

# **Pastoral Center of the Archdiocese of Cincinnati**

**Financial Statements with Accompanying Information  
June 30, 2020 and 2019, and  
Independent Auditors' Report**

# PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

June 30, 2020 and 2019

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## Independent Auditors' Report

Most Reverend Dennis M. Schnurr  
Archbishop of Cincinnati

We have audited the accompanying financial statements of the Pastoral Center of the Archdiocese of Cincinnati (a nonprofit organization), 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 misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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 Pastoral Center of the Archdiocese of Cincinnati as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Report on Accompanying Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Barnes, Dennig & Co., Ltd.*

November 11, 2020  
Cincinnati, Ohio

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Statements of Financial Position  
June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash	\$ 200	\$ 200
Prepaid expenses	451,735	421,116
Accounts and interest receivable, net of allowances; 2020 - \$6,783,398 and 2019 - \$6,425,870	4,804,528	5,378,618
Due from other Archdiocesan agencies	-	41,880
Contributions receivable, net of discount	991,706	899,108
Notes receivable, net of allowances; 2020 - \$6,202,718 and 2019 - \$6,138,569	3,258,689	3,361,609
Investments	275,605,226	261,667,771
Beneficial interest in trust	-	5,744
Land, buildings and other property, net	10,146,104	10,635,631
Total assets	<b>\$ 295,258,188</b>	<b>\$ 282,411,677</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 8,160,857	\$ 9,920,805
Reserve for insurance claims	5,254,090	5,254,090
Due to other Archdiocesan agencies	1,462,775	-
Funds held for Athenaeum of Ohio (Seminary)	29,377,034	28,973,840
Special collections	1,434,865	1,320,363
Parish exchange accounts and other liabilities	116,240	102,634
Notes payable - parishes and other Catholic institutions	123,832,297	117,463,264
Total liabilities	169,638,158	163,034,996
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	104,789,881	91,756,937
Archbishop-designated other funds	11,374,938	18,758,027
Archbishop-designated endowment funds	2,229,457	2,309,228
Total without donor restrictions	118,394,276	112,824,192
With donor restrictions	7,225,754	6,552,489
Total net assets	125,620,030	119,376,681
Total liabilities and net assets	<b>\$ 295,258,188</b>	<b>\$ 282,411,677</b>

See accompanying notes to financial statements

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Statement of Activities**  
**Year Ended June 30, 2020 with Summarized Comparative Totals for 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue, gains and other support</b>				
Investment return, net	\$ 12,193,337	\$ 92,919	\$ 12,286,256	\$ 12,125,046
Insurance billings to parishes and institutions	49,060,304	-	49,060,304	50,597,084
Claim reimbursement and recoveries	308,810	-	308,810	206,777
Archdiocesan assessments	12,938,580	-	12,938,580	12,785,893
Notes receivable interest	292,031	-	292,031	289,930
Catholic Ministries Appeal	-	5,216,085	5,216,085	5,057,659
Contributions and bequests	1,024,932	3,335,228	4,360,160	4,498,532
Rental income	306,994	10,061	317,055	313,476
Other	600,662	88,571	689,233	397,828
Net assets released from restrictions	8,069,599	(8,069,599)	-	-
Total revenue, gains and other support	<u>84,795,249</u>	<u>673,265</u>	<u>85,468,514</u>	<u>86,272,225</u>
<b>Expenses</b>				
Chancery:				
Community services	1,457,137	-	1,457,137	1,436,176
Educational services	8,473,819	-	8,473,819	6,079,859
Executive services	3,615,523	-	3,615,523	3,783,646
Financial services	1,777,737	-	1,777,737	1,571,695
Human resources	540,159	-	540,159	499,539
Stewardship services	1,028,159	-	1,028,159	1,029,971
Pastoral services	9,799,090	-	9,799,090	9,556,899
General and administrative	3,272,165	-	3,272,165	4,189,659
Interest on notes payable	2,584,260	-	2,584,260	2,843,765
Administrative building operations	109,828	-	109,828	242,992
	<u>32,657,877</u>	<u>-</u>	<u>32,657,877</u>	<u>31,234,201</u>
Nonoperating transfers to related entities	-	-	-	5,500,000
Health Care Plan:				
Claims	35,461,271	-	35,461,271	38,257,444
Disability and life insurance premiums	1,169,249	-	1,169,249	1,223,721
Service fees	2,357,188	-	2,357,188	2,425,512
Stop loss premiums	621,465	-	621,465	571,003
Allowance for doubtful accounts	(265,547)	-	(265,547)	102,902
Other health care costs	151,031	-	151,031	226,463
	<u>39,494,657</u>	<u>-</u>	<u>39,494,657</u>	<u>42,807,045</u>
Self-Insurance Fund:				
Claims	3,387,003	-	3,387,003	2,254,693
Reinsurance premiums	2,918,016	-	2,918,016	2,886,773
Other self insurance costs	767,612	-	767,612	50,433
	<u>7,072,631</u>	<u>-</u>	<u>7,072,631</u>	<u>5,191,899</u>
Total expenses	<u>79,225,165</u>	<u>-</u>	<u>79,225,165</u>	<u>84,733,145</u>
<b>Change in net assets</b>	5,570,084	673,265	6,243,349	1,539,080
<b>Net assets, beginning of year</b>	<u>112,824,192</u>	<u>6,552,489</u>	<u>119,376,681</u>	<u>117,837,601</u>
<b>Net assets, end of year</b>	<u>\$ 118,394,276</u>	<u>\$ 7,225,754</u>	<u>\$ 125,620,030</u>	<u>\$ 119,376,681</u>

