,552,693	-	2,552,693
OTHER ASSETS	118,853	302,674	421,527
Total assets	$ 31,943,240	$ 37,096,415	$ 69,039,655
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	$ 1,351,686	$ -	$ 1,351,686
Accrued payroll and benefits	651,228	-	651,228
Liability for agency fund cash and investments	404,660	-	404,660
Accrued insurance claims	2,410,000	-	2,410,000
Liability for second collections	92,605	-	92,605
Due to Lay Pension Trust	136,742	-	136,742
Current portion of postretirement benefit liability	299,658	-	299,658
Due to (from) other funds	(706,947)	706,947	-
Other current liabilities	190,755	-	190,755
Total current liabilities	4,830,387	706,947	5,537,334
POSTRETIREMENT BENEFIT LIABILITY, net of current portion	5,193,650	-	5,193,650
OTHER LONG-TERM LIABILITIES	-	161,433	161,433
Total liabilities	10,024,037	868,380	10,892,417
NET ASSETS	21,919,203	36,228,035	58,147,238
Total net assets and liabilities	$ 31,943,240	$ 37,096,415	$ 69,039,655

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

(Debtor in Possession)

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions					
	Operations Supported by Annual Appeal	School Operations	Other	Total	With Donor Restrictions	Total
REVENUE:						
Annual appeal	$ 6,686,193	$ -	$ -	$ 6,686,193	$ -	$ 6,686,193
Capital campaign contributions	-	-	-	-	42,400	42,400
Gifts and bequests	27,025	-	183,679	210,704	193,773	404,477
Fees and charges	2,589,261	3,114,511	146,426	5,850,198	-	5,850,198
Self-insurance program premiums	-	-	4,282,440	4,282,440	-	4,282,440
Employee benefit program premiums	-	-	373,266	373,266	-	373,266
Investment income, net	11,210	976	(44,196)	(32,010)	(32,337)	(64,347)
Grants and aid	50,500	92,216	-	142,716	1,326,709	1,469,425
Other revenue	73,455	400	808,616	882,471	42,721	925,192
Net assets released from donor restrictions	1,276,479	19,409	552,292	1,848,180	(1,848,180)	-
Total revenue	10,714,123	3,227,512	6,302,523	20,244,158	(274,914)	19,969,244
EXPENSES:						
Personnel costs	6,322,461	875,775	14,630	7,212,866	-	7,212,866
Insurance program expenses	107,763	21,813	3,525,150	3,654,726	-	3,654,726
Subsidies and contributions	1,878,494	648,103	675,171	3,201,768	-	3,201,768
Overhead expenses	924,626	46,057	23,516	994,199	-	994,199
Sponsored programs	172,408	231,351	230,855	634,614	-	634,614
Ministerial education and formation	573,378	-	-	573,378	-	573,378
Professional services	433,527	6,970	2,781,941	3,222,438	-	3,222,438
Retired priests' benefits	214,173	-	114,625	328,798	-	328,798
Marketing and advertising	190,738	6,505	135	197,378	-	197,378
Mileage, travel and conferences	96,498	3,098	996	100,592	-	100,592
Depreciation	-	-	230,990	230,990	-	230,990
Total expenses	10,914,066	1,839,672	7,598,009	20,351,747	-	20,351,747
CHANGE IN NET ASSETS BEFORE CHANGE IN FUNDED STATUS OF POSTRETIREMENT LIABILITY	(199,943)	1,387,840	(1,295,486)	(107,589)	(274,914)	(382,503)
CHANGE IN FUNDED STATUS OF POSTRETIREMENT LIABILITY	-	-	(98,109)	(98,109)	-	(98,109)
CHANGE IN NET ASSETS	$ (199,943)	$ 1,387,840	$ (1,393,595)	(205,698)	(274,914)	(480,612)
NET ASSETS - beginning of year				22,124,901	36,502,949	58,627,850
NET ASSETS - end of year				$ 21,919,203	$ 36,228,035	$ 58,147,238

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS
(Debtor in Possession)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ (480,612)
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Net gain on investments	(9,271)
Depreciation	230,990
Bad debt recovery	1,690
Change in funded status of postretirement benefit plan	98,109
Changes in:	
Accounts receivable	335,461
Other current assets	231,773
Other assets	149,279
Accounts payable	1,075,537
Accrued payroll and benefits	1,820
Accrued insurance claims	455,000
Due to Lay Pension Trust	(23,762)
Accrued postretirement benefits	114,625
Other current liabilities	118,958
Other long-term liabilities	(4,000)
Net cash flow from operating activities	2,295,597
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of investments	(190,050)
Proceeds from sales of investments	386,956
Purchases of fixed assets	(113,832)
Net cash flow from investing activities	83,074
CHANGE IN CASH AND EQUIVALENTS	2,378,671
CASH AND EQUIVALENTS - beginning of year	7,169,227
CASH AND EQUIVALENTS - end of year	$ 9,547,898

