



Financial Statements  
June 30, 2021 and 2020

**The Chancery Office of The Roman  
Catholic Bishop of San Bernardino  
(A Corporation Sole)**

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

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June 30, 2021 and 2020

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## **Independent Auditor's Report**

To His Excellency the Most Reverend Alberto Rojas  
The Chancery Office of The Roman Catholic Bishop of San Bernardino, a Corporation Sole  
San Bernardino, California

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

We have audited the accompanying financial statements of The Chancery Office of The Roman Catholic Bishop of San Bernardino (the Diocese) (a Corporation Sole), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese'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 Diocese'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 Chancery Office of The Roman Catholic Bishop of San Bernardino as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 22, 2021

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

## Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,885,044	\$ 7,215,593
Investments	92,941,297	65,561,878
Investments held in trust for others	36,786,819	28,032,911
Receivables		
Accounts receivable, net	3,409,474	5,355,766
Notes receivable	4,262,458	4,449,997
Deposits and prepaid expenses	403,143	474,173
Land, property, and equipment (net of accumulated depreciation)	14,800,665	15,785,513
Accrued net pension asset	6,044,100	-
<b>Total assets</b>	<u><u>\$ 164,533,000</u></u>	<u><u>\$ 126,875,831</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,824,635	\$ 4,907,277
Refundable advance - PPP loan	-	1,356,301
Deferred revenue	5,003	5,003
Notes payable	4,239,188	5,173,971
Funds held in trust for others	36,786,819	28,032,911
Accrued pension liability	3,037,034	11,930,340
Insurance reserves	250,000	250,000
<b>Total liabilities</b>	<u><u>46,142,679</u></u>	<u><u>51,655,803</u></u>
<b>Net Assets</b>		
Net assets without donor restrictions	91,057,386	52,517,500
Net assets without donor restrictions - designated	3,375,560	3,087,864
Net assets with donor restrictions	23,957,375	19,614,664
<b>Total net assets</b>	<u><u>118,390,321</u></u>	<u><u>75,220,028</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 164,533,000</u></u>	<u><u>\$ 126,875,831</u></u>

The Chancery Office of The Roman Catholic Bishop of San Bernardino  
Statements of Activities  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues						
Gifts, bequests, and collections	\$ 1,142,524	\$ 466,002	\$ 1,608,526	\$ 3,740,102	\$ 1,207,741	\$ 4,947,843
Contribution - PPP loan forgiveness	-	1,371,559	1,371,559	-	-	-
Assessments	7,483,401	-	7,483,401	9,612,745	-	9,612,745
Diocesan development fund subsidy	3,240,000	-	3,240,000	4,320,000	-	4,320,000
Fees and expense reimbursements	1,216,820	-	1,216,820	1,998,346	-	1,998,346
Insurance premiums	6,508,867	62,804	6,571,671	6,831,294	-	6,831,294
Investment income used for operations	718,391	-	718,391	2,197,968	-	2,197,968
Interest/dividend income	29,083	-	29,083	71,121	-	71,121
Endowment payout	625,448	-	625,448	569,927	-	569,927
Grant income	224,344	234,238	458,582	297,801	229,605	527,406
Other income	281,818	-	281,818	327,159	-	327,159
Net assets released from restrictions	1,883,290	(1,883,290)	-	1,128,915	(1,128,915)	-
Total revenues	23,353,986	251,313	23,605,299	31,095,378	308,431	31,403,809
Expenses						
Program services						
Pastoral services	4,311,061	-	4,311,061	5,136,613	-	5,136,613
Education	2,268,184	-	2,268,184	2,944,157	-	2,944,157
Religious personnel development	1,488,650	-	1,488,650	2,292,847	-	2,292,847
Ministries and social services	2,592,124	-	2,592,124	3,549,303	-	3,549,303
Grants and donations	349,593	-	349,593	1,062,036	-	1,062,036
General and administrative services						
Diocesan administration	4,520,706	-	4,520,706	5,715,050	-	5,715,050
Insurance premiums and benefits	7,077,129	-	7,077,129	7,263,388	-	7,263,388
Fundraising	986,848	-	986,848	1,012,619	-	1,012,619
Total expenses	23,594,295	-	23,594,295	28,976,013	-	28,976,013
Excess of Revenues over Expenses	(240,309)	251,313	11,004	2,119,365	308,431	2,427,796
Other Changes in Net Assets						
Investment income not used in operations	24,353,499	4,091,398	28,444,897	4,059,092	(894,421)	3,164,671
Sale of property	10,486	-	10,486	-	-	-
Loss on legal settlements	(233,500)	-	(233,500)	(1,114,300)	-	(1,114,300)
Actuarial adjustment - pension plan	14,937,406	-	14,937,406	477,422	-	477,422
Total other changes in net assets	39,067,891	4,091,398	43,159,289	3,422,214	(894,421)	2,527,793
Change in Net Assets	38,827,582	4,342,711	43,170,293	5,541,579	(585,990)	4,955,589
Net Assets, Beginning of Year	55,605,364	19,614,664	75,220,028	50,063,785	20,200,654	70,264,439
Net Assets, End of Year	\$ 94,432,946	\$ 23,957,375	\$ 118,390,321	\$ 55,605,364	\$ 19,614,664	\$ 75,220,028

