



*Report of Independent Auditors and  
Consolidated Financial Statements*

**The Roman Catholic Diocese  
of Oakland,  
Central Services Administration**

*December 31, 2019 and 2018*



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## **Report of Independent Auditors**

To the Most Reverend Michael Barber  
The Roman Catholic Diocese of Oakland, Central Services Administration

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The Roman Catholic Diocese of Oakland, Central Services Administration (“Central Services Administration”), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management’s Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures 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 consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Roman Catholic Diocese of Oakland, Central Services Administration, as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Adoption of New Accounting Standard***

As discussed in Note 2 to the consolidated financial statements, The Roman Catholic Diocese of Oakland, Central Services Administration, adopted Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Moss Adams LLP*

San Francisco, California  
July 20, 2020

## **Consolidated Financial Statements**

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**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statements of Financial Position  
December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,813,668	\$ 13,867,345
Restricted cash and cash equivalents	-	4,841,282
Investments	93,581,232	71,761,700
Receivables, net	13,554,658	16,082,296
Prepaid expenses and deposits	2,436,210	2,388,292
Loans to parishes, schools, institutions, and seminarians, net	17,352,972	15,651,801
Notes receivable – related party	45,405,252	65,155,817
Note receivable	98,826	290,378
Assets held in trust for others	1,445,696	1,320,368
Land held for sale	58,710	213,494
Property and equipment, net	11,271,475	13,881,742
	<u>\$ 205,018,699</u>	<u>\$ 205,454,515</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,993,977	\$ 2,443,643
Agency funds	965,914	864,509
Deferred revenue	4,447,653	4,556,181
Deposits payable	64,532,036	60,559,272
Bonds payable, net of discount and bond issuance costs	-	26,593,284
Note payable – related party	13,937,107	14,110,079
Notes payable	60,537,321	46,025,465
Fair value of interest rate swaps, net	3,347,800	-
Assets held in trust for others	1,445,696	1,320,368
Investments held for others	22,865,009	19,941,009
Post-retirement employment benefits liability	10,267,000	8,980,000
Liability for pension benefits	8,505,000	7,572,000
	<u>192,844,513</u>	<u>192,965,810</u>
<b>NET ASSETS</b>		
Without donor restrictions	8,856,917	7,568,140
With donor restrictions		
Purpose restricted	1,834,149	3,437,445
Endowment	1,483,120	1,483,120
	<u>3,317,269</u>	<u>4,920,565</u>
Total with donor restrictions	<u>3,317,269</u>	<u>4,920,565</u>
	<u>12,174,186</u>	<u>12,488,705</u>
Total net assets	<u>12,174,186</u>	<u>12,488,705</u>
	<u>\$ 205,018,699</u>	<u>\$ 205,454,515</u>

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statements of Activities  
Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Parish assessments	\$ 6,374,418	\$ -	\$ 6,374,418	\$ 6,012,331	\$ -	\$ 6,012,331
Bishop's Annual Appeal	2,377,419	-	2,377,419	2,631,635	-	2,631,635
Gifts, grants, and bequests	3,337,630	407,646	3,745,276	3,195,044	2,097,244	5,292,288
Dividends and interest	1,250,716	34,567	1,285,283	1,303,305	34,625	1,337,930
Ministerial department revenue	1,106,743	-	1,106,743	1,461,057	-	1,461,057
Catholic Voice	1,262,134	-	1,262,134	1,275,892	-	1,275,892
Cemetery rent	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Interest income on deposit and loan fund	291,654	-	291,654	209,911	-	209,911
Insurance revenue, net	2,145,567	-	2,145,567	1,683,549	-	1,683,549
Other income	258,345	-	258,345	1,339,739	-	1,339,739
Net assets released from restrictions	2,355,875	(2,355,875)	-	167,787	(167,787)	-
<b>Total revenues</b>	<b>22,760,501</b>	<b>(1,913,662)</b>	<b>20,846,839</b>	<b>21,280,250</b>	<b>1,964,082</b>	<b>23,244,332</b>
<b>EXPENSES</b>						
Central Services						
Pastoral Life	1,802,943	-	1,802,943	2,142,200	-	2,142,200
Resources	2,857,610	-	2,857,610	2,874,798	-	2,874,798
Canon Law	489,995	-	489,995	594,417	-	594,417
Office of the Chancellor	2,133,933	-	2,133,933	2,024,885	-	2,024,885
Communications	323,785	-	323,785	90,049	-	90,049
Office of the Bishop	866,613	-	866,613	899,090	-	899,090
Mission Advancement	1,050,760	-	1,050,760	1,074,226	-	1,074,226
Catholic Voice	1,205,667	-	1,205,667	1,217,885	-	1,217,885
Parishes, Schools/Diocesan General						
Interest expense on deposit and loan fund	616,821	-	616,821	620,086	-	620,086
School subsidies	664,406	-	664,406	1,300,191	-	1,300,191
Parish subsidies	104,400	-	104,400	76,942	-	76,942
Capital grants	33,152	-	33,152	73,031	-	73,031
Clergy retirement	2,039,702	-	2,039,702	1,916,180	-	1,916,180
Clergy retirement - actuarial change in valuation of expected benefit obligations	551,000	-	551,000	(2,580,311)	-	(2,580,311)
Unassigned clergy	617,795	-	617,795	452,393	-	452,393
Legal expenses	906,571	-	906,571	555,823	-	555,823
Professional fees	738,758	-	738,758	930,667	-	930,667
Provision for uncollectible receivables and loans	816,926	-	816,926	550,526	-	550,526
Grants for CYO gyms renovations and repairs	1,991,529	-	1,991,529	-	-	-
Other contributions	297,896	-	297,896	31,994	-	31,994
Overhead	4,615,113	-	4,615,113	4,004,486	-	4,004,486
<b>Total expenses</b>	<b>24,725,375</b>	<b>-</b>	<b>24,725,375</b>	<b>18,849,558</b>	<b>-</b>	<b>18,849,558</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)</b>	<b>(1,964,874)</b>	<b>(1,913,662)</b>	<b>(3,878,536)</b>	<b>2,430,692</b>	<b>1,964,082</b>	<b>4,394,774</b>
<b>OTHER INCOME (LOSS)</b>						
Gain on sale of land, property, and equipment	3,754,004	-	3,754,004	2,218,124	-	2,218,124
Interest income on notes from related parties	804,339	-	804,339	913,089	-	913,089
Bonds and other financing interest expense	(4,118,772)	-	(4,118,772)	(4,229,797)	-	(4,229,797)
Unrealized loss on interest rate swaps, net	(3,347,800)	-	(3,347,800)	-	-	-
Investment income (loss)	7,830,880	310,366	8,141,246	(5,739,976)	(219,272)	(5,959,248)
<b>Total other income (loss)</b>	<b>4,922,651</b>	<b>310,366</b>	<b>5,233,017</b>	<b>(6,838,560)</b>	<b>(219,272)</b>	<b>(7,057,832)</b>
<b>CHANGE IN NET ASSETS BEFORE IMPACT OF PENSION-RELATED CHANGES</b>	<b>2,957,777</b>	<b>(1,603,296)</b>	<b>1,354,481</b>	<b>(4,407,868)</b>	<b>1,744,810</b>	<b>(2,663,058)</b>
<b>PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST</b>	<b>(1,669,000)</b>	<b>-</b>	<b>(1,669,000)</b>	<b>339,000</b>	<b>-</b>	<b>339,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,288,777</b>	<b>(1,603,296)</b>	<b>(314,519)</b>	<b>(4,068,868)</b>	<b>1,744,810</b>	<b>(2,324,058)</b>
<b>NET ASSETS, beginning of year</b>	<b>7,568,140</b>	<b>4,920,565</b>	<b>12,488,705</b>	<b>11,637,008</b>	<b>3,175,755</b>	<b>14,812,763</b>
<b>NET ASSETS, end of year</b>	<b>\$ 8,856,917</b>	<b>\$ 3,317,269</b>	<b>\$ 12,174,186</b>	<b>\$ 7,568,140</b>	<b>\$ 4,920,565</b>	<b>\$ 12,488,705</b>

See accompanying notes.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019**