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

The Pastoral Center of the Roman Catholic Diocese of Rochester (the Pastoral Center) is primarily responsible for performing the administrative functions associated with the operation of the Roman Catholic Diocese of Rochester (the Diocese and debtor in possession). The accompanying financial statements include funds and activities of the Pastoral Center as well as Siena Catholic Academy, the only Diocesan operated Catholic School. During 2020, management announced the closure of Siena Catholic Academy effective for the 2020-2021 school year. The Bishop of the Roman Catholic Diocese of Rochester, which is located in Rochester, New York, directly oversees the operation of the Pastoral Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in order to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to other guidance. The Pastoral Center adopted ASU 2018-08 on July 1, 2019, using a modified prospective application. There was no effect on total net assets or changes in net assets.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that an employer report the service cost component of pension costs in the same line item as employee compensation costs within income from operations. The other components of net benefit cost are required to be presented in the statement of activities and change in net assets separately from the service cost component and included in non-operating activities. ASU 2017-07 is effective for the Pastoral Center's year ended June 30, 2020. There was no effect on total net assets or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Pastoral Center classifies its operations into the following net asset categories:

- **Net Assets Without Donor Restrictions** - Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations.

- **Net Assets With Donor Restrictions** - Net assets with donor restrictions are net assets whose use by the Pastoral Center is limited by donor-imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Pastoral Center and time restrictions, including donor-imposed stipulations that do not expire. In cases where the donor-imposed stipulation does not expire, generally the donor of these net assets permits the Pastoral Center to use all or part of the investment return on the related assets to support program activities. Gifts with donor restrictions whose restriction is met within the same year as the gift recognition are reported as gifts without donor restriction.

Cash and Equivalents

Cash and equivalents include bank demand deposit accounts and money market accounts, excluding cash under investment management. The bank demand deposit accounts may, at times, exceed federally insured limits. The money market accounts are not federally insured. The Pastoral Center believes it is not exposed to any significant credit risk with respect to cash and equivalents and has not experienced any losses in such accounts.

Accounts Receivable

The Pastoral Center advances credit, primarily to parishes, in the normal course of business. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts commence. The Pastoral Center records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts is established based on a review of specific accounts outstanding and the Pastoral Center's historical collection experience. At June 30, 2020, no allowance for doubtful accounts was deemed necessary.

Investments

The Pastoral Center invests in the Communis Fund of the Diocese of Rochester, Inc. (Communis). Communis was organized by the Diocese for the purpose of offering Diocesan organizations the opportunity to invest collectively to maximize investment opportunities and returns consistent with the duties of stewardship following the mandates of The Code of Canon Law of the Roman Catholic Church. The investments are managed by a professional investment management firm and are overseen by Communis' Board of Directors. Income is allocated to investors based on the percentage of the ownership interest of their individual funds to the total investment balance. Investments are stated at fair value as determined by quoted market prices and Communis' investment managers.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Limited Use Assets

Limited use assets consist of funds that are restricted, as a result of a New York State Supreme Court order dated August 1982, related to the sale of the St. Bernard's property. The funds are to be used in support of programs for the education of seminarians and priests of the Diocese.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Fair value is defined 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.

The Pastoral Center uses various valuation techniques in determining fair value. ASC Section 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Pastoral Center. Unobservable inputs are inputs that reflect the Pastoral Center's assumptions about the assumption market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Pastoral Center has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

- Level 2 Inputs - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly.

- Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. There were no changes to the valuation techniques during the current year.

Fixed Assets

Fixed assets held by the Pastoral Center are recorded at the appraised value at the time of donation or original cost if purchased. Depreciation and amortization of fixed assets is provided on a straight-line basis over the estimated useful lives of the respective assets which range from three (3) to thirty (30) years. The Pastoral Center capitalizes all fixed asset additions greater than $10,000.

Advertising

All advertising costs are expensed as incurred.

Income Taxes

The Diocese is a religious corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Diocese has also been classified as an organization that is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. GOING CONCERN UNCERTAINTY

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 one-year window beginning on August 14, 2019, permitting any victim of child abuse to take civil action, regardless of when the abuse occurred.
- Although the CVA was extended for one year by New York State, the Diocese's bar date, in accordance with their bankruptcy filing, was August 13, 2020. This ended the window for filing of any future claims.

