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

Financial Statements as of
June 30, 2021
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 18, 2021

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, 2021, 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, 2021, 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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	$ 7,156,827	$ 2,047,699	$ 9,204,526
Accounts receivable	79,500	-	79,500
Agency fund investments	481,313	-	481,313
Investments - insurance reserves	2,223,000	-	2,223,000
Second collection assets	222,723	-	222,723
Other current assets	890,954	898	891,852
Total current assets	11,054,317	2,048,597	13,102,914
INVESTMENTS	24,326,991	44,213,702	68,540,693
FIXED ASSETS, net	770,294	-	770,294
LIMITED USE ASSETS	3,323,021	-	3,323,021
OTHER ASSETS	115,423	287,398	402,821
Total assets	$ 39,590,046	$ 46,549,697	$ 86,139,743
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	$ 2,185,286	$ -	$ 2,185,286
Accrued payroll and benefits	441,728	-	441,728
Liability for agency fund investments	481,313	-	481,313
Accrued insurance claims	2,223,000	-	2,223,000
Liability for second collections	222,723	-	222,723
Due to Lay Pension Trust	119,153	-	119,153
Current portion of postretirement benefit liability	300,839	-	300,839
Due to (from) other funds	(1,116,072)	1,116,072	-
Other current liabilities	66,680	-	66,680
Total current liabilities	4,924,650	1,116,072	6,040,722
POSTRETIREMENT BENEFIT LIABILITY, net of current portion	4,796,494	-	4,796,494
OTHER LONG-TERM LIABILITIES	-	155,186	155,186
Total liabilities	9,721,144	1,271,258	10,992,402
NET ASSETS	29,868,902	45,278,439	75,147,341
Total net assets and liabilities	$ 39,590,046	$ 46,549,697	$ 86,139,743

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, 2021

	Without Donor Restrictions					
	Operations Supported by Annual Appeal	School Operations	Other	Total	With Donor Restrictions	Total
REVENUE:						
Annual appeal	$ 6,646,678	$ -	$ -	$ 6,646,678	$ -	$ 6,646,678
Capital campaign contributions	-	-	-	-	250	250
Gifts and bequests	(19,435)	-	9,425	(10,010)	138,433	128,423
Fees and charges	2,417,907	1,822,399	30,150	4,270,456	-	4,270,456
Self-insurance program premiums	-	-	4,634,397	4,634,397	-	4,634,397
Employee benefit program premiums	-	-	162,907	162,907	-	162,907
Investment income, net	11,784	398,736	6,528,305	6,938,825	10,289,573	17,228,398
Grants and aid	33,500	101,239	-	134,739	497,791	632,530
Other revenue	88,742	1,532	217,894	308,168	40,508	348,676
Net assets released from donor restrictions	1,134,439	-	781,712	1,916,151	(1,916,151)	-
Total revenue	10,313,615	2,323,906	12,364,790	25,002,311	9,050,404	34,052,715
EXPENSES:						
Personnel costs	5,614,196	82,656	14,364	5,711,216	-	5,711,216
Insurance program expenses	117,797	-	2,597,347	2,715,144	-	2,715,144
Subsidies and contributions	1,937,294	577,000	518,705	3,032,999	-	3,032,999
Overhead expenses	1,092,115	116	8,151	1,100,382	-	1,100,382
Sponsored programs	134,511	-	12	134,523	-	134,523
Ministerial education and formation	455,798	-	-	455,798	-	455,798
Professional services	451,779	20	3,139,338	3,591,137	-	3,591,137
Retired priests' benefits	183,130	-	(78,910)	104,220	-	104,220
Marketing and advertising	165,229	-	-	165,229	-	165,229
Mileage, travel and conferences	112,973	-	-	112,973	-	112,973
Depreciation	-	-	246,056	246,056	-	246,056
Total expenses	10,264,822	659,792	6,445,063	17,369,677	-	17,369,677
CHANGE IN NET ASSETS BEFORE CHANGE IN FUNDED STATUS OF POSTRETIREMENT LIABILITY	48,793	1,664,114	5,919,727	7,632,634	9,050,404	16,683,038
CHANGE IN FUNDED STATUS OF POSTRETIREMENT LIABILITY	-	-	317,065	317,065	-	317,065
CHANGE IN NET ASSETS	$ 48,793	$ 1,664,114	$ 6,236,792	7,949,699	9,050,404	17,000,103
NET ASSETS - beginning of year				21,919,203	36,228,035	58,147,238
NET ASSETS - end of year				$ 29,868,902	$ 45,278,439	$ 75,147,341