	Program Services							Supporting Services				Total	
	Pastoral Life	Resources	Canon Law	Office of the Chancellor	Communications	Office of the Bishop	Catholic Voice	Parishes, Schools, and Diocesan General	Program Services Subtotal	Management and General	Development		Supporting Services Subtotal
Salaries and wages	\$ 579,234	\$ 848,156	\$ 333,983	\$ 1,082,993	\$ 208	\$ 462,165	\$ 463,920	\$ -	\$ 3,770,659	\$ 841,786	\$ 532,587	\$ 1,374,373	\$ 5,145,032
Employee benefits and payroll taxes	255,252	247,301	119,245	268,049	-	154,028	73,889	-	1,117,764	222,474	123,764	346,238	1,464,002
Occupancy, facilities use, and properties expenses	-	146,011	-	125,850	-	36,760	150,392	-	459,013	3,760,886	-	3,760,886	4,219,899
School subsidies	-	-	-	-	-	-	-	664,406	664,406	-	-	-	664,406
Independent contractors and consulting	20,668	348,729	12,717	412,955	308,511	107,852	73,665	-	1,285,097	50,365	108,395	158,760	1,443,867
Professional fees	-	-	-	-	-	-	-	-	-	738,758	-	738,758	738,758
Seminarion tuition, room and board, and health benefits	744,158	-	-	-	-	-	-	-	744,158	-	-	-	744,158
Interest expense on deposit and loan fund	-	-	-	-	-	-	-	616,821	616,821	-	-	-	616,821
Legal expenses	-	-	-	-	-	-	1,670	-	1,670	906,571	-	906,571	908,241
Provision for uncollectible receivables and loans	-	-	-	-	-	-	-	-	-	816,926	-	816,926	816,926
Unassigned clergy	-	-	-	-	-	-	-	617,795	617,795	-	-	-	617,795
Travel, meetings, continuing education, and staff development	140,527	16,245	1,433	56,242	-	33,487	617	-	248,551	12,811	13,500	26,311	274,862
Printing	12,619	4,147	1,365	27,451	48	19,658	178,305	-	243,593	11,145	103,384	114,529	358,122
Miscellaneous	-	-	-	2,087	-	-	1,289	-	3,376	116,146	455	116,601	119,977
In-kind contributions for CYO gyms	-	-	-	-	-	-	-	-	-	1,991,529	-	1,991,529	1,991,529
renovations and repairs	-	-	-	-	-	-	-	-	-	297,896	-	297,896	317,896
Other contributions	-	-	-	-	-	-	20,000	-	20,000	4,687	31,437	36,124	288,725
Postage and delivery	1,584	3,469	3,191	4,821	-	2,780	236,756	-	252,601	8,163	-	8,163	8,163
Seismic repairs	-	-	-	-	-	-	-	-	-	275,807	-	275,807	275,807
USCCB and CCC assessments	-	-	-	-	-	-	-	-	-	142,232	7,254	149,486	199,544
Office supplies	1,002	28,497	2,619	11,501	2,419	3,700	320	-	50,058	-	-	-	172,211
Program expenses (ministry)	27,503	-	9,075	108,092	-	27,541	-	-	172,211	-	-	-	172,211
Counseling for abuse victims and priests	-	-	-	-	-	-	-	-	-	78,692	-	78,692	78,692
Depreciation	-	-	-	-	-	-	-	-	-	116,804	-	116,804	116,804
Bank and credit card service fees	-	-	-	2,957	-	-	1,834	-	4,791	64,837	18,943	83,780	88,571
Parish subsidies	-	-	-	-	-	-	-	104,400	104,400	-	-	-	104,400
Capital grants	-	-	-	-	-	-	-	33,152	33,152	-	-	-	33,152
Bond issuance cost amortization	-	-	-	-	-	-	-	-	-	26,419	-	26,419	26,419
Auto and mileage expenses	12,683	5,085	5,100	12,622	-	13,146	-	-	48,636	4,767	950	5,717	54,353
Telephone	2,071	12,468	-	13,042	-	2,301	-	-	29,882	2,610	178	2,788	32,670
Advertising and recruitment	1,794	8,875	-	-	-	922	962	-	12,553	-	13,831	13,831	26,384
Capital projects	-	-	-	-	-	-	-	-	-	55,767	-	55,767	55,767
Dues and subscriptions	3,848	5,912	1,267	5,271	12,599	2,273	2,048	-	33,218	1,430	96,082	97,512	130,730
Clergy retirement	-	-	-	-	-	-	-	2,039,702	2,039,702	-	-	-	2,039,702
Clergy retirement - actuarial change in valuation of expected benefit obligations	-	-	-	-	-	-	-	551,000	551,000	-	-	-	551,000
<b>Total expenses</b>	<b>\$ 1,802,943</b>	<b>\$ 1,674,895</b>	<b>\$ 489,995</b>	<b>\$ 2,133,933</b>	<b>\$ 323,785</b>	<b>\$ 866,613</b>	<b>\$ 1,205,667</b>	<b>\$ 4,627,276</b>	<b>\$ 13,125,107</b>	<b>\$ 10,549,508</b>	<b>\$ 1,050,760</b>	<b>\$ 11,600,268</b>	<b>\$ 24,725,375</b>

See accompanying notes.



**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018**

	Program Services							Supporting Services				Total	
	Pastoral Life	Resources	Canon Law	Office of the Chancellor	Communications	Office of the Bishop	Catholic Voice	Parishes, Schools, and Diocesan General	Program Services Subtotal	Management and General	Development		Supporting Services Subtotal
Salaries and wages	\$ 557,914	\$ 852,733	\$ 398,218	\$ 1,140,733	\$ 3,417	\$ 463,623	\$ 451,745	\$ -	\$ 3,868,383	\$ 810,498	\$ 396,927	\$ 1,207,425	\$ 5,075,808
Employee benefits and payroll taxes	231,593	248,762	173,570	305,824	1,632	167,535	72,046	-	1,200,962	214,294	107,807	322,101	1,523,063
Occupancy, facilities use, and properties expenses	-	135,032	-	76,438	-	45,672	135,437	-	392,579	2,564,728	-	2,564,728	2,957,307
School subsidies	-	-	-	-	-	-	-	1,300,191	1,300,191	-	-	-	1,300,191
Independent contractors and consulting	43,082	410,020	6,150	148,899	83,493	106,688	60,458	-	858,790	41,352	345,671	387,023	1,245,813
Professional fees	-	-	-	-	-	-	-	-	-	930,667	-	930,667	930,667
Seminarium tuition, room and board, and health benefits	819,585	-	-	-	-	-	-	-	819,585	-	-	-	819,585
Interest expense on deposit and loan fund	-	-	-	-	-	-	-	620,086	620,086	-	-	-	620,086
Legal expenses	-	-	-	-	-	-	1,687	-	1,687	555,823	-	555,823	557,510
Provision for uncollectible receivables and loans	-	-	-	-	-	-	-	-	-	550,526	-	550,526	550,526
Unassigned clergy	-	-	-	-	-	-	-	452,393	452,393	-	-	-	452,393
Travel, meetings, continuing education, and staff development	146,372	11,231	4,196	143,653	-	36,758	250	-	342,460	57,268	8,460	65,728	408,188
Printing	23,006	5,659	2,498	26,756	4	22,796	185,109	-	265,828	12,298	119,326	131,624	397,452
Miscellaneous	-	249	400	2,000	-	2,067	-	-	4,716	350,614	1,173	351,787	356,503
Contributions	258,088	-	-	-	-	-	-	-	50,000	31,994	-	31,994	340,082
Postage and delivery	2,019	4,305	2,577	3,993	111	2,861	246,247	-	262,113	3,367	46,767	50,134	312,247
Seismic repairs	-	-	-	-	-	-	-	-	-	281,695	-	281,695	281,695
USCCB and CCC assessments	-	-	-	-	-	-	-	-	-	238,129	-	238,129	238,129
Office supplies	1,954	33,203	3,625	16,661	1,392	6,569	10,491	-	73,895	137,369	5,569	142,938	216,833
Program expenses (ministry)	44,397	-	-	118,164	-	25,262	-	-	187,823	-	-	-	187,823
Counseling for abuse victims and priests	-	-	-	-	-	-	-	-	-	146,586	-	146,586	146,586
Depreciation	-	-	-	-	-	-	-	-	-	125,256	-	125,256	125,256
Bank and credit card service fees	-	-	-	4,660	-	-	2,054	-	6,714	68,558	23,186	91,744	98,458
Parish subsidies	-	-	-	-	-	-	-	-	76,942	-	-	-	76,942
Capital grants	-	-	-	-	-	-	-	76,942	76,942	-	-	-	73,031
Bond issuance cost amortization	-	-	-	-	-	-	-	73,031	73,031	-	-	-	73,031
Auto and mileage expenses	8,409	9,406	1,944	12,980	-	11,356	-	-	44,095	53,472	-	53,472	53,472
Telephone	1,905	11,788	261	16,872	-	2,376	-	-	33,202	2,550	1,105	3,655	47,750
Advertising and recruitment	1,794	11,362	-	3,677	-	4,139	267	-	21,239	4,621	124	4,745	37,947
Capital projects	-	-	-	-	-	-	-	-	-	27,200	-	27,200	27,200
Dues and subscriptions	2,082	4,530	978	3,575	-	1,388	2,094	-	14,647	1,149	8,670	9,819	24,466
Clergy retirement	-	-	-	-	-	-	-	1,916,180	1,916,180	-	-	-	1,916,180
Clergy retirement - actuarial change in valuation of expected benefit obligations	-	-	-	-	-	-	-	(2,580,311)	(2,580,311)	-	-	-	(2,580,311)
<b>Total expenses</b>	<b>\$ 2,142,200</b>	<b>\$ 1,738,280</b>	<b>\$ 594,417</b>	<b>\$ 2,024,885</b>	<b>\$ 90,049</b>	<b>\$ 899,090</b>	<b>\$ 1,217,885</b>	<b>\$ 1,858,512</b>	<b>\$ 10,565,318</b>	<b>\$ 7,210,014</b>	<b>\$ 1,074,226</b>	<b>\$ 8,284,240</b>	<b>\$ 18,849,558</b>