See Notes to Financial Statements

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 43,170,293	\$ 4,955,589
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation expense	776,006	820,969
Unrealized gains on investments	(27,299,198)	(5,817,871)
Realized gains on investments	(1,779,331)	(655,097)
Contributions restricted for long-term purposes	(238,975)	(381,238)
Change in assets and liabilities		
Accounts receivable	1,946,292	(2,611,346)
Deposits and prepaid expenses	71,030	80,391
Accounts payable and accrued expenses	(3,082,642)	3,907,051
Funds held for others	8,753,908	1,439,206
Refundable advance - PPP loan	(1,356,301)	1,356,301
Deferred revenue	-	(69,476)
Pensions	(14,937,406)	(477,422)
Net Cash from Operating Activities	<u>6,023,676</u>	<u>2,547,057</u>
Investing Activities		
Purchase of land, property, and equipment	(117,158)	(2,714,950)
Disposal of property	326,000	-
Disbursement of notes receivable	-	(12,310)
Collections on notes receivable	187,539	332,776
Changes in investments and funds on deposit	(7,054,798)	3,700,404
Net Cash from Investing Activities	<u>(6,658,417)</u>	<u>1,305,920</u>
Financing Activities		
Collection of contributions restricted for long-term purposes	238,975	381,238
Payments on notes payable	(934,783)	(1,147,288)
Net Cash from Financing Activities	<u>(695,808)</u>	<u>(766,050)</u>
Net Change in Cash and Cash Equivalents	(1,330,549)	3,086,927
Cash and Cash Equivalents, Beginning of Year	<u>7,215,593</u>	<u>4,128,666</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,885,044</u>	<u>\$ 7,215,593</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 163,829</u>	<u>\$ 199,966</u>

## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

### **Organization**

The Roman Catholic Bishop of San Bernardino, also known as the Diocese of San Bernardino (the Diocese), is a nonprofit corporation established under the laws of the State of California, and operates as a religious organization. The Diocese is exempt from Federal and State income tax under provisions of Section 501(c) of the Internal Revenue Code as a member of group exemption number 928 and Section 23701d of the California Revenue and Taxation Code as a religious organization. The primary purpose of the accounting and reporting of financial information is for resources received and applied rather than the determination of net income.

The Chancery Office of The Roman Catholic Bishop (RCB) of San Bernardino, a Corporation Sole, is supported primarily through assessments to parishes under the direction of the Bishop and contributions.