See accompanying notes to financial statements

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Statement of Activities  
Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support</b>			
Investment return, net	\$ 12,046,427	\$ 78,619	\$ 12,125,046
Insurance billings to parishes and institutions	50,597,084	-	50,597,084
Claim reimbursement and recoveries	206,777	-	206,777
Archdiocesan assessments	12,785,893	-	12,785,893
Notes receivable interest	289,930	-	289,930
Catholic Ministries Appeal	-	5,057,659	5,057,659
Contributions and bequests	1,347,723	3,150,809	4,498,532
Rental income	303,548	9,928	313,476
Other	397,828	-	397,828
Net assets released from restrictions	13,257,988	(13,257,988)	-
Total revenue, gains and other support	<u>91,233,198</u>	<u>(4,960,973)</u>	<u>86,272,225</u>
<b>Expenses</b>			
Chancery:			
Community services	1,436,176	-	1,436,176
Educational services	6,079,859	-	6,079,859
Executive services	3,783,646	-	3,783,646
Financial services	1,571,695	-	1,571,695
Human resources	499,539	-	499,539
Stewardship services	1,029,971	-	1,029,971
Pastoral services	9,556,899	-	9,556,899
General and administrative	4,189,659	-	4,189,659
Interest on notes payable	2,843,765	-	2,843,765
Administrative building operations	242,992	-	242,992
	<u>31,234,201</u>	<u>-</u>	<u>31,234,201</u>
Nonoperating transfers to related entities	5,500,000	-	5,500,000
Health Care Plan:			
Claims	38,257,444	-	38,257,444
Disability and life insurance premiums	1,223,721	-	1,223,721
Service fees	2,425,512	-	2,425,512
Stop loss premiums	571,003	-	571,003
Allowance for doubtful accounts	102,902	-	102,902
Other health care costs	226,463	-	226,463
	<u>42,807,045</u>	<u>-</u>	<u>42,807,045</u>
Self-Insurance Fund:			
Claims	2,254,693	-	2,254,693
Reinsurance premiums	2,886,773	-	2,886,773
Other self insurance costs	50,433	-	50,433
	<u>5,191,899</u>	<u>-</u>	<u>5,191,899</u>
Total expenses	<u>84,733,145</u>	<u>-</u>	<u>84,733,145</u>
<b>Change in net assets</b>	6,500,053	(4,960,973)	1,539,080
<b>Net assets, beginning of year</b>	106,324,139	11,513,462	117,837,601
<b>Net assets, end of year</b>	<u>\$ 112,824,192</u>	<u>\$ 6,552,489</u>	<u>\$ 119,376,681</u>

See accompanying notes to financial statements

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Statements of Functional Expenses  
Years Ended June 30, 2020 and 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Chancery:								
Salaries and wages	\$ 8,429,108	\$ 1,485,791	\$ 268,093	\$ 10,182,992	\$ 8,200,877	\$ 1,368,565	\$ 160,904	\$ 9,730,346
Direct support to related entities	4,544,543	-	-	4,544,543	2,663,036	-	-	2,663,036
Direct support to parishes	1,772,288	-	-	1,772,288	1,839,648	-	-	1,839,648
Distributions to non-related charities	791,202	-	-	791,202	1,023,529	-	-	1,023,529
Interest Expense	2,584,260	-	-	2,584,260	2,843,765	-	-	2,843,765
Tuition Assistance	2,522,561	15,560	-	2,538,121	2,760,840	2,030	-	2,762,870
Payroll taxes and benefits	2,115,767	583,657	152,617	2,852,041	1,985,289	561,186	87,179	2,633,654
Provision for doubtful accounts	-	687,223	-	687,223	-	1,301,426	-	1,301,426
Depreciation expense	-	1,292,213	-	1,292,213	-	982,371	-	982,371
Legal and professional	703,650	474,956	50,722	1,229,328	435,370	448,108	80,500	963,978
Other professional	412,110	7,131	13,174	432,415	708,838	11,190	6,867	726,895
Software and network administration	474,872	487,526	16,502	978,900	291,039	316,255	35,155	642,449
Meetings and conferences	517,405	57,978	12,690	588,073	501,301	93,681	8,672	603,654
Building maintenance	10,915	414,937	-	425,852	19,592	569,888	589	590,069
Office and program supplies	169,360	106,065	103,055	378,480	250,039	131,082	129,283	510,404
Other expenses	190,780	242,396	39,555	472,731	169,319	263,316	61,045	493,680
Membership dues	243,616	128,441	4,200	376,257	174,565	180,704	4,200	359,469
Utilities	14,720	176,796	22,750	214,266	34,016	170,790	21,000	225,806
USCCB assessment paid	-	170,956	-	170,956	-	168,737	-	168,737
Priest business expenses	138,805	6,931	-	145,736	164,703	3,712	-	168,415
Total Chancery expenses	25,635,962	6,338,557	683,358	32,657,877	24,065,766	6,573,041	595,394	31,234,201
Nonoperating transfers to related entities	-	-	-	-	5,500,000	-	-	5,500,000
Health Care Plan	39,494,657	-	-	39,494,657	42,807,045	-	-	42,807,045
Self-Insurance Fund	7,072,631	-	-	7,072,631	5,191,899	-	-	5,191,899
Total expenses	\$ 72,203,250	\$ 6,338,557	\$ 683,358	\$ 79,225,165	\$ 77,564,710	\$ 6,573,041	\$ 595,394	\$ 84,733,145

See accompanying notes to financial statements



**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Statements of Cash Flows  
Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,243,349	\$ 1,539,080
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,292,213	982,371
Gain on sale of property	(378,918)	-
Provision for doubtful receivables	421,677	1,404,328
Net unrealized and realized gains on investments	(5,957,479)	(6,627,288)
Change in beneficial interest in trust	5,744	3,819,607
Interest reinvested into notes payable	1,465,999	1,393,305
Changes in:		
Prepaid expenses	(30,619)	4,760
Accounts and interest receivable	216,562	(2,023,351)
Due to (from) other Archdiocesan agencies	1,504,655	(6,768,066)
Contributions receivable	(92,598)	99,001
Accounts payable and accrued expenses	(1,759,948)	4,253,571
Reserve for insurance claims	-	(650,000)
Funds held for Athenaeum of Ohio (Seminary)	(299,435)	150,124
Special collections	114,502	586,669
Parish exchange accounts and other liabilities	13,606	(167,567)
Net cash provided by (used in) operating activities	2,759,310	(2,003,456)
<b>Cash flows from investing activities</b>		
Purchases of investments	(25,431,100)	(97,543,324)
Proceeds from sales of investments	18,153,753	101,013,734
Purchases of land, buildings and other property	(941,913)	(1,354,845)
Proceeds from sale of property	518,145	-
Collections on notes receivable	55,086	190,090
Issuance of notes receivable	(16,315)	(54,466)
Net cash provided by (used in) investing activities	(7,662,344)	2,251,189
<b>Cash flows from financing activities</b>		
Originations of notes payable	11,515,670	6,651,092
Withdrawals from notes payable	(6,612,636)	(6,898,825)
Net cash provided by (used in) financing activities	4,903,034	(247,733)
<b>Net change in cash</b>	-	-
<b>Cash, beginning of year</b>	200	200
<b>Cash, end of year</b>	\$ 200	\$ 200
<b>Supplemental cash flows information</b>		
Interest paid	\$ 1,313,667	\$ 1,386,361
Non-cash change in funds held for Seminary	\$ 702,629	\$ 1,024,212

See accompanying notes to financial statements

# PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

## Notes to Financial Statements

### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

The Pastoral Center of the Archdiocese of Cincinnati (Archdiocese or Pastoral Center) (formerly known as the Central Offices of the Archdiocese of Cincinnati) primarily consist of departments maintained for the administration of the general business and financial affairs of the Archdiocese of Cincinnati. The Archdiocese of Cincinnati encompasses the various institutions and organizations which are responsible to the Most Reverend Dennis M. Schnurr, Archbishop of Cincinnati.