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (314,519)	\$ (2,324,058)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(8,141,246)	5,959,248
Change in allowance for doubtful accounts	(36,068)	519,652
Amortization of bond issuance costs	26,419	53,472
Change in fair value of interest rate swaps, net	3,347,800	-
Depreciation	116,804	125,256
(Gain) loss on sale of land, property, and equipment	(3,754,004)	(2,218,124)
Amortization of discount on bonds payable	80,297	171,436
(Gain) loss on change in pension assumptions	2,712,000	(1,856,000)
(Gain) loss due to pension remeasurement	(1,477,000)	(578,000)
Changes in operating assets and liabilities:		
Receivables	2,640,035	(1,844,471)
Prepaid expenses and deposits	(47,918)	(135,439)
Accounts payable and accrued liabilities	(449,666)	(107,971)
Deferred revenue	(108,528)	90,434
Post-retirement employee benefits liability	1,287,000	(2,090,311)
Liability for pension benefits	(302,000)	1,605,000
Net cash used in operating activities	<u>(4,420,594)</u>	<u>(2,629,876)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted cash and cash equivalents	4,841,282	(594,995)
Purchases of investments	(17,728,071)	(1,966,074)
Proceeds from sales of investments	4,049,785	1,501,952
Change in investments held for others	2,924,000	(435,772)
Loans made to parishes, schools, institutions, and seminarians	(3,197,018)	(1,829,621)
Payments received on loans made to parishes, schools, institutions, and seminarians	1,419,518	1,233,809
Loans made to related party	(645,198)	(8,338,090)
Loan payments received from related party	20,395,763	9,230,217
Loan payments received from unrelated party	191,552	183,649
Purchases of land, property, and equipment	(48,233)	(431,281)
Proceeds from sale of land, property, and equipment	6,450,484	4,332,121
Change in agency funds	101,405	(81,224)
Deposits made to deposits payable	16,170,994	10,626,419
Withdrawals from deposits payable	(12,198,230)	(13,462,315)
Net cash provided by (used in) investing activities	<u>22,728,033</u>	<u>(31,205)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on bonds payable	(26,700,000)	(22,000,000)
Proceeds from note payable – related party	348,810	348,810
Payments on note payable – related party	(521,782)	(262,802)
Proceeds from notes payable	17,877,973	34,413,159
Payments on notes payable	(3,366,117)	(3,071,229)
Net cash (used in) provided by financing activities	<u>(12,361,116)</u>	<u>9,427,938</u>
<b>NET CHANGE IN CASH, AND CASH EQUIVALENTS</b>	<u>5,946,323</u>	<u>6,766,857</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>13,867,345</u>	<u>7,100,488</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 19,813,668</u>	<u>\$ 13,867,345</u>

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Consolidated Statements of Cash Flows (Continued)  
Years Ended December 31, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION		
Interest paid	<u>\$ 5,462,235</u>	<u>\$ 4,561,819</u>
Income taxes paid	<u>\$ 2,230</u>	<u>\$ 22,000</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Note receivable carried on sale of land, property, and equipment	<u>\$ -</u>	<u>\$ 6,945</u>

# The Roman Catholic Diocese of Oakland, Central Services Administration Notes to Consolidated Financial Statements

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## NOTE 1 – ORGANIZATION

The Roman Catholic Bishop of Oakland, a California corporation sole (“RCBO”), was incorporated on May 2, 1962, and together with (i) Adventus, (ii) The Roman Catholic Welfare Corporation of Oakland, (iii) The Roman Catholic Cemeteries of the Diocese of Oakland (and its subsidiary corporations), (iv) Christ the Light Cathedral Corporation and Catholic Cathedral Corporation of the East Bay, (v) Catholic Charities of the Diocese of Oakland, (vi) Oakland Society for the Propagation of the Faith, (vii) Catholic Church Support Services, (viii) Catholic Foundation for the Diocese of Oakland, (ix) Lumen Christi Academies of the Roman Catholic Diocese of Oakland, and (x) various activities, institutions, and unincorporated associations (including parishes and schools) operates as the Roman Catholic Diocese of Oakland in Alameda and Contra Costa Counties (the “Diocese”).

The Chancery is the part of RCBO that provides administrative services and programmatic and financial support to those Diocesan entities, institutions, and associations identified above, each of which operate independently and account for their operations separately.

These consolidated financial statements include the Chancery, Adventus, and Furrer Properties, Inc., a California corporation wholly-owned by RCBO. Collectively, activities of these entities and their operations are known as the Central Services Administration. All intercompany balances and transactions have been eliminated.

## NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

**Basis of presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to not-for-profit organizations. Accordingly, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

**Description of net assets** – Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

*Without donor restrictions* consists of resources of the Central Services Administration (“Central Services Administration”) that have not been restricted by a donor. The major sources of revenue are parish assessments, the Bishop’s Annual Appeal, investment income, and cemetery rent. Contributions received with donor restrictions met in the same reporting period (e.g., the Bishop’s Annual Appeal) are recognized as increases in net assets without donor restrictions. There were no net assets without donor restrictions designated by management as of December 31, 2019 and 2018.

## The Roman Catholic Diocese of Oakland, Central Services Administration Notes to Consolidated Financial Statements

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*With donor restrictions* is defined as the portion of net assets that have a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, and scheduled to be received more than one year in the future, are recorded at fair value and classified as with donor restrictions until the funds are received, and are discounted at a risk free rate of return in effect at the time the contribution is received. Net assets consisting of the initial fair value of the gifts where the donor has specified the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes, are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restrictions until appropriated for use based on the Central Services Administration's spending policy. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

**Tax-exempt status** – Entities of the Central Services Administration, except Furrer Properties, Inc., have been granted tax-exempt status by the Internal Revenue Service, except to the extent of unrelated business taxable income as defined under Internal Revenue Code Sections 511 through 515 and the California Franchise Tax Board under Sections 501(c)(3) and 23701d. Accordingly, no tax provision has been recorded for the tax-exempt entities in the consolidated financial statements. The Central Services Administration, inclusive of the Chancery of the Roman Catholic Bishop of Oakland and Adventus, are exempt from preparing and filing Forms 990 and 199. Catholic Voice (a division of the Central Services Administration) is subject to filing a Form 990-T. Furrer Properties, Inc. is required to file Forms 1120 and 100. The Central Services Administration had no unrecognized tax benefits at either December 31, 2019 or 2018, and had no uncertain tax positions. The Central Services Administration is required to report unrelated business income, if any.

**Use of estimates** – In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional expense allocations** – Expenses are allocated among program services, management and general, and development based on management's estimate of time spent on these functions by specific employees and the remaining costs are charged directly to the appropriate functional category.

**Fair value measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

# The Roman Catholic Diocese of Oakland, Central Services Administration Notes to Consolidated Financial Statements

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**Net asset value** – The fair value of investments in investment companies (limited partnerships) have a value of their capital account or net asset value (“NAV”) calculated in accordance, or in a manner consistent, with GAAP. As a practical expedient, the Central Services Administration is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. The Central Services Administration’s investments in certain hedge funds in the alternative investment portfolio are generally valued based on the most current NAV received. These investments are not required to be assigned a level in the hierarchy, but rather reported as using NAV.

**Cash equivalents** – The Central Services Administration considers all highly liquid debt instruments purchased with a maturity of three months or less and not held by an investment manager to be cash equivalents. The cash and cash equivalents balances held in financial institutions at December 31, 2019 and 2018, exceeded federal depository insurance coverage. The Central Services Administration has not experienced any credit losses in such accounts. Cash held in money market accounts for investment purposes is included in investments.

**Restricted cash and cash equivalents** – Monthly principal (commencing November 2014) and interest payments are required by the Master Trust and Bond Indenture entered into by RCBO in November 2007. The principal payments are deposited in advance of annual bond redemptions and the interest payments are deposited in advance of semi-annual coupon payments made to bond purchasers by the Trustee. Such advance payments held by the Trustee are restricted and totaled \$0 and \$4,841,282 as of December 31, 2019 and 2018, respectively. The Central Services Administration has invested these funds in cash and cash equivalents. The balances held in restricted cash at December 31, 2018, exceeded federal depository insurance coverage. The Central Services Administration has not experienced any losses in such accounts.