As a result of the passage of the CVA, the Diocese has been notified of a significant number of abuse related claims for alleged inappropriate conduct. Aggregate demands for damages from these claims and lawsuits are material. 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 September 12, 2019, 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 bankruptcy proceeding and the settlement of abuse claims and lawsuits filed. 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.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Pastoral Center's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures were as follows at June 30, 2020:

Financial assets at year-end	$	67,564,141
Less those unavailable for general expenditure within one year:		
Agency fund investments		(404,660)
Second collection assets		(92,605)
Investments – insurance reserves		(2,410,000)
Funds restricted by donor with time or purpose restrictions		(35,925,161)
Board designated endowment funds		(5,572,935)
Limited use assets		(2,552,693)
Financial assets available to meet cash needs for general expenditures within one year	$	20,606,087

As part of the Pastoral Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Pastoral Center is supported by donor-restricted contributions. Donor restrictions require resources be used in a particular manner or in a future period; therefore, the Diocese of Rochester Pastoral Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. See Note 8 for disclosure on endowment spending policy.

5. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2020:

Annual appeal	$	152,446
Parish subsidy		12,583
Self-insurance program		30,452
Information technology		2,432
Other		105,814
Total	$	303,727

6. INVESTMENTS

Investments were comprised of the following at June 30, 2020:

Communis investment fund	$	57,215,053
Less: Investments held for insurance reserves		(2,410,000)
Limited use assets		(2,552,693)
	$	52,252,360

6. **INVESTMENTS (Continued)**

Fair Value Measurement

The Pastoral Center's investments are measured at fair value on a recurring basis at June 30, 2020, utilizing the following input levels:

	Level 1	Level 2	Level 3	Total
Communis investment fund	$ -	$ 57,215,053	$ -	$ 57,215,053
Total	$ -	$ 57,215,053	$ -	$ 57,215,053

7. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2020:

Seminarian, Diaconate, and Priest education	$ 9,877,053
Priest welfare benefits	5,742,423
Parish support	5,911,644
Catholic education	3,799,410
Faith formation	665,540
Other	2,434,399
Restricted net assets to remain in perpetuity	7,797,566
Total	$ 36,228,035

Net assets were released from donor restrictions in 2020 as follows:

Seminarian, Diaconate, and Priest education	$ 189,486
Priest welfare benefits	225,173
Parish support	608,729
Catholic education	186,829
Faith formation	69,313
Other	568,650
Total	$ 1,848,180

8. **ENDOWMENT FUNDS**

Interpretation of Relevant Law

The Stewardship Council of the Diocese of Rochester has interpreted the applicable provisions of New York Not-for-Profit Corporation Law (Corporation Law) to mean that the classification of appreciation on endowment gifts that are donor restricted in perpetuity, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends) and income is classified as with donor restriction until appropriated by the Stewardship Council for expenditure.

8. ENDOWMENT FUNDS (Continued)

Changes in endowment consisted of the following for the year ended June 30, 2020:

	Board Designated	With Donor Restrictions	With Donor Restrictions to Remain in Perpetuity	Total
Endowment net assets, June 30, 2019	$ 5,620,910	$ 3,817,444	$ 7,792,566	$17,230,920
Contributions	-	-	5,000	5,000
Investment return: Net depreciation	(6,975)	(10,326)	-	(17,301)
Appropriation of endowment assets for expenditure	(41,000)	(206,100)	-	(247,100)
Endowment net assets, June 30, 2020	$ 5,572,935	$ 3,601,018	$ 7,797,566	$16,971,519

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. One deficiency of this nature, with an original gift value of $35,000, current value of $32,842, and a deficiency of $2,158, existed as of June 30, 2020. This deficiency resulted from unfavorable market fluctuations during 2020.

Return Objectives and Risk Parameters
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. Endowment assets include those assets of funds with donor restrictions that the Diocese must hold in perpetuity for a donor-specified period, as well as board designated funds. In accordance with the concept of the Prudent Investor, the Diocese's investment policy applies a flexible, balanced and diversified approach to yield an appropriate return while controlling the risk that is inherent in any investment program.

Strategies Employed for Achieving Objectives
The Diocese's strategy is to invest its endowment assets in Communis. Communis seeks long-term capital growth while attaining a rate of return greater than the rate of inflation. The Communis investment portfolio includes equity securities, fixed income securities, and cash and equivalents.

8. ENDOWMENT FUNDS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy
With regard to certain net assets restricted to or designated for long-term investment, the Diocese allocates an amount of investment income to support purpose restrictions generally based on 5.0% of a twenty-quarters rolling average of the fair value of these investments. During periods when investment income exceeds the distribution, such excess income is added to accumulated unappropriated endowment earnings with restriction. Likewise, when investment income is less than the distribution, such deficit is funded by accumulated excess income or accumulated realized gains.