### **Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with Accounting Principles and Reporting Practices for Churches and Church-Related Organizations, adopted by the National Conferences of Catholic Bishops, and in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include the assets, liabilities, and operations of departments for which the Chancery Office, also called the Diocesan Pastoral Center (DPC or Diocese) of The Roman Catholic Bishop of San Bernardino, maintains direct operational control. The financial statements do not include the assets, liabilities, and operations of the parishes or any other affiliated organization under the jurisdiction of the Bishop, except for transactions with the DPC as reflected in the records of the DPC.

### **Net Asset Categories**

The accompanying financial statements present information regarding the Diocese's financial position and results of activities according to the following net asset categories:

- Net assets without donor restrictions include all support that is not subject to donor-imposed restrictions. Property and equipment include all long-lived assets and renewal and replacement funds net of related liabilities.
- Net assets with donor restrictions include gifts and income subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Diocese reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the



statements of activities as net assets released from restrictions. It is also the Diocese's policy to release the restrictions on gifts of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

### **Revenue Recognition**

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Diocese adopted ASC 606 with a date of the initial application of July 1, 2020, using the full-retrospective method.

As part of the adoption of ASC 606, the Diocese elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Parish assessments are recognized and recorded as unrestricted revenues in the year the assessments are levied to the parishes. Other Diocesan revenue sources include insurance premiums and fees for other services, which are recognized and recorded as unrestricted revenues in the year in which performance obligations are satisfied, typically when the activity or services are rendered.

Contributions, including unconditional promises to give and the annual Diocesan Development Fund subsidy, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred.

The adoption of ASC 606 did not have a significant impact on the Diocese's statement of financial position, results of its activities, or cash flows. The Diocese's revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams. Based on the Diocese's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

### **Accounts Receivable**

Accounts receivable represent amounts due from various parishes and other institutions within the Diocese for parish assessments, services fees, insurance, property taxes, and other fees, which are believed to be fully collectible unless an entity experiences a material adverse change in its ability to meet its financial obligations to the Diocese. An allowance for doubtful accounts, which as of June 30, 2021 and 2020, amounted to \$978,030 and \$1,041,537, respectively, has been calculated based on an aging of outstanding invoices.

### **Investment Return**

Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category.

### **Expense Recognition**

Expenses are generally reported as decreases in net assets without donor restrictions. The financial statements present expenses by functional classification in accordance with the overall mission of the Diocese.

### **Allocation of Certain Expenses**

The statement of activities presents expenses by functional classification. Depreciation and the cost of operation and maintenance of facilities are allocated to functional categories based on building square footage dedicated to that specific function.

### **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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Diocese considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

### **Concentration of Credit Risk**

The Diocese maintains cash and investment balances at banks in excess of Federal Deposit of Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Diocese to be creditworthy. Management believes credit risk is limited.

### **Investments**

Where permitted by gift agreement and/or applicable Diocesan policies, the Diocese pools investments for management purposes. The remainder of investments is managed as separate investments. Cash equivalents are resources invested in money market funds, including any such investments held by external investment managers. Marketable securities are reported at fair market value, except for real estate investments, trust deed loans, and other miscellaneous assets, which are stated at cost.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. The date of record for investments is the trade date.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets on the statement of activities. Realized gains and losses are also recorded on the statement of activities.

### **Endowment Funds**

The Diocese has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Diocese retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The mission of the Diocese and the purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and/or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese
7. The investment policy of the Diocese

### **Management of Catholic Foundation Pooled Investment Funds**

The investment objectives of the Catholic Foundation endowment funds is to grow the funds over the long run and have earnings through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the medium (three years) and long-term (five years).

The endowment fund has a spending policy of appropriating 4.25% of the average of the three previous years ending fair market value.

### **Fair Value Measurement of Investment Assets**

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Diocese's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Diocese's assessment of the quality, risk, or liquidity profile of the asset or liability.

