

Roman Catholic Diocese of Sacramento
Administrative Office
Financial Statements
For the Year Ended June 30, 2020



Independent Auditors' Report

Most Reverend Jaime Soto
Roman Catholic Bishop of Sacramento

We have audited the accompanying financial statements of the Roman Catholic Diocese of Sacramento, Administrative Office (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2020, and the related statement of activity, 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 Roman Catholic Diocese of Sacramento, Administrative Office, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Chavez Accountancy Corporation

CHAVEZ ACCOUNTANCY CORPORATION

Certified Public Accountants

November 10, 2020

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Financial Position
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 12,033,092	\$ 1,195,560	\$ 13,228,652
Marketable securities	33,118,631	21,734,421	54,853,052
Accounts receivable, net	1,516,386	48,965	1,565,351
Interest receivable	45,677	672	46,349
Prepaid expenses	374,924	21,666	396,590
Notes receivable, net	3,311,086	600,000	3,911,086
Equipment, net	952,322	-	952,322
Real estate, net	53,650,122	196,238	53,846,360
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 105,002,240</u>	<u>\$ 23,797,522</u>	<u>\$ 128,799,762</u>
Liabilities and Net Assets			
Accounts payable	\$ 1,497,093	\$ 153,044	\$ 1,650,137
Self insurance losses payable	4,132,511	-	4,132,511
Other liabilities	6,213,741	-	6,213,741
Notes payable	2,779,900	-	2,779,900
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	14,623,245	153,044	14,776,289
Net Assets	<u>90,378,995</u>	<u>23,644,478</u>	<u>114,023,473</u>
Total Liabilities and Net Assets	<u>\$ 105,002,240</u>	<u>\$ 23,797,522</u>	<u>\$ 128,799,762</u>

See accompanying notes to the financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Activity
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Parish assessments / service fees	\$ 7,925,668	\$ -	\$ 7,925,668
School assessments / service fees	757,886	-	757,886
Self-insurance Premiums - Prop, Liab, Work Comp	7,290,566	-	7,290,566
Investment income			-
Interest and dividends	657,890	302,651	960,541
Gains and (losses)	559,286	373,366	932,652
Interest on loans	11,340	-	11,340
Rental operations, net	936,114	-	936,114
Donations and bequests	503,856	269,938	773,794
Donations - Annual Catholic Appeal	-	3,951,280	3,951,280
Donations - CFCS, Inc.	350,000	-	350,000
Donations - St. Patrick's Fund for Children, Inc.	175,000	-	175,000
Donations - Special Collections, net	-	1,513,573	1,513,573
Endowment earnings distributions	836,257	-	836,257
Gain on sales of real estate	1,957,049	889,568	2,846,617
Net assets released from restrictions			-
Satisfaction of program requirements	6,382,558	(6,382,558)	-
Total Revenues, Gains and Other Support	<u>28,343,470</u>	<u>917,818</u>	<u>29,261,288</u>
Expenses			
Parochial services	2,851,615	-	2,851,615
Social services	2,752,731	-	2,752,731
Educational services	3,874,544	-	3,874,544
Ministerial services	2,479,897	-	2,479,897
Administrative services	2,527,501	-	2,527,501
Depreciation on improved real estate	969,315	-	969,315
Self-insurance program - Prop, Liab, Work Comp	6,766,750	-	6,766,750
Self-insurance program - Employee Health Benefits	55,461	-	55,461
Distributions - Special Collections	1,517,250	-	1,517,250
Distributions - Endowments	464,583	-	464,583
Distributions - Annual Catholic Appeal operations	547,959	-	547,959
Total Expenses	<u>24,807,606</u>	<u>-</u>	<u>24,807,606</u>
Change in Net Assets	<u>3,535,864</u>	<u>917,818</u>	<u>4,453,682</u>
Net Assets at beginning of year	<u>86,843,131</u>	<u>22,726,660</u>	<u>109,569,791</u>
Net Assets at end of year	<u>\$ 90,378,995</u>	<u>\$ 23,644,478</u>	<u>\$ 114,023,473</u>