**Investments** – Investments are reported at fair value. Marketable securities include investments held for others in the amount of \$22,865,009 and \$19,941,009 as of December 31, 2019 and 2018, respectively.

Income from gains and losses are shown net of external and direct internal expenses on investments. For endowment and similar funds, income from investment gains and losses are reported as follows:

- Increases or decreases in net assets with donor restrictions if the terms of the gift or the Central Services Administration’s interpretation of relevant state law requires they be added to the principal of a net asset with donor restrictions
- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income
- Increases or decreases in net assets without donor restrictions in all other cases

**Receivables** – Receivables consist of various trade and miscellaneous receivables. Trade receivables include amounts billed to the parishes and other Diocesan institutions for health, general liability, and workers’ compensation insurance. In addition, annual parish assessments are a component of these receivables. Receivables are reported at face value, which approximates fair value, and are not subject to interest. Payments received from Diocesan institutions are generally applied to the balances identified by the accompanying remittance advices first, unless prior agreement has been reached with the institution.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

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**Loans to parishes, schools, institutions, and seminarians** – These loans represent credit extended to related entities. Credit is extended based upon evaluation of the borrowing entity’s financial condition and other factors. Collateral is not generally required. Loans are reported at face value, which approximates fair value. Loans receivable typically have no stated maturity dates and may be due either on demand or in accordance with scheduled payments. Loans are generally not considered past due or delinquent, as the Bishop has various means available to collect on any loan extended and reserves the right to convert any loan, including interest accrued, to a contribution.

Interest accrues on loans receivable daily in accordance with the interest rates applicable to the loans. The average annual interest rate on loans in 2019 and 2018 was 1.49% and 1.14%, respectively.

**Allowance for doubtful accounts** – The Central Services Administration provides an allowance for both loans and other receivables management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties or fluctuation in offertory), a specific reserve is recorded. For all other organizations, the Central Services Administration recognizes reserves for bad debts based on historical collection experience. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in an organization’s ability to meet its financial obligations), the Central Services Administration’s estimates of the recoverability of amounts due may change in the near term.

**Assets held in trust for others** – The Central Services Administration serves as the trustee of a charitable remainder trust for which it is not the remainder beneficiary. A related entity, Christ the Light Cathedral Corporation, is the remainder beneficiary. For this trust, the assets are recorded in the consolidated statements of financial position at fair value; a corresponding liability for the same amount is also recorded in the consolidated statements of financial position. The underlying composition of the assets held in trust for others is marketable securities classified within Level 1 and Level 2 of the valuation hierarchy. Investments measured at NAV per share under the existing practical expedient in Accounting Standards Codification (“ASC”) 820 are not classified as Level 1, 2, or 3 investments in the fair value hierarchy table.

**Property and equipment** – Purchased plant assets are recorded at cost and donated plant assets are recorded at approximate fair value at the time of receipt. Depreciation expense is recorded on the straight-line basis for all plant assets over the estimated useful lives ranging from 5 to 50 years. The Central Services Administration’s policy is to capitalize plant assets that have a cost or donated value in excess of \$2,000.

**Agency funds** – The Central Services Administration holds various assets received from parishes, schools, and institutions in an agency capacity. These assets represent collections taken up by the various institutions and not yet remitted to the ultimate recipient beneficiaries, gifts of stock received for the benefit of Diocesan entities but not yet sold and/or the proceeds not yet disbursed to the designated institution, and bequests held and administered for Diocesan entities.

**Deferred revenue** – Deferred revenue consists of amounts received and/or billed in advance for health and package insurance premiums from parishes, schools, and other institutions.

# The Roman Catholic Diocese of Oakland, Central Services Administration Notes to Consolidated Financial Statements

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**Deposits payable** – The Central Services Administration provides a means for the various parishes, schools, and other institutions located within the Diocese to maintain deposits with the Central Services Administration and to borrow against these deposits. These deposits are classified as a liability and are held in the Central Services Administration marketable securities pooled investments accounts. The average annual interest rate paid on deposits was 1% in both 2019 and 2018.

**Investments held for others** – The endowment pool was established for participating parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests in equities, fixed income securities, and alternative investments. The pool is operated under the total return concept, which allocates income/(loss) to each participant based upon the total return earned in invested funds, including realized and unrealized gains and losses, and taking investment management fees into account.

**Revenue recognition** – For year ended December 31, 2019, the Central Services Administration has adopted Accounting Standards Update (“ASU”) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Management has undertaken a review of contracts and revenue streams for all of the Central Services Administration’s net revenues. The adoption of ASU 2018-08 did not have a significant impact to the consolidated financial statements.

Contributions are comprised of revenue from the Bishop’s Annual Appeal, gifts, grants, and bequests. Contributions are considered to be without donor restriction unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as contributions with donor restrictions. The Central Services Administration recognizes all unconditional contributions and promises to give in the period notified. Unconditional promises to give expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using the risk-free rate applicable to the years in which the promises were received. Conditional promises to give or intentions to give are not recorded in the consolidated financial statements until the conditions are substantially met.

Parish assessments represent a service fee charged to the parishes of the Diocese for the various administrative, financial, and programmatic support services provided to them by the Chancery staff. This fee is assessed as a percentage of the clearly defined and calculated net assessable income of each parish. Parish assessments are recognized as revenue ratably over the year when billed.

Insurance revenue is received from other Diocesan institutions for which the Diocese acts as an agent providing health, property and earthquake, general liability, workers’ compensation, and unemployment insurance. Revenue is recognized in the period in which the insurance coverage is provided and is in effect.

Catholic Voice revenue is primarily from parish subscription assessments and advertising. Advertising revenue is recognized when the publication carrying the advertisement is published. Parish subscription assessments are recognized on a monthly basis when billed.

**Interest rate swap agreements** – The fair value of interest rate swaps is accrued as market rates change. The change in fair value of the derivatives during the year, if material, is recognized within other income or loss in the consolidated statements of activities.

**Reclassifications** – Certain 2018 amounts have been reclassified to conform with the 2019 presentation. These reclassifications had no effect on net assets or changes in net assets.



**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the date of the consolidated statement of financial position, are comprised of the following:

	December 31, 2019	December 31, 2018
	<u>                    </u>	<u>                    </u>
Financial assets		
Cash and cash equivalents	\$ 19,813,668	\$ 13,867,345
Restricted cash and cash equivalents	-	4,841,282
Investments	93,581,232	71,761,700
Receivables, net	13,554,658	16,082,296
Loans to parishes, schools, institutions, and seminarians, net	17,352,972	15,651,801
Notes receivable – related party	45,405,252	65,155,817
Note receivable	98,826	290,378
Assets held in trust for others	1,445,696	1,320,368
	<u>191,252,304</u>	<u>188,970,987</u>
Financial assets at December 31,		
Less financial assets unavailable for general expenditure within one year:		
Restricted cash and cash equivalents	-	(4,841,282)
Loans to parishes, schools, institutions, and seminarians, net	(17,352,972)	(15,651,801)
Notes receivable – related party	(45,405,252)	(65,155,817)
Assets held in trust for others	(1,445,696)	(1,320,368)
Agency funds	(965,914)	(864,509)
Investments held for others	(22,865,009)	(19,941,009)
Investments committed as collateral for bonds payable	-	(17,622,000)
Investments committed as collateral for bank note payable	(36,988,311)	(20,209,767)
Perpetual and term endowments	(1,483,120)	(1,483,120)
	<u>                    </u>	<u>                    </u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 64,746,030</u>	<u>\$ 41,881,314</u>

The Central Services Administration’s policy is to structure its financial assets to be available to cover the following in order of priority: current operations (including its deposits and loans fund activities), planned future operations, unanticipated expenses, sudden shortfalls in revenues, and capital assets.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

**NOTE 4 – INVESTMENTS**

Investments at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Separately managed account – global equity	\$ 23,906,243	\$ 15,465,352
Corporate equity securities	16,628,216	13,643,895
Corporate debt securities	10,219,624	10,841,867
Mortgage pools and asset-backed securities	8,960,805	8,645,897
Hedge funds	8,912,010	7,640,412
Separately managed account – international equity	7,758,364	3,101,864
U.S. government debt securities	7,597,632	3,632,059
Mutual funds – international equity	4,989,766	3,595,332
Cash and money market funds	2,957,995	3,836,124
Municipal debt securities	824,999	777,315
Mutual funds – equity	637,394	519,730
Private equity	188,184	61,853
	<u>\$ 93,581,232</u>	<u>\$ 71,761,700</u>