### **Property and Equipment**

Property and equipment are recorded at cost for purchased assets and appraised fair value for contributed assets. The assets are depreciated over their useful lives. The Diocese capitalizes land at the purchase cost or donated fair value, buildings at the purchase cost or construction cost. Capitalization for other assets includes equipment with an initial value in excess of \$5,000 and building, leasehold or land improvements with an initial value in excess of \$50,000; anything less is expensed in the current period. The straight-line method of depreciation is used for all depreciable assets. The estimated useful lives range from seven years to thirty years.

The Diocese reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the way the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2021 and 2020.

### **Related Parties**

Substantial portions of the Diocesan transactions are with affiliated parishes and other religious organizations.

### **New Accounting Pronouncements**

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Although the full impact of this update on the Diocese's financial statements has not yet been determined, the future adoption of this guidance will require the Diocese to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

## Note 2 - Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	\$ 1,375,952	\$ 3,645,032
Investments	47,919,733	20,926,053
Accounts receivable, net	1,264,504	1,808,220
Notes receivable	150,708	139,494
	<u>\$ 50,710,897</u>	<u>\$ 26,518,799</u>

The Diocese uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

## Note 3 - Investments

The following schedule summarizes the Diocese's investment returns for the year ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 1,111,902	\$ 991,083
Unrealized gain for the year	27,299,198	5,817,871
Realized gain for the year	1,779,331	655,097
	<u>30,190,431</u>	<u>7,464,051</u>
Investment expense	(284,188)	(258,307)
Spending policy payout	(713,872)	(1,771,984)
Net investment returns	<u>\$ 29,192,371</u>	<u>\$ 5,433,760</u>

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

The following table summarizes the Diocese's investments at June 30, 2021 and 2020:

	June 30, 2021		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Cash and cash equivalents	\$ 1,822,766	\$ 1,822,766	\$ -
Mutual funds	64,408,180	119,015,174	54,606,994
U.S. Government and agency instruments	2,949,933	2,898,103	(51,830)
Corporate bonds	3,907,847	4,210,620	302,773
Limited partnerships	1,459,615	1,781,453	321,838
	<u>\$ 74,548,341</u>	<u>\$ 129,728,116</u>	<u>\$ 55,179,775</u>
	June 30, 2020		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Cash and cash equivalents	\$ 1,005,623	\$ 1,005,623	\$ -
Mutual funds	60,560,212	83,297,865	22,737,653
U.S. Government and agency instruments	2,536,197	2,547,278	11,081
Corporate bonds	4,641,135	5,054,172	413,037
Limited partnerships	1,431,679	1,689,851	258,172
	<u>\$ 70,174,846</u>	<u>\$ 93,594,789</u>	<u>\$ 23,419,943</u>

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

## Note 4 - Fair Value Measurement of Financial Instruments

The fair value measurements and level within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2021 and 2020 are as follows:

	June 30, 2021			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,822,766	\$ -	\$ -	\$ 1,822,766
Mutual funds	119,015,174	-	-	119,015,174
U.S. Government and agency instruments	2,898,103	-	-	2,898,103
Corporate bonds	4,210,620	-	-	4,210,620
Limited partnerships	-	1,781,453	-	1,781,453
	<u>\$ 127,946,663</u>	<u>\$ 1,781,453</u>	<u>\$ -</u>	<u>\$ 129,728,116</u>

  

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,005,623	\$ -	\$ -	\$ 1,005,623
Mutual funds	83,297,865	-	-	83,297,865
U.S. Government and agency instruments	2,547,278	-	-	2,547,278
Corporate bonds	5,054,172	-	-	5,054,172
Limited partnerships	-	1,689,851	-	1,689,851
	<u>\$ 91,904,938</u>	<u>\$ 1,689,851</u>	<u>\$ -</u>	<u>\$ 93,594,789</u>

## Note 5 - Accounts and Notes Receivable

Accounts receivable (net of allowance for doubtful accounts) at June 30, 2021 and 2020 are as follows:

	2021	2020
General receivables	\$ 2,734,025	\$ 3,320,186
Payroll receivables	1,573,887	1,886,440
Receivables from schools	-	9,716
Other receivables	79,592	1,180,961
	<u>4,387,504</u>	<u>6,397,303</u>
Total gross receivables	4,387,504	6,397,303
Less allowance for doubtful accounts	<u>(978,030)</u>	<u>(1,041,537)</u>
Total accounts receivable, net	<u>\$ 3,409,474</u>	<u>\$ 5,355,766</u>



# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

Notes receivable at June 30, 2021 and 2020 are as follows:

	2021	2020
Clergy receivable	\$ 19,053	\$ 33,871
Seminarian education notes receivable	293,807	308,013
Note receivable secured by trust deed	140,000	180,000
Note receivable from Land Development Corporation	3,809,598	3,928,113
	<u>\$ 4,262,458</u>	<u>\$ 4,449,997</u>

The Diocese has three notes receivable with the Land Development Corporation, a legally separate but affiliated organization. The outstanding balance owed to the Diocese as of June 30, 2021 and 2020 was \$3,809,598 and \$3,928,113, respectively. During the 2017-18 fiscal year, the Land Development Corporation renegotiated the terms on one of the notes with the Diocese and is making payments according to the terms of the notes.

## **Note 6 - Deposits and Prepaid Expenses**

Deposits and prepaid expenses as of June 30, 2021 and 2020 were comprised of the following:

	2021	2020
Prepaid expenses - operating funds	\$ 170,671	\$ 233,152
Prepaid expenses - insurance funds	35,105	38,080
Prepaid expenses - other	436	1,036
Deposit - insurance programs	196,931	201,905
	<u>\$ 403,143</u>	<u>\$ 474,173</u>

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

## **Note 7 - Land, Property, and Equipment**

The composition of plant assets at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 6,893,606	\$ 6,763,657
Building	16,924,115	17,277,859
Equipment	1,213,112	1,213,112
Furnishings	455,364	440,411
Vehicles	192,432	192,432
Leasehold improvements	<u>415,482</u>	<u>415,482</u>
 Total land, property, and equipment	 26,094,111	 26,302,953
 Accumulated depreciation	 <u>(11,293,446)</u>	 <u>(10,517,440)</u>
 Total land, property, and equipment, net	 <u><u>\$ 14,800,665</u></u>	 <u><u>\$ 15,785,513</u></u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$776,006 and \$820,969, respectively.

Building assets with depreciated value of \$217,063 are pledged as collateral for the notes payable referenced in Note 8.

## **Note 8 - Notes Payable**

Notes payable at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Citizens Business Bank note payable, interest rate of 3.50%, due September 6, 2026	\$ 2,530,305	\$ 2,968,188
Citizens Business Bank line of credit, limit \$5,300,000, interest rate of 4.50%	1,653,883	1,751,827
Note payable to Caritas Telecommunications, Inc., interest rate of 3.50%	-	301,206
Note payable to Diocese of San Bernardino Cemetery Corporation, interest rate of 3.50%	-	97,750
Note payable to Wilfrid Lemann, successor trustee for property bequest, interest only payments at 6.00% annual interest	<u>55,000</u>	<u>55,000</u>
 Total notes payable	 <u><u>\$ 4,239,188</u></u>	 <u><u>\$ 5,173,971</u></u>

The Diocese has notes payable due to legally separate but affiliated organizations. As of June 30, 2021, the outstanding balance owed to Caritas Telecommunications Corporation (Caritas) and to the Cemetery Corporation was paid in full. The Diocese makes monthly principal and interest payments on the note from the Cemetery Corporation and one of the notes from Caritas. The annual debt service on the remaining note from Caritas is forgiven on an annual basis upon approval from the Caritas Board of Directors.

Interest expense was \$163,829 and \$199,966 for the years ended June 30, 2021 and 2020, respectively.