See accompanying notes to the financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 4,453,682
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,112,835
Gain on investments	(1,112,444)
Gain on sales of real estate	(2,846,617)
(Increase) Decrease in	
Accounts receivable	415,970
Interest receivable	25,326
Prepaid expenses	(153)
Increase (Decrease) in	
Accounts payable	(1,323,315)
Self insurance losses payable	74,952
Other liabilities	796,711
Total adjustments	(2,856,735)
Net cash provided by operating activities	1,596,947
Cash flows from investing activities:	
Sales of investments	63,567,839
Purchases of investments	(69,361,093)
Real estate improvements	(640,762)
Proceeds from sale of real estate	3,629,266
Purchase of equipment	(421,686)
Issuance of notes receivable	(1,268,901)
Payments received on notes receivable	137,326
Net cash used in investing activities	(4,358,011)
Cash flows from financing activities:	
Proceeds from note payable	2,779,900
Net cash used in financing activities	2,779,900
Net decrease in cash and cash equivalents	18,836
Cash and cash equivalents, beginning of year	13,209,816
Cash and cash equivalents, end of year	\$ 13,228,652

See accompanying notes to the financial statements

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 1 - Reporting Entity

The Administrative Office of the Roman Catholic Diocese of Sacramento (the Organization) provides parochial, social, educational, ministerial, and administrative services. These services are provided throughout the twenty counties which comprise the Roman Catholic Diocese of Sacramento.

Included in these financial statements are all accounts maintained by and directly under the administration of the Administrative Office of the Roman Catholic Diocese of Sacramento. The accounts of parishes, schools, and other affiliated organizations are not included in these financial statements except to the extent that financial transactions between the Organization and these entities have occurred.

Note 2 - Summary of Significant Accounting Policies

The following items set forth the significant accounting policies that are followed in preparing and presenting the financial statements, and are not disclosed elsewhere in the notes to the financial statements.

a. Standards of reporting

The accompanying financial statements have been prepared substantially in accordance with the standards adopted by the United States Conference of Catholic Bishops in concert with standards provided by the Financial Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

- b. Basis of presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction and net assets with donor restriction.

Net Assets - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adopted the standard as of July 1, 2018 and has adjusted the presentation in these financial statements accordingly, through inclusion of information about expenses (Note 14), and changes to the presentation of net asset classification on the financial statements as described below. Accordingly, net assets and changes therein are classified and reported as follows:

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

- i. Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- ii. Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

c. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d. Fair values of financial instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, and notes receivable. The Organization estimates that the fair value of all financial instruments at June 30, 2020, does not differ materially from the aggregate carrying values of those instruments as reported in the accompanying Statement of Financial Position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

e. Cash equivalents

Cash equivalents consist of securities with original terms of maturity of less than three months and are recorded at cost which approximates market value.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

f. Accounts receivable and notes receivable

The accounts receivable and notes receivable balances are net of allowances for doubtful accounts of \$1,236,118 and \$0 respectively. The allowances are based on prior years' experience and management's analysis of possible uncollectible accounts. Accounts and notes receivable are charged against the allowance for doubtful accounts when management believes that collectability is unlikely.

g. Real Estate and Equipment

Real estate and equipment are stated at cost or at fair value at the date of donation. Acquisitions of real estate and equipment in excess of \$15,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of the assets are capitalized. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Real estate and equipment are net of accumulated depreciation of \$19,424,309 and \$524,092 respectively. Depreciation expense was \$969,315 and \$143,520 on real estate and equipment respectively for the year ended June 30, 2020.

h. Other matters

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned the asset. Ordinary income from investments and receivables is accounted for in the fund owning the assets.

i. Income taxes

Under Internal Revenue Code Section 501(c)(3), the Roman Catholic Diocese of Sacramento, Administrative Office, has been determined to be exempt from federal and California state income taxes.

j. Significant concentrations of credit risk

The Organization maintains cash balances at several financial institutions including investment brokerage houses. Accounts at some of these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Organization's uninsured balances totaled \$6,616,633. To date, the Organization has not experienced any losses on these accounts.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

k. Subsequent events

Subsequent events have been evaluated through November 10, 2020, which is the date the financial statements were available to be issued.

Note 3 - Marketable Securities

Marketable securities are recorded at fair market value. The Organization's policy is to invest in non-speculative issues providing safety of capital, current income, and sustained growth. Investments consist principally of stocks, corporate bonds, and U.S. Treasury obligations.

