

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
FINANCIAL STATEMENTS
Year Ended June 30, 2021



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 nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on the Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 16 through 20 are presented for purposes of additional analysis and are 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.

Chavez Accountancy Corporation

CHAVEZ ACCOUNTANCY CORPORATION

Certified Public Accountants

January 27, 2022

**ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
STATEMENT OF FINANCIAL POSITION
June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,041,984	\$ 1,321,057	\$ 9,363,041
Marketable securities	36,329,002	28,605,046	64,934,048
Accounts receivable, net	987,258	73,672	1,060,930
Accounts receivable, net - insurance	213,240	-	213,240
Interest receivable	9,910	-	9,910
Prepaid expenses	168,798	-	168,798
Notes receivable, net	3,148,155	-	3,148,155
Equipment, net	634,355	-	634,355
Real estate, net	52,908,138	215,276	53,123,414
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 102,440,840</u>	<u>\$ 30,215,051</u>	<u>\$ 132,655,891</u>
 LIABILITIES AND NET ASSETS			
Accounts payable	\$ 974,399	\$ 66,937	\$ 1,041,336
Self insurance losses payable	3,915,675	-	3,915,675
Other liabilities	3,706,000	635,880	4,341,880
Note payable	2,779,900	-	2,779,900
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	11,375,974	702,817	12,078,791
 NET ASSETS	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 102,440,840</u>	<u>\$ 30,215,051</u>	<u>\$ 132,655,891</u>

See accompanying notes to the financial statements.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Parish assessments and service fees	\$ 7,055,540	\$ -	\$ 7,055,540
School assessments and service fees	759,655	-	759,655
Self-insurance Premiums - Prob, Liab, Work Comp	7,740,880	-	7,740,880
Investment income:			
Interest and dividends	117,902	260,272	378,174
Gains and (losses)	562,894	4,510,031	5,072,925
Interest on notes receivable	7,516	33,257	40,773
Rental operations, net	900,040	-	900,040
Donations and bequests	279,156	2,910,504	3,189,660
Donations - Annual Catholic Appeal	-	1,272,520	1,272,520
Donations - CFCS, Inc	350,000	-	350,000
Donations - St. Patrick's Fund for Children, Inc.	175,000	-	175,000
Donations - Special Collections, net	-	446,959	446,959
Donations - Endowment	827,918	-	827,918
Program support - endowment earnings	52,630	-	52,630
Other income	-	359,860	359,860
Net assets released from restrictions:			
Satisfaction of program requirements	3,925,647	(3,925,647)	-
Total Revenues, Gains and Other Support	<u>\$ 22,754,778</u>	<u>\$ 5,867,756</u>	<u>\$ 28,622,534</u>
Expenses			
Self-insurance program - Prob, Liab, Work Comp	\$ 6,967,263	\$ -	\$ 6,967,263
Educational services	2,965,116	-	2,965,116
Administrative services	2,553,913	-	2,553,913
Ministerial services	2,348,348	-	2,348,348
Social services	2,258,454	-	2,258,454
Parochial services	1,998,528	-	1,998,528
Depreciation on improved real estate	1,220,738	-	1,220,738
Distributions - Endowments	642,449	-	642,449
Distributions - Special Collections	454,865	-	454,865
Distributions - Annual Catholic Appeal operations	453,585	-	453,585
Other expenses	213,322	-	213,322
Interest on due to/from	(7,674)	-	(7,674)
Total Expenses	<u>22,068,907</u>	<u>-</u>	<u>22,068,907</u>
Change in Net Assets	685,871	5,867,756	6,553,627
Net Assets at beginning of year	<u>90,378,995</u>	<u>23,644,478</u>	<u>114,023,473</u>
Net Assets at end of year	<u>\$ 91,064,866</u>	<u>\$ 29,512,234</u>	<u>\$ 120,577,100</u>

See accompanying notes to the financial statements.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

Cash flows from operating activities	
Change in net assets	\$ 6,553,627
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,220,738
Gain on investments	379,833
(Increase) Decrease in	
Accounts receivable	291,181
Interest receivable	36,439
Prepaid expenses	227,792
Increase (Decrease) in	
Accounts payable	(608,801)
Self insurance losses payable	(216,836)
Other liabilities	(1,871,861)
Total adjustments	<u>(541,515)</u>
Net cash provided by operating activities	<u>6,012,112</u>
Cash flows from investing activities	
Sales of investments	48,827,183
Purchase of investments	(58,970,045)
Real estate improvements	<u>(497,792)</u>
Net cash used in investing activities	<u>(10,640,654)</u>
Cash flows from financing activities	
Proceeds from loans payable	<u>762,931</u>
Net cash provided by financing activities	<u>762,931</u>
Net decrease in cash and cash equivalents	<u>(3,865,611)</u>
Cash and cash equivalents at beginning of period	<u>13,228,652</u>
Cash and cash equivalents at end of period	<u><u>\$ 9,363,041</u></u>

See accompanying notes to the financial statements.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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.
- c. **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:
 - 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.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

- d. **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.