**NOTE 5 – RECEIVABLES**

Receivables at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Receivables, net		
Insurance and miscellaneous receivables	\$ 16,033,244	\$ 18,492,224
Assessments receivable	2,751,360	2,932,415
Less allowance for doubtful accounts	<u>(5,229,946)</u>	<u>(5,342,343)</u>
Total	<u>\$ 13,554,658</u>	<u>\$ 16,082,296</u>
Loans to parishes, schools, institutions, and seminarians, net		
Loans receivable	\$ 21,066,694	\$ 19,289,194
Less allowance for loan losses	<u>(3,713,722)</u>	<u>(3,637,393)</u>
Total	<u>\$ 17,352,972</u>	<u>\$ 15,651,801</u>
Changes in allowance for doubtful accounts and loan losses:		
Beginning balance	\$ 8,979,736	\$ 8,460,084
Provision for uncollectible receivables and loans	351,122	550,526
Write offs	<u>(387,190)</u>	<u>(30,874)</u>
Ending balance	<u>\$ 8,943,668</u>	<u>\$ 8,979,736</u>

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

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**NOTE 6 – NOTES RECEIVABLE - RELATED PARTY**

Principal and interest due from a related party at December 31 is as follows:

	2019	2018
Catholic Cathedral Corporation of the East Bay, secured note for a principal sum of up to \$75,000,000; interest at 1.75%; unpaid principal and interest due November 1, 2029; includes accrued interest of \$207,086 and \$374,263, respectively.	\$ 45,405,252	\$ 47,135,847
Catholic Cathedral Corporation of the East Bay, secured note for a principal sum of up to \$25,000,000; interest at 1.75%; unpaid principal and interest due November 1, 2029; includes accrued interest of \$246,530 at December 31, 2018.	-	17,800,000
Catholic Cathedral Corporation of the East Bay, unsecured note for a principal sum of up to \$350,000; noninterest bearing; due November 1, 2029.	-	219,970
	\$ 45,405,252	\$ 65,155,817

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans are extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. The concentration of loans to the Catholic Cathedral Corporation of the East Bay was 100% for both the years ended December 31, 2019 and 2018.

**NOTE 7 – LAND HELD FOR SALE**

Land held for sale of \$58,710 and \$213,494 as of December 31, 2019 and 2018, respectively, consists of certain land subject to a purchase and sales agreement with an unrelated development company. Sales proceeds from such land sales are recorded when the development company finalizes a sale of a parcel and remits payment to the Central Services Administration. During the years ended December 31, 2019 and 2018, there were sales amounting to \$313,079 and \$793,498, respectively, for which the carrying value of the land held was reduced and a gain on the sales was recorded in the consolidated statements of activities.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

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**NOTE 8 – PROPERTY AND EQUIPMENT**

Land, buildings, and equipment at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Central Services Administration buildings and improvements	\$ 5,232,452	\$ 5,192,909
Furniture and equipment	229,501	296,225
Automobiles	139,334	186,432
Land improvements	<u>47,786</u>	<u>47,786</u>
	5,649,073	5,723,352
Less accumulated depreciation	<u>(2,350,457)</u>	<u>(2,356,165)</u>
	3,298,616	3,367,187
Land	<u>7,972,859</u>	<u>10,514,555</u>
	<u>\$ 11,271,475</u>	<u>\$ 13,881,742</u>

Total depreciation for the years ended December 31, 2019 and 2018, amounted to \$116,804 and \$125,256, respectively.

**NOTE 9 – NOTES PAYABLE AND INTEREST RATE SWAPS**

On February 1, 2017, the Central Services Administration entered into a new \$70,000,000 bank credit facility, which effectively refinanced the existing indebtedness of the bonds payable more fully described in Note 11. The guarantors of this new credit facility are the same entities serving as the members of the bond obligated group:

- The Roman Catholic Bishop of Oakland, Central Services Administration
- The Roman Catholic Welfare Corporation of Oakland
- The Roman Catholic Cemeteries of the Diocese of Oakland
- Adventus

The bank credit facility bears interest at LIBOR plus an interest rate spread based on the composition of security (e.g. deposits, investments, and real estate). The interest rate has been partially hedged using two forward-starting interest rate swap agreements for a combined notional amount of \$35,000,000, effectively fixing that amount at an interest rate of 4.73% per annum. Payments are due at the end of each quarter commencing December 2019, through and including the maturity date of November 1, 2029.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

Notes payable at December 31 are as follows:

	2019	2018
Delayed-draw note to a bank, secured by investments and real property of the obligated group, which converted to a 10-year term loan (with a 25-year amortization schedule) on November 1, 2019; interest payable quarterly during draw period at one-month LIBOR plus an interest rate spread based on the composition of security. Interest rates were 3.39% and 3.75% at December 31, 2019 and 2018, respectively.	\$ 59,400,000	\$ 44,600,000
Unsecured note payable to an insurance premium financing company; monthly payments of \$229,687 including interest at 3.90%; due June 1, 2020.	1,137,321	-
Unsecured note payable to an insurance premium financing company; monthly payments of \$287,192 including interest at 2.94%; due June 1, 2019.	-	1,425,465
	<u>\$ 60,537,321</u>	<u>\$ 46,025,465</u>

Maturities for the notes payable are as follows:

<u>Year Ending December 31,</u>		
2020	\$ 3,537,321	\$ 1,425,465
2021	2,400,000	-
2022	2,400,000	-
2023	2,400,000	-
2024	2,400,000	-
Thereafter	<u>47,400,000</u>	<u>44,600,000</u>
	<u>\$ 60,537,321</u>	<u>\$ 46,025,465</u>

**NOTE 10 – NOTE PAYABLE - RELATED PARTY**

In February 2015, a note receivable from Roman Catholic Cemeteries of the Diocese of Oakland (“RCC”) was paid in full through the liquidation of investments executed as part of the debt reduction and refinancing plan of the Diocese of Oakland. RCC liquidated approximately \$20,000,000 in investments, paid off its note to RCBO, and loaned the balance of \$13,761,269 to RCBO. The loan is represented by an unsecured note with an interest rate of 2.5% per annum, interest payable semi-annually, and no scheduled maturity date. Accrued interest at December 31, 2019 and 2018, was \$175,838 and \$348,810, respectively.

**The Roman Catholic Diocese of Oakland,  
Central Services Administration  
Notes to Consolidated Financial Statements**

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**NOTE 11 – BONDS PAYABLE**

The Central Services Administration entered into a credit facility effective November 13, 2007, for a total amount of \$114,700,000. The basic terms of the debt facility were as follows:

- General obligation taxable bonds, stated interest rate of 6.04%
- Obligated group:
  - The Roman Catholic Bishop of Oakland, Central Services Administration
  - The Roman Catholic Welfare Corporation of Oakland
  - The Roman Catholic Cemeteries of the Diocese of Oakland
  - Adventus

The bonds were issued at a discount of \$3,420,354, resulting in an effective interest rate of 6.4%. The discount has been amortized utilizing the effective interest method. Cumulative amortization amounted to \$3,420,354 and \$3,340,057 as of December 31, 2019 and 2018, respectively. In addition, original bond issuance costs of \$1,373,085 were incurred and have been amortized ratably over the lives of the bonds. Cumulative amortization amounted to \$1,373,085 and \$1,346,666 as of December 31, 2019 and 2018, respectively.

The bonds carry various financial reporting requirements for the obligated group. The obligated group must also provide the bond Trustee combined consolidated financial statements within 180 days of December 31 each year.

Required sinking funds, interest, and principal payments are as follows:

Year Ending December 31	Principal Sinking Fund Payments	Principal Maturities	Interest Sinking Fund Payments	Semi-Annual Interest Payments
2019	\$ 22,250,000	\$ 26,700,000	\$ 1,343,900	\$ 1,612,680

In addition to the required payments outlined above, the bond indenture carries collateral requirements. The RCBO and the Roman Catholic Cemeteries of the Diocese of Oakland granted a security interest in certain of their investment accounts to bondholders through U.S. Bank National Association. These Diocesan entities have been required to maintain cash and investments in these pledged accounts in an aggregate amount equal to 60% of the then outstanding amount of the bonds.

The required investment balance (i.e., security) is 110% of the amount of cash and investments determined pursuant to the terms above and has been maintained each year since the issuance of the bonds.

On February 1, 2017, the Central Services Administration entered into a new \$70,000,000 bank credit facility, discussed in Note 9, which effectively refinanced the existing indebtedness of the bonds payable. The guarantors of this new credit facility are the same entities serving as the members of the bond obligated group.

**The Roman Catholic Diocese of Oakland,  
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Notes to Consolidated Financial Statements**

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**NOTE 12 – SELF-INSURED RISK RETENTION GROUPS**

The Central Services Administration, along with certain other Roman Catholic Dioceses and Archdioceses in the Western United States, is a member of a captive mutual insurance company, The Ordinary Mutual (“TOM”), which is now in “run-off”. As of November 14, 2011, and by unanimous agreement of its membership, TOM no longer provides liability coverage. On November 15, 2011, the Diocese and three other Roman Catholic Dioceses and one Archdiocese, all members of TOM previously, formed a new risk retention group known as the Western Catholic Insurance Company (“WCIC”), to secure general liability insurance coverage. Amounts may be assessed periodically by WCIC to maintain minimum capitalization and reserve requirements. No such assessments were outstanding at December 31, 2019 and 2018, and \$307,972, was invested in WCIC as the Diocese’s portion of total capitalization required by the Vermont Department of Insurance to adequately fund the new risk retention group. As of July 1, 2017, and by unanimous agreement of its membership, WCIC no longer provides liability coverage and it is also now in “run-off”. The Central Services Administration joined The National Catholic Risk Retention Group, Inc., effective July 1, 2017, to secure its general liability insurance coverage.