A summary of marketable securities follows:

U.S. Treasury obligations	\$ 24,604,952
CBIS - Pooled Investment Funds:	
Bond funds	18,966,619
Equity funds	10,051,977
Equities	<u>1,229,504</u>
	<u><u>\$ 54,853,052</u></u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 4 - Notes Receivable, net

Notes receivable includes one note secured by a deed of trust, and various unsecured notes, as follows:

Promissory Note, secured by deed of Trust payments based on milestones including a fixed interest rate at 2.0%, due October 12, 2021.	\$ 1,350,000
Various unsecured notes receivable, with monthly and yearly payments at various interest rates that range from 0.0% to 6.25%, and various maturity dates, net of allowances for doubtful accounts.	<u>2,561,086</u>
Subtotal	3,911,086
Current portion	<u>1,325,500</u>
Long-term notes	<u><u>\$ 2,585,586</u></u>

Note 5 - Real Estate, net

Real estate consists of the following:

Depreciable real estate	\$ 58,250,796
Non-depreciable real estate	<u>15,019,873</u>
Total	73,270,669
Less: accumulated depreciation	<u>19,424,309</u>
Net real estate	<u><u>\$ 53,846,360</u></u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 6 - Loan Payable

Loan payable with original principal of \$2,779,900 to Notre Dame Federal Credit Union under the Paycheck Protection Program. Loan is payable in monthly installments of \$156,446 with 1.00% fixed interest rate commencing on December 15, 2020.

	<u>\$ 2,779,900</u>
Current portion	<u>1,067,596</u>
Long-term debt	<u><u>\$ 1,712,304</u></u>

On May 15, 2020, the Organization received loan proceeds in the amount of \$2,779,900 under the Paycheck Protection Program ("PPP"). The loan matures on May 15, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 15, 2020. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses/organization for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business/organization. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for qualifying expenses as described in the CARES Act. While the Organization believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot definitely affirm if actions taken by the Organization will cause it to be ineligible for forgiveness of the loan, in whole or in part.

Aggregate maturities on loan payable over the next two fiscal years is as follows:

2021	\$ 1,067,596
2022	<u>1,712,304</u>
	<u><u>\$ 2,779,900</u></u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 7 - Self-Insurance - Property, Liability, Workers Compensation, and Unemployment

The Organization manages the Property, Liability, Workers Compensation, and Unemployment insurance programs for the administrative offices and participating parishes, schools, and other affiliated organizations within the Diocese of Sacramento.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Since self-insured claims depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. These liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of the more recently resolved claims, the frequency of claims, and other economic and social factors.

Note 8 - Self-Insurance - Employee Health Benefits

The Organization discontinued this Self-insured Employee Health Benefits program effective December 31, 2017. The final claims run out is complete and is included in these financial statements. The Organization joined the Religious Employers Trust Association to provide for employee health benefits effective January 1, 2018.

Note 9 - Endowment Fund

The Endowment Fund includes donor restricted monies received by the Organization under the condition that the funds be held and invested in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Earnings are released when spent in accordance with the donor's purpose.

The Organization's policy is to invest in nonspeculative issues providing safety of capital, current income, and sustained growth; while complying with the United States Conference of Catholic Bishops' policies regarding socially responsible investing.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 9 - Endowment Fund (continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,113,952	\$ 9,400,787	\$ 12,514,739
Investment income	341,976	-	341,976
Contributions	-	12,754	12,754
Distributions	<u>(464,583)</u>	<u>-</u>	<u>(464,583)</u>
Endowment net assets, end of year	<u>\$ 2,991,345</u>	<u>\$ 9,413,541</u>	<u>\$ 12,404,886</u>

The endowments are for the following restricted purposes:

Schools / scholarships	\$ 8,216,259
Seminarians / vocations	1,165,446
Other	<u>31,836</u>
Total endowment corpus	<u>\$ 9,413,541</u>

Note 10 - Defined Benefit Pension Plan for Lay Employees

The Organization sponsored a qualified, diocesan-wide, non-contributory, multi-employer, defined benefit pension plan (a cash balance plan) covering substantially all lay employees of participating employers in the Diocese of Sacramento. The Plan was frozen effective December 31, 2018. The contribution percentage paid by participating employers, including the Organization, was 8.5% of gross wages during the year. The total contributions made by the Organization during the year ended June 30, 2020 was \$182,502. The portion of the plan's funded status as it relates directly to the Administrative Office has not been determined. The Organization believes that any over or under funding of the plan as it relates to the Organization's share is not material to these financial statements.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 11 - Employer Sponsored 403(b) Plan

Effective January 1, 2019, the Organization adopted a new employer sponsored 403(b) Plan. The Plan is a diocesan wide, non-contributory, multi-employer plan, and covers substantially all full-time employees in the Diocese of Sacramento. Effective January 1, 2019, all eligible employees receive into their 403(b) accounts an employer contribution equal to 6% of their gross pay. The total contributions made by the Organization during the year ended June 30, 2020 was \$291,473. Participating employers contribute 8.5% of gross payroll to cover the prescribed 403(b) contributions and provide additional funding to the frozen defined benefit plan noted in Note 10 above.