#### **Note 9 - Paycheck Protection Program (PPP) Loan**

The Diocese applied for and was granted an \$1,356,301 loan under the Paycheck Protection Program administered by a US Small Business Administration (SBA) approved lender. The loan was uncollateralized and fully guaranteed by the Federal government. The Diocese has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Diocese initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Diocese has recognized full forgiveness of the loan in the amount of \$1,371,559 as contribution revenue for the year ended June 30, 2021. This amount includes \$15,258 in accrued interest.

#### **Note 10 - Funds Held in Trust for Others**

Funds held in trust for others totaled \$36,786,819 and \$28,032,911 at June 30, 2021 and 2020, respectively. These amounts represent other parish and school funds held in trust by the Diocese.

#### **Note 11 - Pension Plans**

##### **Pension Plans for Priests**

The Diocese adopted a pension plan for priests in conjunction with the Diocese of San Diego. All priests under the authority of the Diocese shall be eligible to participate in the plan provided they make the required contributions. Priest contributions are \$33.33 per month, payable in semi-annual or annual payments.

Pension expense for the years ended June 30, 2021 and 2020, was \$726,832 and \$697,686, respectively, allocable to the Diocese of San Bernardino. These amounts include normal cost plus amortization of unfunded past service cost and reflect the required contribution for the plan year ended June 30, 2021. The plan uses a projected method that takes into account future service and, therefore, produces a measure of plan liabilities that exceed plan assets. This amount will be funded over the entire working lifetime of the current group of priests in the valuation.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Benefit obligations, beginning of year	\$ 13,712,653	\$ 14,770,309
Service cost	110,643	127,854
Expected employee contributions	25,550	18,849
Interest cost	720,862	771,644
Actuarial gain	(44,472)	(145,942)
Change in assumptions	1,003,552	(622,260)
Benefit payments	(1,148,759)	(1,207,801)
Benefit obligations, end of year	14,380,029	13,712,653
Fair value of plan assets, beginning of year	9,838,536	10,969,173
Actual return on plan assets	2,627,668	148,079
Adjustment for asset allocation method	-	(765,932)
Actual employee contributions	25,550	18,849
Benefit payments	(1,148,759)	(1,207,801)
Employer contribution	-	676,168
Fair value of plan assets, end of year	11,342,995	9,838,536
Unfunded	<u>\$ (3,037,034)</u>	<u>\$ (3,874,117)</u>

Net periodic pension costs for the years ended June 30, 2021 and 2020 was:

	2021	2020
Net periodic pension cost	<u>\$ 726,832</u>	<u>\$ 697,686</u>

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2021 and 2020:

	2021	2020
Discount rate	5.50%	5.50%
Rate of compensation increase	0.00%	0.00%

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Discount rate	5.50%	5.50%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return on plan assets	6.50%	6.50%

The Diocese's expected long-term rate of return on plan assets assumption was derived from an analysis conducted by the Diocese's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset allocation. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2021 and 2020:

<u>June 30, 2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 438,947	\$ 438,947	\$ -	\$ -
Equity securities	1,508,565	1,508,565	-	-
Equity mutual funds	6,950,729	6,950,729	-	-
Fixed income mutual funds	2,444,754	2,444,754	-	-
Total assets at fair value	<u>\$ 11,342,995</u>	<u>\$ 11,342,995</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>June 30, 2020</u>				
Cash and cash equivalents	\$ 499,527	\$ 499,527	\$ -	\$ -
Equity securities	3,320,703	3,320,703	-	-
Equity mutual funds	3,668,772	3,668,772	-	-
Fixed income mutual funds	2,349,534	2,349,534	-	-
Total assets at fair value	<u>\$ 9,838,536</u>	<u>\$ 9,838,536</u>	<u>\$ -</u>	<u>\$ -</u>

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 4.