The Central Services Administration, along with various other religious organizations of the Roman Catholic Church, is a trustor and participates in a multi-employer health plan, Religious Trust Agreement (“RETA”). Premiums paid to RETA are for medical coverage. Under certain circumstances, amounts may be assessed by RETA to maintain minimum reserves in the trust fund. At December 31, 2019 and 2018, the RETA has not assessed any assessments nor were any assessments pending.

**NOTE 13 – LAY EMPLOYEES’ PENSION PLAN**

The Central Services Administration has a noncontributory money purchase pension plan (defined contribution) for all lay employees in the Diocese (including parishes, schools, and cemeteries) who have completed six months of continuous employment at 25 hours or more per week. Annual contributions to the plan for eligible cemeteries employees were 6% of eligible compensation for 2019 and 2018. Annual contributions to the plan were 8% of eligible compensation for all other lay employees in 2019 and 2018. Benefits vest incrementally after three years of service and are fully vested after five years of service. Total contributions for the Central Services Administration’s employees for the years ended December 31, 2019 and 2018, were \$324,534 and \$324,048, respectively.

**NOTE 14 – CLERGY RETIREMENT COSTS**

Diocesan priests are covered by two Diocesan-sponsored defined benefit retirement plans (“Plans”). The Central Services Administration is required under Financial Accounting Standards Board (“FASB”) ASC 715-20-50 to present the difference between assets of the Plans and the Plans’ actuarial obligations as an asset or liability of the Central Services Administration, depending on the funding status of the Plans. At December 31, 2019 and 2018, the Plans had combined actuarial obligations in excess of the Plans’ assets of \$8,505,000 and \$7,572,000, respectively, which were reported as a liability of the Central Services Administration.

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The Bishop of the Diocese of Oakland is the administrator of the pension trust. The Central Services Administration is ultimately responsible for the payment of the Plan benefits to the participants. The Central Services Administration's parish assessments contribute notably to coverage of the liability and benefits. The following table (based on projected actuarial data) sets forth the Plans' funded status and amounts recognized for the entire Plans as of December 31:

	<u>2019</u>	<u>2018</u>
Benefit obligations at beginning of year	\$ 24,311,000	\$ 26,553,000
Liability (gain) loss due to remeasurement at beginning of the year	(1,477,000)	(578,000)
Increase (decrease) due to:		
Service cost	644,000	736,000
Interest cost	916,000	876,000
Actual benefit payments	(1,283,000)	(1,337,000)
Administrative expenses	<u>(89,000)</u>	<u>(83,000)</u>
	<u>188,000</u>	<u>192,000</u>
Expected benefit obligations at end of year	23,022,000	26,167,000
(Gain) loss during the year due to change in assumptions	2,712,000	(1,856,000)
Additional liability due to plan amendment for benefit increase	<u>2,801,000</u>	<u>-</u>
Accumulated benefit obligations at end of year	<u>\$ 28,535,000</u>	<u>\$ 24,311,000</u>
Plan assets at fair value	<u>\$ 20,030,000</u>	<u>\$ 16,739,000</u>
Unfunded status	<u>\$ (8,505,000)</u>	<u>\$ (7,572,000)</u>



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The components of pension expense are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 644,000	\$ 736,000
Interest cost	916,000	876,000
Return on plan assets:		
Actual return – (gain) loss	(2,852,000)	1,562,000
Deferred gain (loss)	<u>1,832,000</u>	<u>(2,658,000)</u>
	<u>(1,020,000)</u>	<u>(1,096,000)</u>
Amortization:		
Unrecognized prior service cost	491,000	491,000
Unrecognized net loss	<u>44,000</u>	<u>72,000</u>
	<u>535,000</u>	<u>563,000</u>
Net periodic pension expense	<u>\$ 1,075,000</u>	<u>\$ 1,079,000</u>

The components of net (gain) loss are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Asset (gain) loss during the year:		
Expected fair value at December 31	\$ 18,198,000	\$ 19,397,000
Plan assets at fair value at December 31	<u>20,030,000</u>	<u>16,739,000</u>
Asset (gain) loss	(1,832,000)	2,658,000
Liability gain (loss) due to remeasurement at beginning of year	(1,477,000)	(578,000)
Liability (gain) loss during the year due to change in assumptions	<u>2,712,000</u>	<u>(1,856,000)</u>
Net (gain) loss during the year	<u>\$ (597,000)</u>	<u>\$ 224,000</u>

The following are weighted-average assumptions used to determine benefit obligations at December 31:

	<u>2019</u>	<u>2018</u>
Discount rate	3.12%	4.13%
Rate of compensation increase	N/A	N/A
Assumed future annual benefit increases	0.00%	0.00%

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The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Discount rate	4.13%	3.46%
Expected long-term return on plan assets	6.00%	6.00%
Assumed future annual benefit increases	0.00%	0.00%

Employer contributions for the years ended December 31, 2019 and 2018, were \$1,811,000 and \$1,569,000, respectively.

The Central Services Administration's expected long-term return on plan assets assumption is based on a periodic review and modeling of the Plans' asset allocation and liability structure over a long-term period. Expectation of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projection of inflation over the long-term period during which benefits are payable to plan participants.

The Roman Catholic Bishop of Oakland's investment committee has established an asset allocation for investments for the Plans. The asset allocation for the Plans includes highly liquid government bonds, mortgage products, hedge funds, and exchange-traded equities. The fair value, categories, and levels at December 31 are as follows:

<u>Asset Category</u>	<u>Fair Value Measurement</u>	<u>2019</u>	<u>2018</u>
Corporate equity securities	Level 1	\$ 4,316,000	\$ 3,844,000
Separately managed account – global equity	NAV	4,221,000	3,275,000
Hedge funds	NAV	3,174,000	1,760,000
Mutual funds – equity	Level 1	1,020,000	1,216,000
Cash and money market funds	Level 1	1,296,000	1,203,000
Corporate debt securities	Level 2	1,701,000	1,510,000
Mortgage pools and asset-backed securities	Level 2	1,924,000	1,875,000
U.S. government debt securities	Level 1	1,036,000	1,137,000
Separately managed account – international equity	NAV	1,072,000	714,000
Municipal debt securities	Level 2	130,000	128,000
Mutual funds – international equity	Level 1	97,000	65,000
Private equity	NAV	43,000	12,000
		<u>\$ 20,030,000</u>	<u>\$ 16,739,000</u>

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<u>Asset Category</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Actual Percentage of Plan Assets</u>	<u>Actual Percentage of Plan Assets</u>
Equities		
Fixed Income	28%	31%
Alternatives	24%	28%
Cash	42%	34%
	6%	7%

Other amounts included in net assets without donor restrictions and subject to future amortization as of December 31 consist of:

	<u>2019</u>	<u>2018</u>
Unrecognized prior service costs	\$ 6,833,000	\$ 4,523,000
Unrecognized net loss	\$ 3,678,000	\$ 4,319,000

The following benefit payments, which reflect expected future service over the next ten years, as appropriate, are expected to be paid:

<u>Year Ending December 31</u>	<u>Annual Pension</u>
2020	\$ 1,667,000
2021	1,713,000
2022	1,732,000
2023	1,658,000
2024	1,710,000
2025-2029	8,493,000

Although the Central Services Administration is currently exempt from the filing and funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), it has been the Central Services Administration's practice to make contributions sufficient to fund the benefits provided by the Plans on an actuarially sound basis.

**NOTE 15 – CLERGY POST-EMPLOYMENT BENEFITS**

In addition to the priests' pension plans, the Central Services Administration sponsors a post-retirement healthcare plan that provides post-retirement health, dental, and vision benefits to retired diocesan priests not otherwise covered by another plan. Effective January 1, 2011, the plan was changed from a self-insured program to one whose benefits supplement coverage provided by Medicare Part A and Part B via a comprehensive Medicare Supplement Plan F insurance plan (for medical costs beyond Medicare coverage) and Medicare Part D Rx plan (for prescription drug coverage). The premiums for both supplemental components are paid fully by the Central Services Administration; retirees are responsible for only specified plan co-pays. The dental benefit is limited to \$1,500 annually. The dental and vision benefits contain inside limits.