Note 12 - Defined Benefit Pension Plan for Priests

The Organization sponsors a qualified, diocesan-wide, non-contributory, multi-employer, defined benefit pension plan covering all priests who are ordained or incardinated in the Diocese of Sacramento and hold an assignment in the diocese. The Plan benefit is based upon a priest's years of service in the Diocese of Sacramento. The Plan is funded via contributions made by all participating employers on an annual premium per priest basis. The premium paid per priest during 2019/2020 by participating employers, including the Organization, was \$11,149 per priest. The total contributions made by the Organization during the year ended June 30, 2020 was \$98,395. For the year ended June 30, 2020, the portion of the multi-employer plan's funded status as it relates directly to the Administrative Office has not been determined. The Organization believes that any over or under funding of the plan as it relates to the Organization's share is not material to these financial statements.

The Qualified Plan described above provides a basic benefit for all eligible priests. A non-qualified Supplemental Plan provides additional miscellaneous benefits.

Note 13 - Related Party Transactions

The Organization, pursuant to formal contracts, provides day to day management, financial and administrative services to its supporting organizations, including The Parochial Fund, Inc. and The Catholic Foundation of the Diocese of Sacramento, Inc. For these services, the supporting organizations each pay the Organization a monthly reimbursement for services provided. During the year, the Organization received reimbursement of \$758,312 for these services.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 14 - Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Within the fair value hierarchy, the Organization has marketable securities included on the statement of financial position that are comprised of U.S. treasury obligations, equities and pooled investments funds of \$35,886,433 which are a Level 1 input and \$18,966,619 which are a Level 2 input as of June 30, 2020.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 15 - Functional Expense Classification

The financial statements report certain categories of expenses that are attributable to programs and general and administrative services. The schedule below details the expenses by category.

	Programs	General and Administration	Total
Prop, Liab, Work Comp Insurance	\$ 6,760,490	\$ -	\$ 6,760,490
Personnel	4,290,428	1,849,114	6,139,542
Ministerial	3,460,809	58,725	3,519,534
Social Service - ACA grants	2,276,217	547,959	2,824,176
Distributions - Special Collections	1,517,250	-	1,517,250
Depreciation	25,067	1,068,577	1,093,644
Occupancy	384,687	206,743	591,430
Donations	471,197	-	471,197
Distributions - Endowments	464,583	-	464,583
Dues and memberships	76,109	222,556	298,665
Property expense	52,411	222,490	274,901
Audit/ legal/ other professional	52,465	178,127	230,592
Building maintenance	116,012	46,038	162,050
Auto expense	134,336	16,171	150,507
Travel /training /functions	57,231	56,222	113,453
Other expense	-	95,028	95,028
Employee Health Benefits	55,461	-	55,461
Advertising	9,561	21,942	31,503
Donor restricted donations	13,600	-	13,600
Total Expenses	<u>\$ 20,217,914</u>	<u>\$ 4,589,692</u>	<u>\$ 24,807,606</u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Position
June 30, 2020

Note 16 - Contingencies - Lawsuits

In 2019, California enacted AB 218, which, for a period of three years (1-1-2020 through 12-31-2022) suspends the statute of limitations on any civil action for childhood sexual abuse. This new law revived all claims that were previously time barred, including any claim against an entity that is alleged to have some legal responsibility for the acts of an individual perpetrator. The Roman Catholic Diocese of Sacramento has already been named as a defendant in a number of pending and threatened lawsuits pursuant to AB218. Because the revival legislation permits the filing of any claims, going back in time without limit, there is a possibility that many lawsuits could be filed against the diocese. The exposure from such lawsuits could challenge the financial solvency of the Organization.

Notwithstanding claims resulting from AB 218 discussed above, The Roman Catholic Diocese of Sacramento is the defendant in several other pending and threatened lawsuits and claims covering a broad range of areas. At this point in time, however, while the Organization cannot predict the results of these actions, it believes that it has strong defenses and that the liability in excess of recorded reserves, if any, resulting from certain suits, to the extent not covered by insurance, will not be significantly material to the financial position of the Organization.

Note 17 - Guarantee

On July 31, 2013 St. Francis Catholic High School of the Diocese of Sacramento, Inc. issued a \$10,000,000 tax-exempt bond financing. The entire issue was purchased by US Bank. The bond proceeds were used to retire debt and to provide additional project financing for the school. The Organization has executed a formal guarantee of the debt in favor of US Bank.

Note 18 - Uncertainty Regarding COVID 19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.