The accompanying financial statements do not include the accounts of the Lay Employees' Pension Plan, the Priests' Retirement Corporation, Pooled Investment Trust Fund, and certain Catholic organizations located within the Archdiocese such as parishes, schools, publications, foundations, cemeteries, homes, seminaries, or any institutions owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between such organizations and the Pastoral Center. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Pastoral Center, maintains separate accounts, carries on its own services and programs, and in some instances is expected to report annually to the Pastoral Center. The Pastoral Center may become responsible for liabilities of certain of these entities in its role as the financial administrator of the Archdiocese. See Note 16 for contingencies presented in these financial statements related to these future potential obligations.

Titles to certain properties of the above-mentioned organizations are held by the Archbishop and his successors in office as trustee of separate trusts. Commingling of these separate trusts is forbidden by Canon Law and policy as well as by Ohio Civil Law. For this reason, these properties are not included in the accompanying financial statements.

The Pastoral Center, certain related institutions, and all parishes participate in two self-insurance programs providing property and casualty as well as health care coverage (Archdiocesan insurance programs). The Pastoral Center administers the Archdiocesan insurance programs with the aid of an insurance service firm as directed by the Archbishop. Reinsurance and stop loss contracts are obtained to protect against losses in excess of self-insurance limits.

#### *Financial Statement Presentation*

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Archdiocese is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Fair Value Measurements*

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

##### *Accounts, Notes and Interest Receivable*

Accounts receivable are stated at the amounts earned, but not collected, less related allowance for impaired accounts receivable. Notes and interest receivable are stated at the principal amount outstanding, less the related allowance for impaired receivables. Interest income on notes receivable is accrued as earned based on unpaid principal balances. The notes are payable on demand thirty days after issuance and interest is due quarterly. Interest accrues until the note is paid in full and therefore, notes are generally not placed on non-accrual status.

Accounts, notes and interest receivable are evaluated for impairment in accordance with GAAP. Management, considering current information and events, considers a receivable to be impaired when it is probable that the Archdiocese will be unable to collect all amounts due (both interest and principal) according to the terms of the note agreement. When a receivable is considered to be impaired, the amount of impairment is measured based on the expected future cash flows to include recovery from other assets of the obligor. Impairment losses are included in the allowance for doubtful accounts through a charge to the provision for doubtful receivables. Changes in the fair market value of collateral or the expected cash flows due to revisions to the timing or amount of those estimated cash flows are recorded as additions to or reductions in the provision for doubtful receivables. No allowance for doubtful accounts has been provided for receivables not deemed to be impaired.

##### *Investments and Investment Return*

Investments are carried at fair value. Investment return includes dividend and interest income, realized and unrealized gains and losses on investments, and investment management fees.

Investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor imposed restrictions.

##### *Land, Buildings and Other Property*

Land, buildings and other property are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. It is the policy of the Archdiocese to dispose of real estate when it becomes evident that no future use for church purposes is likely.

# PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

## Notes to Financial Statements (Continued)

### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions and net assets. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions and net assets. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment return that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restrictions and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

#### ***Income Taxes and Uncertain Tax Positions***

The United States Conference of Catholic Bishops received a determination letter dated March 25, 1946, which states that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Archdiocese is listed in the 2019 edition of the Official Catholic Directory and is, therefore, exempt from federal income and unemployment taxes.

The Archdiocese is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Archdiocese is subject to federal income tax on any unrelated business taxable income. The Archdiocese is not aware of any activities that would jeopardize its tax-exempt status, nor is it aware of any uncertain tax positions that could result in a material impact on the statements of financial position or statements of activities of the Archdiocese.

#### ***Functional Allocation of Expenses***

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified upon the actual direct expenditures and costs allocations. The most significant allocations were salaries and wages and related payroll taxes and benefit expenses, which were allocated based upon estimates of time spent by Archdiocese personnel.

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Use of Estimates***

GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

##### ***Reclassifications***

Certain 2019 figures have been reclassified to conform to the 2020 presentation.

##### ***Effect of Adopting New Accounting Standard***

During 2020, the Pastoral Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of July 1, 2019.

##### ***Recently Issued Accounting Standards Updates***

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Pastoral Center's fiscal year ended June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Pastoral Center's fiscal year ended June 30, 2023.

The Pastoral Center is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Subsequent Event Evaluation***

In preparing its financial statements, the Archdiocese has evaluated events subsequent to the statement of financial position date through November 11, 2020, which is the date the financial statements were available to be issued.

**NOTE 2 NOTES RECEIVABLE AND NOTES PAYABLE**

***Notes Receivable***

Certain parishes and other Catholic institutions have financed building projects and other needs through interest-bearing demand notes from surplus funds of other parishes and institutions. These notes are included in notes receivable on the statement of financial position. In addition to these notes, notes receivable also includes interest and accounts receivables that were converted to interest-bearing demand notes. The notes receivable interest rate was 6.5% for 2020 and 2019.

The Archdiocese acts as a lender of last resort for college seminarians. Each application is evaluated by the Archbishop with assistance of the Archdiocesan Finance Department. All such loans are evidenced by a promissory note signed by the student. The Archbishop, at his discretion, may forgive some portion of the loan upon the student's ordination to the priesthood. As of June 30, 2020 and 2019 there are twelve and eleven notes, respectively, outstanding totaling \$201,543 and \$202,433, respectively. The notes receivable interest rates range from 0% to 3.5%. The interest rate is set based on the prime rate when repayment is scheduled to begin.

Notes receivable include non-interest bearing notes of approximately \$4,936,800 and \$4,930,000 for 2020 and 2019, respectively.