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The Bishop of the Diocese of Oakland is the administrator of the plan. The Central Services Administration is ultimately responsible for the payment of plan benefits to the participants. The following table (based on projected actuarial data) sets forth the plan's funded status and amounts recognized for the entire plan as of December 31:

	<u>2019</u>	<u>2018</u>
Actuarial present value of benefit obligations		
Accumulated benefit obligation	<u>\$ 10,267,000</u>	<u>\$ 8,980,000</u>
Projected benefit obligation in excess of plan assets	<u>\$ 10,267,000</u>	<u>\$ 8,980,000</u>

The discount rate used to determine benefit obligations was 3.15% and 4.34% for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, the medical premium cost trend was a 4.5% annual increase. The prescription drug premium cost trend was graded down from a 5.96% annual increase to a 4.5% annual increase over the next 10 years and at a level 4.5% annual increase thereafter. Dental and vision benefits costs are assumed to increase at 4% per year, while administrative costs are assumed to increase by 3% per year. At December 31, 2018, the medical premium cost trend was a 4.5% annual increase. The prescription drug premium cost trend was graded down from a 6.9% annual increase to a 4.5% annual increase over the next 10 years and at a level 4.5% annual increase thereafter. Dental and vision benefits costs were assumed to increase at 4% per year, while administrative costs were assumed to increase by 3% per year. Benefits expected to be paid by year are expected to be met in full.

**NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following at December 31:

	<u>2019</u>		
	<u>Purpose Restricted</u>	<u>Endowment</u>	<u>Total</u>
Seminarian fund	\$ 556,687	\$ 134,964	\$ 691,651
SPRED	231,480	-	231,480
Priests retirement facility	600,000	-	600,000
Priests' graduate and sabbatical studies	135,970	748,908	884,878
Assistance to students attending Catholic high schools	251,591	599,248	850,839
Gyms renovation and repairs	8,471	-	8,471
William Ford CYO Scholarship Fund	36,000	-	36,000
Schools renovations and repairs	13,950	-	13,950
	<u>\$ 1,834,149</u>	<u>\$ 1,483,120</u>	<u>\$ 3,317,269</u>

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	2018		
	Purpose Restricted	Endowment	Total
Seminarian fund	\$ 463,211	\$ 134,964	\$ 598,175
SPRED	201,260	-	201,260
Priests retirement facility	600,000	-	600,000
Priests' graduate and sabbatical studies	16,202	748,908	765,110
Assistance to students attending Catholic high schools	131,772	599,248	731,020
Gyms renovations and repairs	2,000,000	-	2,000,000
William Ford CYO Scholarship Fund	23,000	-	23,000
Schools renovations and repairs	2,000	-	2,000
	<u>\$ 3,437,445</u>	<u>\$ 1,483,120</u>	<u>\$ 4,920,565</u>

Income from the Central Services Administration's endowment is restricted for the seminarian fund, priests' graduate and sabbatical studies, and financial assistance for Catholic high school education.

Management expects to spend net assets with donor restrictions based on annual operating plans and associated budgets, which incorporate their existence and purpose restrictions. Further, established and to be established spending policies will guide the spending of income from the Central Services Administration endowment.

**NOTE 17 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31:

	2019	2018
Seminarian fund	\$ 7,646	\$ 10,835
SPRED	62,426	56,977
Priests' graduate and sabbatical studies	2,111	-
Assistance to students attending Catholic high schools	2,113	-
Gyms renovations and repairs	1,991,529	-
William Ford CYO Scholarship Fund	2,000	2,000
Schools renovations and repairs	288,050	-
Assistance to homeless women and children in Oakland	-	97,975
	<u>\$ 2,355,875</u>	<u>\$ 167,787</u>

**NOTE 18 – TRANSACTIONS WITH OTHER DIOCESAN ORGANIZATIONS**

The Central Services Administration receives payments from the Roman Catholic Cemeteries of the Diocese of Oakland for use of Diocesan land. The Central Services Administration received \$2,000,000 in such payments for each of the years ended December 31, 2019 and 2018.

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The Central Services Administration pays the Catholic Cathedral Corporation of the East Bay use fees (i.e., rent) for the use of its office and residential space at the Cathedral Center. Such use fees were \$2,052,190 and \$1,935,461 for the years ended December 31, 2019 and 2018, respectively.

## **NOTE 19 – LITIGATION**

The Central Services Administration is involved in various lawsuits relating to general liability matters, which include claims of alleged sexual misconduct. The Central Services Administration has established protocols, consistent with the norms of the U.S. Conference of Catholic Bishops, which provide safeguards and policies to mitigate future claims of sexual misconduct.

The Central Services Administration has been named in various claims and legal actions in the normal course of its activities. Based upon outside legal counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on the consolidated financial statements of the Central Services Administration.

## **NOTE 20 – FAIR VALUE MEASUREMENTS**

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

*Marketable securities* – Investments in securities with a maturity date greater than 90 days at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as marketable securities. The Central Services Administration generally measures fair value using prices obtained from pricing services. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices and other market information. For fixed income securities not actively traded, the pricing services use alternative methods to determine fair value for the securities, including: quotes for similar fixed-income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors to determine fair value. A review is performed on the security prices received from pricing services, which includes discussion and analysis of the inputs used by the pricing services to value the securities. The underlying securities held in the various portfolios of the Roman Catholic Bishop of Oakland do not require any redemption notice and are not restricted in terms of redemption frequency.

*Investments held for others* – The carrying amount of this liability, which represents the equity of others in investments reported at fair value in the consolidated statements of financial position, approximates fair value.

*Separately managed account – global equity* – This investment includes one (1) global equity fund that invests both long and short, primarily in U.S. and non-U.S. equity and debt securities. The investment manager follows the accounting and reporting guidance in FASB Topic 946 *Financial Services—Investment Companies*. The investment manager expects the fund's investments will primarily be long equity securities and equity-like debt instruments. Shares of the fund are redeemable upon 90 days' prior written notice to the fund and may be redeemed as of the end of each subsequent calendar quarter.

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*Separately managed account – international equity* – This investment includes two (2) international equity funds that invests primarily in the public traded securities of companies worldwide, with a special focus in Europe and Asia. The investment manager follows the accounting and reporting guidance in FASB Topic 946. Shares of the funds are redeemable upon 90 days' prior written notice to the fund.

*Hedge funds* – This investment category contains nine (9) investments in hedge funds that hold long and short positions in global public and private equity securities, debt securities, derivatives, and other assets as of December 31, 2019 and 2018. The investment managers follow the accounting and reporting guidance in FASB Topic 946. Shares of the funds are redeemable upon 30-90 days' prior written notice to the respective funds and may be redeemed as of the end of each subsequent calendar month or quarter.

*Private equity* – This investment includes one (1) private equity fund that invests in niche, noncorrelated assets by targeting sectors that have not yet become mainstream or overcrowded among institutional investors. The investment manager follows the accounting and reporting guidance in FASB Topic 946. The investment is not redeemable. Instead, the nature of the investment in this category is distributions received through the liquidation of the underlying assets in the fund. This investment has an estimated remaining life of ten years.

Nonrecurring fair value measurements relate to the fair value of receivables, deposits payable, and notes payable, for which the carrying value approximates the fair value.