- e. **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, 2021 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.

- f. **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.

- g. **Accounts receivable and notes receivable** - The accounts receivable and notes receivable balances are net of allowances for doubtful accounts of \$1,240,721, 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.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- h. 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 \$19,644,987. Depreciation expense was \$1,220,738 on real estate and equipment respectively for the year ended June 30, 2021.
- i. 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.
- j. 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.
- k. 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, 2021, the Organization's uninsured balances totaled \$8,212,376. To date, the Organization has not experienced any losses on these accounts.
- l. Subsequent events** - Subsequent events have been evaluated through November 24, 2021, 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.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 3 – MARKETABLE SECURITIES (Continued):

A summary of marketable securities follows:

Government fixed income securities	\$ 26,347,042
Non-government fixed income securities	273,202
CUIT Short Bond Fund	8,849,451
CUIT Money Market Fund	4,029,756
CUIT Opportunistic Bond Fund	4,279,816
CUIT Intermediate Diversified Bond Fund	4,212,226
CUIT Multi-Style Equity Fund	4,499,876
CUIT Core Equity Index Fund	2,946,650
CUIT Small Capitalization Equity Index Fund	1,425,886
CUIT International Equity Fund	5,580,613
CUIT International Small Capitalization Equity Index Fund	720,058
Mutual Funds - Equities	181,831
Equities	<u>1,587,640</u>
 Total	 <u><u>\$ 64,934,048</u></u>

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 rate of 2.0% due October 12, 2021.	\$ 1,350,000
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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>1,798,155</u>
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Subtotal	3,148,155
Current portion	<u>2,242,257</u>

Long-term notes	<u><u>\$ 905,898</u></u>
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ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 5 – REAL ESTATE, NET:

Real estate consists of the following:

Depreciable real estate	\$	62,840,798
Non-depreciable real estate		9,927,603
Total		72,768,401
Less: accumulated depreciation		(19,644,987)
Net real estate	\$	53,123,414

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 1.0% fixed interest rate. The loan was forgiven on July 31, 2021.

	\$	2,779,900
Current portion		2,779,900
Long-term debt	\$	-

On May 15, 2020, the Organization received loan proceeds in the amount of \$2,779,900 under the Paycheck Protection Program ("PPP"). The loan was set to mature 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. On July 31, 2021 the loan was fully forgiven.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 7 – 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 – 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.

Endowment net assets, beginning of the year	\$ 12,404,886
Investment income	2,882,625
Contributions	449,184
Distributions	<u>(642,449)</u>
Endowment net assets, ending of the year	<u>\$ 15,094,246</u>

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 9 – ENDOWMENT FUND (Continued):

The endowments are for the following restricted purposes:

Schools and scholarships	\$ 13,344,862
Seminarians and vocations	1,720,300
Other	29,084
	<u>\$ 15,094,246</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, 2021 was \$306,640. 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.

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, 2021 was \$307,325. 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 for the year ended June 30, 2021 by participating employers, including the Organization, was \$11,372 per priest. The total contributions made by the Organization during the year ended June 30, 2021 was \$47,383. 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.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE 12 – DEFINED BENEFIT PENSION PLAN FOR PRIESTS (Continued):

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 \$740,056 for these services.

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, non-governmental securities, equities and mutual investment funds of \$28,897,977 which are a Level 1 input and \$36,817,530 which are a Level 2 input as of June 30, 2021.

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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.

	Program Services	General and Administrative	Total
	<u> </u>	<u> </u>	<u> </u>
Prop, Liab, Work Comp Insurance	\$ 6,986,134	\$ 1,271	\$ 6,987,405
Personnel	4,678,114	1,059,416	5,737,530
Ministerial	1,978,459	123,723	2,102,182
Social Service - ACA grants	1,891,289	-	1,891,289
Depreciation	18,038	1,202,700	1,220,738
Occupancy	345,601	591,492	937,093
Distributions - Special Collections	829,686	-	829,686
Distributions - Endowments	642,449	-	642,449
Audit/legal/other professional	208,146	205,659	413,805
Dues and memberships	53,896	230,310	284,206
Advertising	203,173	19,450	222,623
Property expense	71,507	98,998	170,505
Other expense	147	169,956	170,103
Building maintenance	110,982	58,222	169,204
Auto expense	106,058	15,143	121,201
Donations	97,210	-	97,210
Travel/training/functions	23,912	27,566	51,478
Donor restricted donations	20,200	-	20,200
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 18,265,001</u>	<u>\$ 3,803,906</u>	<u>\$ 22,068,907</u>

ROMAN CATHOLIC DIOCESE OF SACRAMENTO
ADMINISTRATIVE OFFICE
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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 – 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.