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS
(Debtor in Possession)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ 17,000,103
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Net gain on investments	(17,357,532)
Depreciation	246,056
Bad debt recovery	(1,398)
Change in funded status of postretirement benefit plan	(317,065)
Loss on sale of fixed assets	2,921
Changes in:	
Accounts receivable	224,227
Other current assets	(634,406)
Other assets	18,706
Accounts payable	833,600
Accrued payroll and benefits	(209,500)
Accrued insurance claims	(187,000)
Due to Lay Pension Trust	(17,589)
Accrued postretirement benefits	(78,910)
Other current liabilities	(124,075)
Other long-term liabilities	(6,247)
Net cash flow from operating activities	(608,109)
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchases of investments	(54,029)
Proceeds from sales of investments	539,900
Proceeds from sales of fixed assets	5,000
Purchases of fixed assets	(226,134)
Net cash flow from investing activities	264,737
CHANGE IN CASH AND EQUIVALENTS	(343,372)
CASH AND EQUIVALENTS - beginning of year	9,547,898
CASH AND EQUIVALENTS - end of year	$ 9,204,526

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. 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.

Changes in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, and has subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 606"). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Pastoral Center adopted ASC 606 as of July 1, 2020, using a modified retrospective application. The adoption of this guidance had no effect on total net assets or changes in net assets.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. The standard is effective for financial statements issued for years beginning after December 15, 2019. The Pastoral Center adopted this standard in 2021 using a retrospective approach. The adoption of this guidance had no impact on the balance sheet or the statement of activities and change 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 restrictions.

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.

Fees, Charges and Accounts Receivable

Fees and charges include services billed to the parishes for information technology, office supplies, and other mutually agreed upon charges. The Pastoral Center recognizes fees and charges revenue in the period in which it satisfies its performance obligations by transferring services to the parishes. The Pastoral Center bills for actual charges incurred. The Pastoral Center's performance obligation relative to fees and charges is a bundled obligation to provide services mutually agreed upon by both parties. Payments for fees and charges are recognized at the amount in which it expects to be entitled.

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, 2021, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)
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 investment 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. GOING CONCERN UNCERTAINTY (Continued)

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, 2021:

Financial assets at year-end	$ 84,074,776
Less those unavailable for general expenditure within one year:	
Agency fund investments	(481,313)
Second collection assets	(222,723)
Investments – insurance reserves	(2,223,000)
Collateralized cash	(501,113)
Funds restricted by donor with time or purpose restrictions	(44,991,041)
Board designated endowment funds	(7,222,309)
Limited use assets	(3,323,021)
Financial assets available to meet cash needs for general expenditures within one year	$ 25,110,256

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 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, 2021:

Annual appeal	$ 15,000
Information technology	29,782
Other	34,718
Total	$ 79,500

6. INVESTMENTS

Investments were comprised of the following at June 30, 2021:

Communis investment fund	$ 74,086,714
Less: Investments held for insurance reserves	(2,223,000)
Limited use assets	(3,323,021)
	$ 68,540,693

Fair Value Measurement
The Pastoral Center's investments are measured at fair value on a recurring basis at June 30, 2021, utilizing the following input levels:

	Level 1	Level 2	Level 3	Total
Communis investment fund	$ -	$ 74,086,714	$ -	$ 74,086,714
Total	$ -	$ 74,086,714	$ -	$ 74,086,714

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2021:

Seminarian, Diaconate, and Priest education	$ 12,821,390
Priest welfare benefits	7,416,550
Parish support	7,266,039
Catholic education	6,737,938
Faith formation	1,055,140
Other	2,179,866
Restricted net assets to remain in perpetuity	7,801,516
Total	$ 45,278,439

Net assets were released from donor restrictions in 2021 as follows:

Seminarian, Diaconate, and Priest education	$ 31,375
Priest welfare benefits	196,130
Parish support	929,601
Catholic education	600,146
Faith formation	100,764
Other	58,135
Total	$ 1,916,151

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.