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The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value Measurements				Net Asset Value (NAV)
	Total	Level 1	Level 2	Level 3	
As of December 31, 2019:					
Assets					
Investments					
Separately managed account – global equity	\$ 23,906,243	\$ -	\$ -	\$ -	\$ 23,906,243
Corporate equity securities	16,628,216	16,628,216	-	-	-
Corporate debt securities	10,219,624	-	10,219,624	-	-
Mortgage pools and asset-backed securities	8,960,805	-	8,960,805	-	-
Hedge funds	8,912,010	-	-	-	8,912,010
Separately managed account – international equity	7,758,364	-	-	-	7,758,364
U.S. government debt securities	7,597,632	7,597,632	-	-	-
Mutual funds – international equity	4,989,766	4,989,766	-	-	-
Cash and money market funds	2,957,995	2,957,995	-	-	-
Mutual funds – equity	824,999	824,999	-	-	-
Municipal debt securities	637,394	-	637,394	-	-
Private equity	188,184	-	-	-	188,184
Assets held in trust for others					
Separately managed account – global equity	371,447	-	-	-	371,447
Corporate equity securities	269,164	269,164	-	-	-
Corporate debt securities	123,712	-	123,712	-	-
Mortgage pools and asset-backed securities	108,474	-	108,474	-	-
Hedge funds	138,472	-	-	-	138,472
Separately managed account – international equity	125,818	-	-	-	125,818
U.S. government debt securities	91,972	91,972	-	-	-
Mutual funds – international equity	80,919	80,919	-	-	-
Cash and money market funds	111,699	111,699	-	-	-
Mutual funds – equity	13,379	13,379	-	-	-
Municipal debt securities	7,716	-	7,716	-	-
Private equity	2,924	-	-	-	2,924
<b>Total assets at fair value</b>	<b>\$ 95,026,928</b>	<b>\$ 33,565,741</b>	<b>\$ 20,057,725</b>	<b>\$ -</b>	<b>\$ 41,403,462</b>
Liabilities					
Assets held in trust for others					
Separately managed account – global equity	\$ 371,447	\$ -	\$ -	\$ -	\$ 371,447
Corporate equity securities	269,164	269,164	-	-	-
Corporate debt securities	123,712	-	123,712	-	-
Mortgage pools and asset-backed securities	108,474	-	108,474	-	-
Hedge funds	138,472	-	-	-	138,472
Separately managed account – international equity	125,818	-	-	-	125,818
U.S. government debt securities	91,972	91,972	-	-	-
Mutual funds – international equity	80,919	80,919	-	-	-
Cash and money market funds	111,699	111,699	-	-	-
Mutual funds – equity	13,379	13,379	-	-	-
Municipal debt securities	7,716	-	7,716	-	-
Private equity	2,924	-	-	-	2,924
Investments held for others					
Separately managed account – global equity	5,739,975	-	-	-	5,739,975
Corporate equity securities	4,076,654	4,076,654	-	-	-
Corporate debt securities	2,202,112	-	2,202,112	-	-
Mortgage pools and asset-backed securities	1,930,864	-	1,930,864	-	-
Hedge funds	2,139,805	-	-	-	2,139,805
Separately managed account – international equity	1,903,947	-	-	-	1,903,947
U.S. government debt securities	1,637,129	1,637,129	-	-	-
Mutual funds – international equity	1,224,517	1,224,517	-	-	-
Cash and money market funds	1,625,018	1,625,018	-	-	-
Mutual funds – equity	202,459	202,459	-	-	-
Municipal debt securities	137,345	-	137,345	-	-
Private equity	45,184	-	-	-	45,184
Interest rate swaps	3,347,800	-	3,347,800	-	-
<b>Total liabilities at fair value</b>	<b>\$ 27,658,505</b>	<b>\$ 9,332,910</b>	<b>\$ 7,858,023</b>	<b>\$ -</b>	<b>\$ 10,467,572</b>



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	Fair Value Measurements				Net Asset Value (NAV)
	Total	Level 1	Level 2	Level 3	
As of December 31, 2018:					
Assets					
Investments					
Separately managed account – global equity	\$ 15,465,352	\$ -	\$ -	\$ -	\$ 15,465,352
Corporate equity securities	13,643,895	13,643,895	-	-	-
Corporate debt securities	10,841,867	-	10,841,867	-	-
Mortgage pools and asset-backed securities	8,645,897	-	8,645,897	-	-
Hedge funds	7,640,412	-	-	-	7,640,412
Cash and money market funds	3,836,124	3,836,124	-	-	-
U.S. government debt securities	3,632,059	3,632,059	-	-	-
Mutual funds – international equity	3,595,332	3,595,332	-	-	-
Separately managed account – international equity	3,101,864	-	-	-	3,101,864
Municipal debt securities	777,315	-	777,315	-	-
Mutual funds – equity	519,730	519,730	-	-	-
Private equity	61,853	-	-	-	61,853
Assets held in trust for others					
Separately managed account – global equity	319,471	-	-	-	319,471
Corporate equity securities	288,080	288,080	-	-	-
Corporate debt securities	157,976	-	157,976	-	-
Mortgage pools and asset-backed securities	125,979	-	125,979	-	-
Hedge funds	157,830	-	-	-	157,830
Cash and money market funds	52,561	52,561	-	-	-
U.S. government debt securities	52,923	52,923	-	-	-
Mutual funds – international equity	76,194	76,194	-	-	-
Separately managed account – international equity	65,736	-	-	-	65,736
Municipal debt securities	11,326	-	11,326	-	-
Mutual funds – equity	11,014	11,014	-	-	-
Private equity	1,278	-	-	-	1,278
Total assets at fair value	<u>\$ 73,082,068</u>	<u>\$ 25,707,912</u>	<u>\$ 20,560,360</u>	<u>\$ -</u>	<u>\$ 26,813,796</u>
Liabilities					
Assets held in trust for others					
Separately managed account – global equity	\$ 319,471	\$ -	\$ -	\$ -	\$ 319,471
Corporate equity securities	288,080	288,080	-	-	-
Corporate debt securities	157,976	-	157,976	-	-
Mortgage pools and asset-backed securities	125,979	-	125,979	-	-
Hedge funds	157,830	-	-	-	157,830
U.S. government debt securities	52,923	52,923	-	-	-
Cash and money market funds	52,561	52,561	-	-	-
Mutual funds – international equity	76,194	76,194	-	-	-
Separately managed account – international equity	65,736	-	-	-	65,736
Municipal debt securities	11,326	-	11,326	-	-
Mutual funds – equity	11,014	11,014	-	-	-
Private equity	1,278	-	-	-	1,278
Investments held for others					
Separately managed account – global equity	4,122,370	-	-	-	4,122,370
Corporate equity securities	3,700,622	3,700,622	-	-	-
Corporate debt securities	2,504,964	-	2,504,964	-	-
Mortgage pools and asset-backed securities	1,997,600	-	1,997,600	-	-
Hedge funds	2,036,591	-	-	-	2,036,591
Cash and money market funds	2,581,337	2,581,337	-	-	-
U.S. government debt securities	839,173	839,173	-	-	-
Mutual funds – international equity	977,564	977,564	-	-	-
Separately managed account – international equity	843,391	-	-	-	843,391
Municipal debt securities	179,596	-	179,596	-	-
Mutual funds – equity	141,314	141,314	-	-	-
Private equity	16,487	-	-	-	16,487
Total liabilities at fair value	<u>\$ 21,261,377</u>	<u>\$ 8,720,782</u>	<u>\$ 4,977,441</u>	<u>\$ -</u>	<u>\$ 7,563,154</u>

Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

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**NOTE 21 – ENDOWMENT**

The Central Services Administration follows the guidance of the FASB ASC Topic 958-205, *Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its California Prudent Management of Institutional Funds Act (“CPMIFA”). The Central Services Administration’s endowment consists of investments established to support the operations of the Central Services Administration. The endowment includes donor-restricted endowment funds with a corpus in the amount of \$1,483,120. The Central Services Administration has interpreted CPMIFA for donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary.

As a result of this interpretation, the Central Services Administration classifies as net assets with donor restrictions:

- (a) the original value of gifts donated to the endowment, and
- (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with CPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Central Services Administration and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the Central Services Administration

The endowment net assets are restricted for the seminarian fund, assistance to needy students attending Catholic high schools, and graduate and sabbatical studies for priests.

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The Central Services Administration is required to provide information about net assets, defined as endowment, restricted in perpetuity by donors (net assets with donor restrictions). The changes in endowment net assets for the years ended December 31, 2019 and 2018, were as follows:

	With Donor Restrictions
Donor restricted endowment net assets as of January 1, 2018	\$ 2,289,787
Adjustment to original contribution	
Accumulated losses	(184,647)
Appropriation of endowment assets for expenditure	(10,835)
Donor restricted endowment net assets as of December 31, 2018	2,094,305
Adjustment to original contribution	
Accumulated gains	338,962
Appropriation of endowment assets for expenditure	(5,899)
Donor restricted endowment net assets as of December 31, 2019	\$ 2,427,368

**Funds with deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or CPMIFA requires the Central Services Administration to retain as a fund of perpetual duration. As of December 31, 2019 and 2018, there were no deficiencies.

**Return objectives and risk parameters** – The Central Services Administration has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Central Services Administration operations partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds the Central Services Administration must hold in perpetuity. Under this policy, as approved by the Diocesan Finance Council, endowment assets are invested in a manner intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives** – To satisfy its long-term rate-of-return objectives, the Central Services Administration has adopted a strategy of holding its endowment assets in its investments along with parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests principally across traditional investment asset classes such as marketable domestic and international equity securities and fixed income securities, with a small allocation to alternative investments.

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**Spending policy and how the investment objectives relate to spending policy** – The Central Services Administration’s practice is to slowly increase the support to operations with appropriations from the endowed funds when the endowment is growing and slowly reduce the support if the endowment value falls. In establishing this practice, the Central Services Administration considered the long-term expected return on its endowment. Accordingly, over the long term, the Central Services Administration expects the current spending practice to allow its endowment to grow at least at the rate of inflation. This practice is consistent with the Central Services Administration’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## **NOTE 22 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are available to be issued. The Central Services Administration recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Central Services Administration’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Central Services Administration responded to the coronavirus outbreak by enabling almost all of its employees to work remotely, banning all nonessential travel, and placing a temporary hold on most in-person meetings. The outbreak has also disrupted economic markets and the Central Services Administration has experienced a significant decline in the market value of its investments. The duration and economic impact of the outbreak is uncertain, but could have a material impact to the Central Services Administration’s liquidity. The Central Services Administration will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the consolidated financial statements.

The Central Services Administration has evaluated all subsequent events through July 20, 2020, which is the date the consolidated financial statements were available for issuance.