Activity in the allowances for doubtful notes receivable for the periods ended June 30 and the gross and average balance of the corresponding receivables that are considered to be impaired as of June 30 was as follows:

	2020	2019
Beginning balance	\$ 6,138,569	\$ 5,887,983
Write-off of notes receivable	-	(68,348)
Provision for doubtful receivables	64,149	318,934
Ending balance	\$ 6,202,718	\$ 6,138,569
Gross balance of impaired notes receivable	\$ 9,461,407	\$ 9,500,177
Average balance of impaired notes receivable	\$ 394,225	\$ 380,007

Interest income recognized on impaired notes receivable during the years ended June 30, 2020 and 2019 was approximately \$292,000 and \$289,000, respectively.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 2 NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)**

***Notes Payable***

Some parishes and other Catholic institutions, which have funds not immediately needed for current operations, deposit such funds with the Archdiocese and receive an interest-bearing demand note as evidence thereof. These funds are classified as notes payable on the statement of financial position of \$123,832,297 and \$117,463,264 as of June 30, 2020 and 2019, respectively. The notes payable interest rates ranged from 1.60% to 2.50% for 2020 and 2.35% to 2.50% for 2019.

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributors to the Archdiocese have made unconditional pledges totaling \$991,706 and \$1,040,389 as of June 30, 2020 and 2019, respectively. Contributions receivable have been discounted at rates ranging from 0.0% to 7.0% to a net present value of \$991,706 and \$899,108 as of June 30, 2020 and 2019, respectively. As of June 30, these pledges are due as follows:

	2020	2019
Less than one year	\$ 991,706	\$ 640,389
More than five years	-	400,000
	991,706	1,040,389
Less discount applied	-	(141,281)
	\$ 991,706	\$ 899,108

Management has estimated that no allowance is necessary for uncollectable contributions receivable.

**NOTE 4 DUE (TO) FROM OTHER ARCHDIOCESAN AGENCIES**

Due (to) from other Archdiocesan agencies as of June 30 consisted of the following:

	2020	2019
Foundation for Catholic Education	\$ 103,524	\$ -
Priests' Retirement Corporation	283,842	(4,400)
Other Archdiocesan agencies	25,022	36,740
CISE	(146,987)	5,050
Catholic Community Foundation	(1,728,176)	4,490
	\$ (1,462,775)	\$ 41,880

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 5 INVESTMENTS AT FAIR VALUE**

Investments at fair value at June 30 consisted of the following:

	2020	2019
<b>Level 1:</b>		
Common stock	\$ 150,827,068	\$ 145,515,905
Real estate investments	231,455	82,239
Foreign stock	2,352,222	1,834,130
Preferred stock	314,940	354,900
<b>Level 2:</b>		
Corporate bonds	71,109,761	57,776,752
Tax exempt bonds	4,141,506	97,155
Foreign bonds	3,230,078	4,332,198
High yield bonds	832,314	794,969
Money market funds	2,014,194	5,451,237
Deposits in Pooled Investment Trust Fund	35,692,483	40,231,178
<b>Not subject to fair value hierarchy:</b>		
Boston Common International Catholic SRI	3,238,283	3,912,436
TNCRRG stock	877,081	618,779
BPIC stock	743,841	665,893
	\$ 275,605,226	\$ 261,667,771
Total investments		

Fair value for stocks and real estate investments is determined by reference to quoted market prices and other relevant information generated by market transactions. These assets are categorized as using Level 1 inputs.

Fair value for bonds, money market funds, and interest in pooled investment trust funds is determined by a third-party utilizing models that use as their basis readily observable market parameters. These assets are categorized as using Level 2 inputs.

There are no valuations using Level 3 inputs.

Included in the above investments are investments of \$4,859,205 and \$5,197,108 at June 30, 2020 and 2019, respectively, in unregistered investment pools. The investment pools in turn invest in various equity and debt securities and other vehicles to generate its investment return. The fair value of these investment pools is reported by the Pastoral Center based on information provided by the investment managers.

Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2019. Valuations for these investment pools provided by the investment managers are evaluated by the Pastoral Center, and management believes such values are reasonable for the years ended June 30, 2020 and 2019.



**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 5 INVESTMENTS AT FAIR VALUE (CONTINUED)**

The Pastoral Center used Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. In accordance with ASU 2015-07, these investments are not required to be categorized using the fair value hierarchy. The following table lists investments in other investment companies by major category:

	2020	2019	2020 and 2019		
			Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Boston Common International					
Catholic SRI	\$ 3,238,283	\$ 3,912,436	\$ -	Monthly	10 days
Investment in TNCRRG	877,081	618,779	-	None	90 days
Investment in BPIC	743,841	665,893	-	None	90 days
	<u>\$ 4,859,205</u>	<u>\$ 5,197,108</u>	<u>\$ -</u>		

The Archdiocese has an investment in The National Catholic Risk Retention Group, Inc. (TNCRRG). TNCRRG is a licensed insurance company domiciled in the State of Vermont, operating as a risk retention group insurer authorized under Federal law, *Liability Risk Retention Act of 1986*. TNCRRG requires such an investment in order to provide the Archdiocese and other Catholic entities protection against losses in excess of the self-insurance limits for an annual premium. Ownership of TNCRRG is restricted to entities that are also insured by the risk retention group. TNCRRG stock is stated at an estimated fair value based on information provided by TNCRRG.

The Archdiocese's investment in TNCRRG is subject to additional redemption restrictions, as the Archdiocese cannot receive a payout until five years following the effective date of their withdrawal from TNCRRG. Additionally, the payout will be calculated as the lesser of the share value at the effective date of the withdrawal or the share value at the time of payout. Any payout is subject to approval of the insurance regulators in the Vermont Department of Banking, Insurance Securities and Health Care Administration.

The Archdiocese has an investment in the Bishop's Plan Insurance Company (BPIC). BPIC is an industrial insured captive reinsurance company domiciled in the State of Vermont. BPIC is a self-insurance arrangement for various Catholic dioceses. The Archdiocese held a 3.45% ownership investment in BPIC as of both June 30, 2020 and 2019. The investment is stated at an estimated fair value based on information provided by BPIC.

The Pastoral Center and certain parishes and institutions of the Archdiocese participate in a pooled investment trust fund (the trust). This cash management system is administered by a bank and its trust department.