New York State law allows the Stewardship Council to expend net appreciation of endowment investments and in certain circumstances the principal of the gift. The Stewardship Council must consider the long and short-term needs of the Diocese in carrying out its purposes, its present and anticipated financial requirements, expected return on its investments, and general economic conditions when determining the amount to spend. The Diocese believes its spending policy meets New York State requirements.

9. FIXED ASSETS

Fixed assets were as follows at June 30, 2020:

Buildings and improvements	$ 9,767,707
Furniture, fixtures and equipment	565,440
Vehicles	152,254
	10,485,401
Less: Accumulated depreciation	(9,687,264)
	$ 798,137

10. INSURANCE FUNDING

The Diocese is self-insured to certain deductible limits for property, liability, disability and unemployment insurances. Minimum funding requirements for the Diocesan self-insurance programs are determined annually. These amounts are then billed to the participating parishes and other organizations.

Liabilities established for claims made or anticipated to be made under the self-insured insurance program totaled $2,410,000 at June 30, 2020.

The Diocese has a $460,842 letter-of-credit outstanding with The Bank of Castile. This letter-of-credit represents a security deposit required of self-insured plans by the New York State Workers' Compensation Board. The current agreement expires in June 2021. The Diocese was self-insured for workers' compensation prior to July 1, 2009.

11. TRANSACTIONS WITH AFFILIATES

Transactions with Communis

Certain investments are held in Communis. The Pastoral Center provides Communis with administrative and financial services under the terms of an administrative contract approved by the Communis Board of Directors. Communis reimburses the Pastoral Center for the salaries, benefits and related expenses incurred for these services. The amount reimbursed to the Pastoral Center for these services was $198,133 in fiscal 2020. At June 30, 2020, Communis owed the Pastoral Center $19,841 for administrative expenses. This amount is included in accounts receivable in the accompanying balance sheet.

Transactions with Pension Trusts

At June 30, 2020, the Pastoral Center had $136,742 related to the Lay Pension Trust funds held by the Pastoral Center that had not yet been transferred to the Trust. The asset and related liability are included in cash and equivalents and due to Lay Pension Trust, respectively, in the accompanying balance sheet.

At June 30, 2020, the Lay Pension Trust owed the Pastoral Center $11,480 for administrative expenses. This amount is included in accounts receivable in the accompanying balance sheet.

12. PENSION AND RETIREMENT PLANS

Lay Pension Plan

The Pastoral Center participates in the Diocese of Rochester Lay Employees Retirement Accumulation Plan (the Plan), a multi-employer non-qualified defined benefit pension plan. In 2020, the organizations participating in the plan were charged an annual amount of 12% of gross wages for each participant in the plan.

The Pastoral Center recorded pension expense related to the Plan of approximately $524,000 in fiscal 2020.

Because the Plan is a multi-employer plan, the amount of accumulated benefits and net assets available for benefits related solely to the Pastoral Center is not determinable. However, net assets for the Plan as a whole were approximately $111.3 million at June 30, 2020 and the projected benefit obligation (PBO) was $135.0 million as of June 30, 2020, the date of the most recent actuarial valuation.

The actuaries indicated that a 1% increase in the discount rate would decrease the lay pension plan PBO by approximately $13.8 million.

Priests' Pension Plan

The Pastoral Center participates in the Priests' Retirement Plan, a multi-employer, non-qualified defined benefit pension plan for all incardinated priests of the Diocese. The plan provides maximum monthly benefits of $1,400 which are paid from the pension plan at age 70. The organizations participating in the plan were charged an annual amount of 12% of gross wages for each participant in the plan.

The Pastoral Center recorded pension expense related to the Priest's Pension Plan of approximately $34,000 in fiscal 2020.

12. PENSION AND RETIREMENT PLANS (Continued)

Priests' Pension Plan (Continued)
Because the Plan is a multi-employer plan, the amount of accumulated benefits and net assets available for benefits related solely to the Pastoral Center is not determinable. However, net assets for the Plan as a whole were approximately $18.0 million as of June 30, 2020 and the PBO was $20.8 million as of June 30, 2020, the date of the most recent actuarial valuation.

The actuaries indicated that a 1% increase in the discount rate would decrease the priests' pension plan PBO by approximately $1.6 million.

Retirement Plan
The Pastoral Center also participates in the Diocese of Rochester 403(b) Plan. The Pastoral Center employer matching contribution is equal to 100% of elective employee salary deferrals into the 403(b) Plan capped at 2% of employee compensation for lay employees and capped at a $600 match for priests. Retirement plan expense associated with the 403(b) Plan was approximately $385,000 in fiscal 2020.