Changes in endowment consisted of the following for the year ended June 30, 2021:

	Board Designated	With Donor Restrictions	With Donor Restrictions to Remain in Perpetuity	Total
Endowment net assets, June 30, 2020	$ 5,572,935	$ 3,601,018	$ 7,797,566	$16,971,519
Contributions	-	-	3,950	3,950
Investment return: Net appreciation	1,677,373	3,462,984	-	5,140,357
Appropriation of endowment assets for expenditure	(28,000)	(128,200)	-	(156,200)
Endowment net assets, June 30, 2021	$ 7,222,308	$ 6,935,802	$ 7,801,516	$21,959,626

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. No deficiencies of this nature, existed as of June 30, 2021.

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, 2021:

Buildings and improvements	$ 9,887,198
Furniture, fixtures and equipment	548,666
Vehicles	240,053
Construction-in-progress	18,844
	10,694,761
Less: Accumulated depreciation	(9,924,467)
	$ 770,294

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 $2,223,000 at June 30, 2021.

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 2022. 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 $81,828 in fiscal 2021.

Transactions with Pension Trusts

At June 30, 2021, the Pastoral Center had $119,153 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.

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 2021, the organizations participating in the plan were charged an annual amount of 12% of gross wages for each participant in the plan. Effective June 1, 2021, benefits earned in the Plan were frozen and no additional new credits or benefit accruals will occur after that date.

The Pastoral Center recorded pension expense related to the Plan of approximately $403,000 in fiscal 2021.

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 $137.0 million at June 30, 2021 and the projected benefit obligation (PBO) was $130.4 million as of June 30, 2021, 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 $12.8 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 $35,000 in fiscal 2021.

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 $21.3 million as of June 30, 2021 and the PBO was $19.6 million as of June 30, 2021, 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 $1.5 million.

12. PENSION AND RETIREMENT PLANS (Continued)

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.

Effective June 1, 2021, eligible full-time employees who are at least 21 years old and employed on December 31st will receive a Nonelective Employer Contribution (NEC). The NEC will be based on the participant's age and compensation and vesting will occur after three years of employment. Retirement plan expense associated with the 403(b) Plan was approximately $328,000 in fiscal 2021.

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, 2021, is estimated as follows:

Service cost	$ 115,000
Interest cost	227,000
Amortization of net gain	(81,000)
Net periodic postretirement benefit expense	$ 261,000

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

Discount rate	4.25%
Medical care cost trend rate	4.00%

The medical care cost trend rate used in the computation ultimately reduces to 4.1%.

The accumulated, unfunded postretirement benefit obligation at June 30, 2021 was $5,097,333. 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 $8,060,744 at June 30, 2021. Benefit payments made were $183,130 in fiscal 2021.

Estimated future benefit payments are anticipated as follows:

2022	$ 292,900
2023	$ 286,400
2024	$ 279,400
2025	$ 291,500
2026	$ 283,600
2027 - 2031	$ 1,516,000

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 $702,000.

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 $575,000.

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, 2021:

	Faith Formation/ Catholic Education	Support Parish Agencies	Total Program Expense	Administrative Expense	Fundraising Expense	Total
Personnel costs	$ 989,462	$ 2,345,183	$ 3,334,645	$ 2,133,560	$ 243,011	$ 5,711,216
Insurance program expenses	-	2,715,144	2,715,144	-	-	2,715,144
Subsidies and contributions	1,488,853	1,297,876	2,786,729	245,795	475	3,032,999
Overhead expenses	112,248	487,454	599,702	485,742	14,938	1,100,382
Sponsored programs	59,925	46,173	106,098	28,425	-	134,523
Ministerial education and formation	-	455,798	455,798	-	-	455,798
Professional services	110,402	3,311,694	3,422,096	169,041	-	3,591,137
Retired priests' benefits	-	104,220	104,220	-	-	104,220
Marketing and advertising	30,945	3,347	34,292	305	130,632	165,229
Mileage, travel and conferences	41,515	58,032	99,547	12,723	703	112,973
Depreciation	19,685	44,290	63,975	182,081	-	246,056
	$ 2,853,035	$10,869,211	$13,722,246	$ 3,257,672	$ 389,759	$17,369,677

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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The global pandemic caused by the virus disrupted world-wide economic activity. As of the date of issuance, the COVID-19 pandemic continues. The overall short-term and long-term consequences of COVID-19 on a national, regional and local level are unknown, but there is the potential of a noteworthy negative economic impact. The impact of this situation specific to the Pastoral Center and its future results and financial position is not presently determinable.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 18, 2021, which is the date the financial statements were available to be issued.