As of June 30, 2020 and 2019, the assets of the trust are invested 90.7% and 92.2% in corporate bonds, 4.0% and 4.4% in U.S. Government and Federal Agency obligations, and 5.3% and 3.4% in cash equivalents, respectively. The Archdiocese maintains a Pooled Fund Reserve Account that is invested in an equity fund tied to the S&P 500 (see Note 16). This account could be used as a source of funds to meet liquidations, together with other Archdiocesan assets.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 6 BENEFICIAL INTEREST IN TRUST**

The Archdiocese is the sole beneficiary of a charitable remainder trust administered by an outside party. Under the terms of the trust, the Archdiocese has the irrevocable right to receive income earned on the trust assets until termination of the trust in 2018. As of June 30, 2019, the trust was in the process of dissolving and distributing its assets to the Archdiocese. As of June 30, 2020, the trust has been terminated. The fair value of the beneficial interest in trust is \$-0- and \$5,744, which represents the market value of the trust assets at June 30, 2020 and 2019, respectively. The beneficial interest in trust is valued by a third party utilizing models that use as their basis readily observable market parameters and is classified within Level 2 of the fair value hierarchy.

**NOTE 7 LAND, BUILDINGS AND OTHER PROPERTY**

Land, buildings and other property consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,378,049	\$ 1,517,278
Land held for future use	472,750	472,750
Buildings and improvements	23,885,476	20,160,545
Furniture and equipment	2,380,690	2,379,039
Construction in progress	67,198	2,851,865
Less accumulated depreciation	<u>(18,038,059)</u>	<u>(16,745,846)</u>
	<u>\$ 10,146,104</u>	<u>\$ 10,635,631</u>

**NOTE 8 RESERVE FOR INSURANCE CLAIMS**

A reserve has been established for claims reported but not yet paid and estimated claims incurred but not reported. The reserve is based on claims experience and existing matters known by management. As of both June 30, 2020 and 2019, the Archdiocese has recorded a reserve for insurance claims of \$5,254,090.

**NOTE 9 FUNDS HELD FOR ATHENAEUM OF OHIO (SEMINARY)**

Funds held for Athenaeum of Ohio (Seminary) represent assets entrusted to the Archdiocese only for the purposes of receiving, holding and disbursing such funds according to the depositors' intentions. The assets are not the property of the Archdiocese but are merely held for the account of the Seminary. As of June 30, 2020 and 2019, the Archdiocese had funds held for Athenaeum of Ohio (Seminary) of \$29,377,034 and \$28,973,840 respectively.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 10 LINE OF CREDIT**

On April 30, 2020, the Pastoral Center entered into a \$10,000,000 revolving line of credit note agreement expiring on January 31, 2021. As of June 30, 2020, no amount was borrowed against this line. Interest accrues at the one-month Libor plus 1.25% (1.41% at June 30, 2020) and is payable monthly.

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30 consisted of the following:

	2020	2019
<b>Time restricted:</b>		
Beneficial interest in trust	\$ -	\$ 5,744
<b>Purpose restricted:</b>		
Education	1,892,558	1,859,481
Pastoral Services	661,739	234,355
Community Services	1,777,989	1,713,567
Missions	1,855,439	1,722,597
Vocation / Diaconate	95,833	84,540
	6,283,558	5,614,540
<b>Endowment funds:</b>		
Subject to time restrictions	261,596	261,596
Subject to spending policy and appropriation:		
Education	657,917	648,479
Missions	20,500	20,000
Other	2,183	2,130
	942,196	932,205
	\$ 7,225,754	\$ 6,552,489

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 12 DESIGNATED NET ASSETS**

Archbishop-designated funds as of June 30 consisted of the following:

	2020	2019
<b>Designated other funds:</b>		
Priest Retirement	\$ 5,372,651	\$ 8,331,449
Other	4,099,938	5,663,216
Education	1,783,202	4,651,269
Pastoral	102,072	95,018
Vocations	17,075	17,075
	11,374,938	18,758,027
<b>Designated endowment funds:</b>		
Education	573,293	565,405
Other	1,656,164	1,743,823
	2,229,457	2,309,228
	\$ 13,604,395	\$ 21,067,255

**NOTE 13 LAY EMPLOYEES DEFINED BENEFIT PENSION PLAN**

The Pastoral Center participates in the Lay Employees of the Archdiocese of Cincinnati Pension Plan (the Lay Plan). The Lay Plan, which was established on January 1, 1973, is a non-contributory, defined benefit multi-employer pension plan covering substantially all full-time lay employees of the Archdiocese and certain other related institutions and entities, prior to January 1, 2011. The Lay Plan is funded through assessments of participating institutions, including the Pastoral Center. The Pastoral Center contributed \$161,743 and \$152,635 to the Lay Plan during 2020 and 2019, respectively. Based on information as of December 31, 2019 and 2018, the Pastoral Center's contributions do not represent more than 5% of total contributions received by the Lay Plan.

Effective December 31, 2010, the Archdiocese froze the accrual of retirement benefits for all participants. After that date, no additional compensation or future service has been counted in determining a participant's pension benefit. Service will continue to be credited for the purpose of determining a participant's vested interest in benefits. In order to assist in funding the accumulated benefit obligation, employers are required to contribute 2.5% of "eligible" salaries.

Plan benefits are to be paid in the form of a life annuity calculated at the greater of the "regular formula" or the "minimum benefit", as described in the plan document. The "regular formula" is the sum of: (1) 1.17% of past service career compensation, plus (2) 2.33% of future service career compensation, earned through 12/31/1999, divided by 12, plus (3) 2.02% of future service career compensation earned after 1999 divided by 12. The "minimum benefit" is the sum of (1) \$8.12 times months of past service, plus (2) \$25.00 times months of future service. Past service refers to the months of service before January 1, 1973. Future service refers to the months of service after 1972 and before 2011.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 13 LAY EMPLOYEES DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Since the Lay Plan operates as a multi-employer plan, the Archdiocese does not calculate separate measurements of assets, benefit obligations and expenses for the individual entities which participate in the Lay Plan and no liability is recorded in these financial statements. The Plan is not subject to ERISA and is not required to file a Form 5500, therefore certain Plan information is not required to be made available publicly. Accordingly, disclosures about the funding improvement plan, surcharge, minimum contributions, zone status and employer identification number (EIN) are not applicable.

The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers, and specifically the Pastoral Center. If a participating employer ceases or substantially reduces its operation, a full or partial withdrawal liability is incurred by the employer to the Lay Plan. If a participating employer stops contributing to the Lay Plan or does not pay its withdrawal liability, then these unfunded obligations of the plan may be borne by the remaining participating employers, to include the Pastoral Center.