13. OTHER POSTRETIREMENT BENEFITS

The Pastoral Center provides health and dental benefits for retired priests. Priests are eligible to retire between the ages of 70 to 75.

The components of net periodic postretirement benefit expense for the year ended June 30, 2020, is estimated as follows:

Service cost	$ 115,000
Interest cost	270,000
Amortization of net gain	(101,000)
Net periodic postretirement benefit expense	$ 284,000

The assumptions used to develop the net periodic postretirement benefit expense were:

Discount rate	4.25%
Medical care cost trend rate	5.20%

The medical care cost trend rate used in the computation ultimately reduces to 4.2%.

The accumulated, unfunded postretirement benefit obligation at June 30, 2020 was $5,493,308. It is the Diocese's intention to meet this future funding requirement, in part, with net assets with donor restrictions available for this purpose. The balance of these funds is $6,203,487 at June 30, 2020. Benefit payments made were $214,173 in fiscal 2020.

Estimated future benefit payments are anticipated as follows:

2021	$ 295,600
2022	$ 289,600
2023	$ 297,700
2024	$ 291,800
2025	$ 305,700
2026 - 2030	$ 1,579,500

13. OTHER POSTRETIREMENT BENEFITS (Continued)

The effect of a one percentage point increase in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in an increase in the net periodic postretirement cost of less than $100,000 and in the accumulated benefit obligation of approximately $782,000.

The effect of a one percentage point decrease in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in a decrease in the net periodic postretirement cost of less than $100,000 and in the accumulated benefit obligation of approximately $638,000.

14. FUNCTIONAL EXPENSES

The Pastoral Center incurs expenses that are attributable to one or more program or supporting functions. These expenses include personnel costs, professional services, ministerial education and formation, sponsored programs, marketing and advertising, and mileage, travel and conferences. Allocation of these expenses is based on estimates of time and effort or costs specific to a functional area. Overhead expenses, including facility expenses, as well as depreciation are allocated to programs based on staffing head count.

Expenses that are not allocated among functional areas include retired clergy benefits, lay employee's 403(b) match, and information technology costs which are directly reported as administrative expenses. Certain expenses, such as retired clergy benefits, school and parish aid, and ministerial education are subsidized with funds outside of operations.

The Pastoral Center's expenses shown by function and nature are as follows at June 30, 2020:

	Faith Formation/ Catholic Education	Support Parish Agencies	Total Program Expense	Administrative Expense	Fundraising Expense	Total
Personnel costs	$ 2,021,780	$ 2,647,790	$ 4,669,570	$ 2,249,890	$ 293,406	$ 7,212,866
Insurance program expenses	21,813	3,632,913	3,654,726	-	-	3,654,726
Subsidies and contributions	1,394,922	1,568,187	2,963,109	215,247	23,412	3,201,768
Overhead expenses	109,957	332,058	442,015	534,806	17,378	994,199
Sponsored programs	584,464	30,534	614,998	19,616	-	634,614
Ministerial education and formation	-	572,878	572,878	500	-	573,378
Professional services	46,901	2,932,525	2,979,426	243,012	-	3,222,438
Retired priests' benefits	-	328,798	328,798	-	-	328,798
Marketing and advertising	76,450	5,419	81,869	1,524	113,985	197,378
Mileage, travel and conferences	17,644	65,373	83,017	16,600	975	100,592
Depreciation	-	-	-	230,990	-	230,990
	$ 4,273,931	$12,116,475	$16,390,406	$ 3,512,185	$ 449,156	$20,351,747

15. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On February 14, 2019, New York State signed into law the Child Victims Act (CVA). See Note 3 for a description of this matter. No material amounts have been recorded for settlement of these matters as the potential financial impact on the Diocese is not presently determinable. However, it is likely that the ultimate resolution of these matters could have a material adverse impact on the Diocese's results of operations, liquidity, and financial position.

In September 2018, the New York State Attorney General commenced a civil investigation of the eight Catholic Dioceses of New York State regarding their handling of past sexual abuse allegations. As a result, the Diocese has received a subpoena requesting historical information related to such matters. The Diocese continues to respond to the subpoena request. The potential financial impact of this matter on the Diocese is not presently determinable.

16. COVID-19 PANDEMIC

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19), the effects of which substantially began in March 2020. The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. This includes, but is not limited to, a decline in the value of the Pastoral Center investments. The impact of this situation on the Pastoral Center and its future results and financial position is not presently determinable.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2020, which is the date the financial statements were available to be issued.