The following presents the actuarial present value of accumulated plan benefits as of January 1 for the Lay Plan as a whole:

	2020	2019
Vested benefits:		
Participants currently receiving benefits	\$ 287,892,416	\$ 278,364,952
Other participants	164,097,301	174,133,662
Total vested benefits	451,989,717	452,498,614
Non-vested benefits:	-	549,301
Total actuarial present value of accumulated plan benefits	\$ 451,989,717	\$ 453,047,915

A summary of significant actuarial assumptions used in preparing the actuarial valuations as of January 1, 2020 and 2019 is as follows:

Investment return	6.50%
Mortality	RP 2014 Mortality Table
Actuarial cost method	Entry Age Normal cost method

Net assets available for benefits under the Lay Plan approximated \$405,840,297 and \$357,171,082, indicating a level of funding of funding of 90% and 79%, as of January 1, 2020 and 2019, respectively.

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 14 MULTI-EMPLOYER DEFINED CONTRIBUTION RETIREMENT PLAN

The Pastoral Center participates in a defined contribution retirement plan (the 401(k) Plan) covering all eligible employees. The Archdiocese and participating entities made a contribution to the 401(k) Plan on a quarterly basis equal to 4% of all eligible participants' compensation. Contributions made by the Pastoral Center were approximately \$329,101 and \$283,898 for 2020 and 2019, respectively.

#### NOTE 15 PRIESTS RETIREMENT PLANS

The Pastoral Center, along with certain other related institutions and entities, participates in a non-contributory, non-qualified, multi-employer pension plan and a non-contributory, non-qualified, multi-employer health and welfare plan, primarily for post-retirement benefits, (collectively the Priests Plans) covering substantially all Archdiocesan Priests.

Pension benefits include: (1) the monthly salary for active priests (frozen at the time of retirement), (2) \$16.75 per month (\$15.00 per month if retired before July 1, 2011) for each year since ordination, with this piece frozen at the later of retirement or June 30, 2011, and (3) payment for Medicare Part B premium. Health, medical and other benefits include: (1) payment of health insurance premiums, (2) payment of prescription drug costs, (3) payment of other medical care costs, and (4) lodging and other living expenses.

Since the Priests Plans operate as multi-employer plans, the Archdiocese does not calculate separate measurements of assets, benefit obligations and expenses for the individual entities which participate in the Priests Plans and no liability is recorded in these financial statements. The Priests Plans are not subject to ERISA and are not required to file a Form 5500, therefore certain Plan information is not required to be made available publicly. Accordingly, disclosures about the funding improvement plan, surcharge, minimum contributions, zone status and employer identification number (EIN) are not applicable.

The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers, and specifically the Pastoral Center. The Priests Plans are administered by the Archbishop and as such can be modified or terminated by the Archbishop. Admittance to the Priests Plans was changed by the Archbishop effective January 1, 2016. Any diocesan priest ordained or incardinated after January 1, 2016 is placed into the qualified, defined contribution 401(k) Plan. The 401(k) Plan was amended on December 31, 2015 to add this category of priest.

The following presents the Priests Plans' actuarial present values of future plan benefits as of June 30:

	<u>2020</u>	<u>2019</u>
Active priests	\$ 53,572,811	\$ 52,148,984
Retired priests	34,209,252	30,666,790
Terminated vested	<u>1,450,584</u>	<u>1,559,828</u>
Total actuarial present values of future plan benefits	<u>\$ 89,232,647</u>	<u>\$ 84,375,602</u>

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 15 PRIESTS RETIREMENT PLANS (CONTINUED)**

A summary of significant actuarial assumptions used in preparing the actuarial valuations as of June 30, 2020 and 2019 are as follows:

Discount rate	6%
Mortality	2020 - RP 2014 Mortality Table; 2019 - RP-2000 Mortality Table
Assumed retirement age	70
Pension cost-of-living increase	0% increase per year
Health care inflation	5% increase per year

A review of the retiree and beneficiary deaths among similar groups indicate that the RP-2014 mortality table projected generationally to the year 2019 assumptions appear to provide an accurate estimate of life expectancy.

The Pastoral Center acts as the administrator of the Priests Plans and holds certain net assets designated to satisfy the Priests Plan's obligations. In addition, there are net assets available for the benefit of infirmed and retired priests held by the Priests' Retirement Corporation. The following Archdiocesan net assets included in the statements of financial position as of June 30 are either restricted or designated to satisfy the Priests Plans' obligations:

	<u>2020</u>	<u>2019</u>
Net assets held by the Central Offices:		
Archbishop designated	\$ 5,372,650	\$ 8,331,449
Net assets held by the Priests' Retirement Corporation	<u>62,178,707</u>	<u>56,927,145</u>
	<u>\$ 67,551,357</u>	<u>\$ 65,258,594</u>

This information indicates a level of funding for the Priests Plans of 76% and 77% as of June 30, 2020 and 2019, respectively.

The Priests Retirement Plan is the designated beneficiary of 10% of the net proceeds of the One Faith, One Hope, One Love campaign being conducted by the Catholic Community Foundation. The campaign is projected to have pledges in excess of \$150,000,000. The portion designated to the Priests Retirement Plan will be paid as pledges are collected over future years.

Through the financial statement date, the Priests Plans have been funded by investment income on assets held by the Archdiocese, allocations from the Catholic Ministries Appeal, contributions and bequests, transfers from other unrestricted funds of the Archdiocese, and assessments from other participating institutions. Priests Plans' net expenses recorded in the Pastoral Center's financial statements for the years ended June 30, 2020 and 2019 were approximately \$3,755,000 and \$3,779,000, respectively. Based on information as of June 30, 2020 and 2019, the Pastoral Center's contributions represent more than 5% of total contributions received by the Plan.

In the fiscal year ended June 30, 2016, the Priests Plans were amended. Under the new plans, any Priest incardinated after January 1, 2016 are not eligible to accrue benefits in the Priests Plans. Instead, newly incardinated Priests are entered into the multi-employer defined contribution retirement plan (see Note 14).

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 16 CONTINGENCIES

In the ordinary course of business, the Archdiocese is involved in various matters of litigation. Many of these matters are covered by insurance. These matters are addressed through traditional legal efforts and are vigorously contested or settled. Management is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the overall financial position or liquidity of the Archdiocese.

The Archdiocese owns eleven high schools and certain other educational and non-educational entities. This ownership is distinguished from its relationship as trustee of the parishes within the Archdiocese's nineteen counties. As owner, the Archdiocese could become liable for the debts of an entity in the event of insolvency. During a prior fiscal year one of the owned entities experienced a significant deterioration in its operations. It is possible, though not certain, that this entity might significantly reduce its operations or, in a worst case, cease operations entirely in the coming years. In either case, the entity would be assessed a withdrawal liability to the Lay Employees' Pension Plan. In the event the entity could not make this payment, the Archdiocese might be required to satisfy the obligation. As of June 30, 2020 and 2019 a contingent liability of \$800,000 was established to reflect this liability.

Additionally, the Archdiocese guarantees certain third-party debt of unconsolidated affiliated parishes. The guarantee terms generally range from 2 to 20 years. The Archdiocese has not recognized a liability for the fair value of the guarantees provided as of June 30, 2020 and 2019, as the Pastoral Center and the unconsolidated affiliated parishes are considered to be entities under common control of the Archbishop of Cincinnati. At June 30, 2020 and 2019, the total outstanding balances on guaranteed loans were \$23,239,165 and \$19,263,319 respectively.

The Archdiocese guarantees the deposits in the Pooled Investment Trust Fund (the Fund) and assumes the risk should the underlying investment ever prove to be insufficient to satisfy the liquidating claims of the depositors. The depositors can redeem their accounts in whole or in part at any time and are entitled to their deposit balance, unaffected by any gains or losses in the securities in the Fund. The Archdiocese manages the investment risks in the Fund by limiting purchases to only investment grade bonds and maintaining a laddered maturity portfolio with an intermediate duration. Also, the Archdiocese maintains a Pooled Fund Reserve Account that is invested in an equity fund tied to the S&P 500. This account could be used as a source of funds to meet liquidations, together with other Archdiocesan assets. In addition, a portion of the interest income from the underlying Pooled Investment Trust Fund is retained by the Archdiocese and added to the Pooled Fund Reserve Account. It is the current policy of the Archdiocese to retain and contribute five basis points of the yield on the underlying Pooled Investment Trust Fund to the Pooled Fund Reserve Account.

As of June 30, 2020 and 2019, the market value of the underlying investments in the Pooled Investment Trust Fund was in excess of the depositor claims by approximately \$16,351,787 and \$4,618,544, respectively. The market value of the Pooled Fund Reserve Account as of June 30, 2020 and 2019 was approximately \$6,737,000 and \$4,769,000, respectively.



## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

### Notes to Financial Statements (Continued)

#### NOTE 17 ENDOWMENT

The Archdiocese endowment consists of various donor-restricted and Archbishop-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Archbishop to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***Interpretation of Relevant Law***

The Archdiocese follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions (a time restriction in perpetuity). The remaining portion of the donor-restricted endowment fund that is not specified in the applicable donor gift instrument is classified as net assets with donor restrictions (a purpose or time restriction) until those amounts are appropriated for expenditure by the Archbishop.

#### ***Investment Policy***

The Archdiocese articulates investment policies intended to help it achieve its objectives for various endowments, the priest retirement account, and the long term chancery fund. These policies are written with the advice of investment management firms and the Archdiocesan Finance Council. The assets are invested in stocks, bonds, equity funds, cash equivalents and other securities in a manner that is intended to support the objectives of donors and/or the Archbishop.

The performance of each investment management firm is measured on a quarterly basis against an appropriate benchmark or index. The Archdiocese expects the managers to achieve a total return, after deducting all professional fees that equals or exceeds the index return over three to five year periods. In addition to actual returns achieved, the Archdiocese reviews the portfolios of each manager for compliance with its ethical values policy that precludes investments in companies that operate programs or sell products that are inconsistent with Catholic beliefs.

The Archdiocese seeks to achieve diversification in its investment portfolios by limiting its investments in any one company or industry. In order to reduce credit risks the Archdiocese directs its managers away from investments in companies that do not have an investment grade rating. In managing interest rate risks the Archdiocese prefers bond portfolios with laddered maturities and durations that are appropriate to corresponding liabilities. Liquidity risks are minimal since the portfolios are almost entirely invested in public securities. Also, there is no use of complicated derivatives or leverage in its investment programs.

#### ***Spending Policy***

The Archdiocese's current spending policy is to transfer all investment return into unrestricted net assets or temporarily restricted net assets if directed by the donor. Investment return on these funds accumulate until they are appropriated for expenditure to be spent in accordance each endowment gift.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 17 ENDOWMENT (CONTINUED)**

***Spending Policy (Continued)***

The endowment net asset composition by type of fund is as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 942,196	\$ 942,196
Archbishop-designated endowment funds	2,229,457	-	2,229,457
<b>Total endowment funds</b>	<b>\$ 2,229,457</b>	<b>\$ 942,196</b>	<b>\$ 3,171,653</b>

The endowment net asset composition by type of fund is as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 932,205	\$ 932,205
Archbishop-designated endowment funds	2,309,228	-	2,309,228
<b>Total endowment funds</b>	<b>\$ 2,309,228</b>	<b>\$ 932,205</b>	<b>\$ 3,241,433</b>

The changes in endowment net assets for 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2019	\$ 2,309,228	\$ 932,205	\$ 3,241,433
Contributions	22,542	8,860	31,402
Investment return	10,476	22,485	32,961
Endowment transfers	-	(2,067)	(2,067)
Appropriated expenditure	(112,789)	(19,287)	(132,076)
<b>Endowment net assets June 30, 2020</b>	<b>\$ 2,229,457</b>	<b>\$ 942,196</b>	<b>\$ 3,171,653</b>

The changes in endowment net assets for 2019 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2018	\$ 5,134,151	\$ 785,806	\$ 5,919,957
Contributions	28,000	1,375	29,375
Investment return	238,833	40,660	279,493
Endowment transfers	(2,733,017)	114,956	(2,618,061)
Appropriated expenditure	(358,739)	(10,592)	(369,331)
<b>Endowment net assets June 30, 2019</b>	<b>\$ 2,309,228</b>	<b>\$ 932,205</b>	<b>\$ 3,241,433</b>

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 18 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2020	2019
Cash	\$ 200	\$ 200
Accounts and interest receivable, net	4,804,528	5,378,618
Due from other Archdiocesan agencies	-	41,880
Contributions receivable	991,706	899,108
Notes receivable, net	3,258,689	3,361,609
Investments	275,605,226	261,667,771
Endowment spending-rate distributions and appropriations	158,583	410,588
Total financial assets	284,818,932	271,759,774
Less contributions and notes receivable due in more than one year	(3,258,689)	(3,620,328)
Less funds held for Athenaeum of Ohio (Seminary)	(29,377,034)	(28,973,840)
Less Archbishop-designated other funds	(11,374,938)	(18,758,027)
Less Archbishop-designated endowment funds	(2,229,457)	(2,309,228)
Less net assets with donor restrictions	(7,225,754)	(6,552,489)
Total financial assets available for general expenditure within one year	\$ 231,353,060	\$ 211,545,862

The Archdiocese primarily receives its funding from investment return, insurance billings for health care, property, and liability insurance, assessments paid by parishes and schools, Catholic Ministries Appeal, contributions and bequests. As part of the Archdiocese's liquidity management practices, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Archdiocese invests cash in excess of daily requirements in short-term investments.

**PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI**

**Notes to Financial Statements  
(Continued)**

**NOTE 19 COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Pastoral Center and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Pastoral Center operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

**ACCOMPANYING INFORMATION**

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Detail of Chancery Expenses  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Community services:		
Catholic Charities	\$ 824,724	\$ 824,724
Social Action	375,330	388,989
Hispanic Ministry - Su Casa	180,696	180,696
Assistance to the poor	9,197	26,582
Department Director	17,190	15,185
Other	50,000	-
Total community services	<u>1,457,137</u>	<u>1,436,176</u>
Educational services:		
Cincinnati Inner City Schools (CISE)	136,782	98,422
Secondary Education Assistance	8,378	90,131
Education Assistance - Catholic Education Foundation	2,234,105	2,086,570
Catholic Schools Office	3,535,848	3,541,005
Other Education Related Programs	2,308,706	220
St. Rita School for the Deaf	250,000	263,511
Total educational services	<u>8,473,819</u>	<u>6,079,859</u>
Executive services:		
Tribunal	535,550	537,124
Vocations	1,469,565	1,787,605
Archives and Chancery Office	401,922	342,583
Permanent Diaconate	216,026	223,991
Communications	645,876	441,613
Background Check / Fingerprinting	173,153	104,461
Other	173,431	346,269
Total executive services	<u>3,615,523</u>	<u>3,783,646</u>
Financial services:		
Professional Fees	275,784	228,463
Finance Office	946,428	906,634
Computer Operation	208,563	34,398
Central Services	329,292	389,998
Contingencies	17,670	12,202
Total financial services	<u>1,777,737</u>	<u>1,571,695</u>
Human Resources	<u>540,159</u>	<u>499,539</u>
Stewardship services	<u>1,028,159</u>	<u>1,029,971</u>

(Continued)

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

**Detail of Chancery Expenses**  
**Years Ended June 30, 2020 and 2019**  
**(Continued)**

	2020	2019
Pastoral services:		
Infirm and Retired Priests	\$ 3,943,542	\$ 3,955,630
Campus Ministry	634,668	578,383
Evangelization and Catechesis	1,488,553	1,432,733
Youth Ministry	624,957	701,470
Chaplain Salaries	572,604	571,347
Family Life	672,343	712,331
Hispanic Ministry	473,511	492,234
Priests' Personnel	145,767	131,113
Priestly Formation	345,689	346,985
Department Director	283,251	174,746
Worship	254,630	212,228
African American Ministries	127,382	95,243
Other	232,193	152,456
Total pastoral services	9,799,090	9,556,899
General and administrative:		
Depreciation	1,292,213	982,371
Cathedral of St. Peter in Chains	1,943	603,649
Provision for doubtful receivables	687,224	1,301,426
Office of Archbishop Schnurr	470,776	479,835
United States Catholic Conference of Bishops	170,956	168,737
Catholic Conference of Ohio	122,263	120,985
Office of Bishop Binzer	81,762	83,387
Gift Annuity PV adjustment	40,895	69,475
Other	404,133	379,794
Total general and administrative	3,272,165	4,189,659
Interest on notes payable	2,584,260	2,843,765
Administrative building operations		
Property management	109,828	242,992
Total Chancery	\$ 32,657,877	\$ 31,234,201

See independent auditors' report

## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

**Schedule of Designated Collections**  
**Year Ended June 30, 2020**

	Amounts due to (from) outside agencies, beginning of year	Total Collections	Allocated to programs within the Archdiocese	Transmitted to agencies outside the Archdiocese	Amounts due to (from) outside agencies, end of year
Ash Wednesday – Eastern Europe	\$ -	\$ 208,720	\$ -	\$ -	\$ 208,720
Rice Bowl	-	17,683	-	-	17,683
Human Development	-	314,980	266	313,977	737
Mission Sunday	-	330,051	330,051	-	-
Holy Father	(10,000)	265,909	5,318	185,122	65,469
Commissariat of the Holy Land	-	65,541	1,820	-	63,721
Bishops' Relief	-	127,784	2,788	-	124,996
Religious Retirement	(58,788)	733,414	110,878	653,201	(89,453)
Respect Life	-	220,012	220,012	-	-
Disaster Relief	444,504	42,947	219,045	243,775	24,631
Military	578	266,464	5,339	256,826	4,877
	<u>\$ 376,294</u>	<u>\$ 2,593,505</u>	<u>\$ 895,517</u>	<u>\$ 1,652,901</u>	<u>\$ 421,381</u>

See independent auditors' report



## PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Schedule of Catholic Ministries Appeal  
Contributions and Distributions

2019 Catholic Ministries Appeal:	
Contributions (net of direct expenses of \$434,806)	<u>\$ 4,461,325</u>
Distributions:	
Athenaeum of Ohio (Seminary)	\$ 926,733
Catholic Charities	864,951
Archdiocesan Priests' Retirement Fund	782,575
Campus Ministry	432,475
Chaplains Services	391,287
Sharing Our Faith	247,129
St. Rita School for the Deaf	288,317
Seminarian Scholarships	100,000
Vocations and Permanent Diaconate	87,466
Rebates to Parishes	<u>340,392</u>
	<u>\$ 4,461,325</u>
2020 Catholic Ministries Appeal:	
Gross pledges made through June 30, 2020	<u>\$ 5,160,078</u>

**Note:** The Catholic Ministries Appeal operates on a fiscal year that begins January 1 and ends the following December 31. The schedule above summarizes cash receipts and distributions for the 2019 appeal, which ended December 31, 2019. The schedule also indicates the status of the 2020 appeal, which began January 1, 2020.

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