In setting investment policies and strategies, the ability of the selected investment allocation to fund the pension plan liabilities effectively, meet the long-term return target, and align the selected allocation with the risk tolerance of the plan's fiduciaries was taken into account. The strategic allocation has reduced exposure to market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

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The Diocese expects to contribute \$681,782 to the pension plan in the 2022 fiscal year.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in following five fiscal years:

2022	\$	1,189,636
2023		1,138,462
2024		1,119,388
2025		1,085,924
2026		1,053,713

## **Restated Pension Plan for Lay Employees**

The Diocese of San Bernardino maintains a defined benefit plan for lay employees. The plan was amended and restated on September 1, 2009. All regular and full-time employees of the Diocese shall be eligible to participate in the plan provided they agree to make the required contributions under the plan. The plan is funded in part by employee contributions of two percent of gross wages. The Diocese contributes 7.5% of payroll.

Benefits under the plan are determined based on a formula which takes into account years of service and the monthly average of total compensation paid during the five (5) consecutive years of participation when compensation was the highest. Effective with the plan year September 1, 2011, the benefit formula has been changed to take into account years of service and the monthly average total compensation paid during the ten (10) consecutive years of participation when compensation was the highest. Normal retirement is the first day of the month upon attaining age 65. Each year, an actuarial valuation is performed to determine the benefit security of the participants and the sufficiency of the Diocesan contributions on an ongoing plan basis.

For the plan year ended August 31, 2021, there are 1,960 total lay plan participants; covered payroll for 782 active participants was \$28,448,448.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Benefit Obligations, Beginning Of Year	\$ 80,893,951	\$ 77,332,011
Service cost	1,529,515	1,687,948
Expected employee contributions	790,479	773,410
Interest cost	5,202,035	4,974,172
Actuarial loss	31,348	90,396
Change in assumptions	(400,286)	(323,778)
Benefit payments	(3,692,700)	(3,640,208)
Benefit Obligations, End Of Year	<u>84,354,342</u>	<u>80,893,951</u>
Fair value of plan assets, beginning of year	72,837,728	68,725,385
Actual return on plan assets	18,140,430	4,244,653
Actual employee contributions	894,921	962,877
Benefit payments	(3,692,700)	(3,640,208)
Employer contribution	<u>2,218,063</u>	<u>2,545,021</u>
Fair Value Of Plan Assets, End Of Year	<u>90,398,442</u>	<u>72,837,728</u>
Funded/(Unfunded)	<u>\$ 6,044,100</u>	<u>\$ (8,056,223)</u>

Net periodic pension costs for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Net Periodic Pension Cost		
Service cost	\$ 1,529,515	\$ 1,687,948
Interest cost	5,202,035	4,974,172
Expected return on plan assets	(4,715,612)	(4,462,850)
Amortization of prior service cost	-	199,922
Net Periodic Pension Cost	<u>\$ 2,015,938</u>	<u>\$ 2,399,192</u>

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2021 and 2020:

	2021	2020
Discount rate	6.50%	6.50%
Rate of compensation increase	3.50%	3.50%

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Discount rate	6.50%	6.50%
Rate of compensation increase	3.50%	3.50%
Expected long-term rate of return on plan assets	6.50%	6.50%

The Diocese's expected long-term rate of return on plan assets assumption was derived from an analysis conducted by the Diocese's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset allocation. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2021 and 2020:

<u>June 30, 2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 1,416,020	\$ 1,416,020	\$ -	\$ -
Equity securities	3,831,294	3,831,294	-	-
Equity mutual funds	52,453,064	52,453,064	-	-
Fixed income mutual funds	29,302,060	29,302,060	-	-
Real estate	3,396,004	-	3,396,004	-
	<u>\$ 90,398,442</u>	<u>\$ 87,002,438</u>	<u>\$ 3,396,004</u>	<u>\$ -</u>
<u>June 30, 2020</u>				
Cash and cash equivalents	\$ 1,175,370	\$ 1,175,370	\$ -	\$ -
Equity securities	2,295,681	2,295,681	-	-
Equity mutual funds	41,068,533	41,068,533	-	-
Fixed income mutual funds	25,098,258	25,098,258	-	-
Real estate	3,199,886	-	3,199,886	-
	<u>\$ 72,837,728</u>	<u>\$ 69,637,842</u>	<u>\$ 3,199,886</u>	<u>\$ -</u>

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 4.



# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

In setting investment policies and strategies, the ability of the selected investment allocation to fund the pension plan liabilities effectively, meet the long-term return target, and align the selected allocation with the risk tolerance of the plan's fiduciaries was taken into account. The strategic allocation has reduced exposure to market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The Diocese expects to contribute \$2,561,356 to the pension plan in the 2022 fiscal year.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in following five fiscal years:

2022	\$ 5,287,222
2023	5,452,829
2024	5,741,171
2025	6,053,708
2026	6,341,483

## Note 12 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the fiscal year.

	2021	2020
Purpose of restrictions accomplished		
Mission and denominational support	\$ 152,126	\$ 706,151
Mission office expense	50,411	179,554
Grant expenses	131,708	79,483
Catholic Education Foundation grants	177,486	163,727
PPP loan forgiveness	1,371,559	-
	<u>\$ 1,883,290</u>	<u>\$ 1,128,915</u>

## Note 13 - Insurance Reserve Liability

The Diocese has established a self-insured reserve for automobile insurance coverage in the amount of \$250,000.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

## Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Net assets subject to donor-imposed restrictions that either lapse through the passage of time or can be satisfied through the actions of the Diocese, and endowment gains available for use under the Diocese's spending policy:

	2021	2020
Mission and denominational support		
Propagation of the Faith	\$ 858,257	\$ 836,720
Catholic Relief Services	445,695	418,935
Holy Childhood Association	4,292	11,863
National World Apostolates	94,844	41,369
Grant income	891,307	878,987
Bishop's charity work	640,920	628,072
Catholic Education Foundation	106,806	170,829
Family Trust for Charismatic Renewal	203,353	203,353
	<u>\$ 3,245,474</u>	<u>\$ 3,190,128</u>

Net assets restricted to investment in perpetuity through the Catholic Foundation Trust and trust agreements, the investment returns from which is expendable to support:

	2021	2020
Diocesan activities - RCB restricted	\$ 1,165,873	\$ 945,452
Seminarian activities and education - RCB restricted	6,478,671	5,154,843
Seminarian activities and education - donor restricted	3,204,767	2,401,531
Priest relief endowment - RCB restricted	9,775,976	7,852,461
Priests ongoing education - RCB restricted	86,614	70,249
Total	<u>\$ 20,711,901</u>	<u>\$ 16,424,536</u>

The changes in endowment funds for the years then ended are as follows:

	2021	2020
Endowment Funds, Beginning Of Year	\$ 16,424,536	\$ 17,007,645
Interest and dividends	280,929	288,734
Gain in value of assets	4,519,413	554,859
Contributions	238,975	381,238
Fees	(38,080)	(35,956)
Distributions	(713,872)	(1,771,984)
Endowment Funds, End Of Year	<u>\$ 20,711,901</u>	<u>\$ 16,424,536</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Diocese has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

# **Note 15 - Catholic Umbrella Pool**

The Catholic Umbrella Pool (the Pool or CUP) was created as a self-insurance fund for certain (Arch) Dioceses of The Roman Catholic Church in North America. Effective July 1, 1987, the Pool provides excess liability coverage for its membership. The Pool is responsible for the following coverage, as described in their disclosure statement, for:

## **Liability (Occurrence Based):**

### **Pool Members:**

July 1, 1987 to July 1, 1988	\$3,700,000 in excess of \$1,300,000
July 1, 1988 to July 1, 1999	\$3,500,000 in excess of \$1,500,000
July 1, 1999 to July 1, 2002	No exposure (reinsurance purchased)
July 1, 2002 to July 1, 2003	46% of \$3,500,000 in excess of \$1,500,000
	10% of \$15,500,000 in excess of \$5,000,000
July 1, 2003 to January 1, 2005	50% of \$3,500,000 in excess of \$1,500,000
	20% of \$15,500,000 in excess of \$5,000,000
January 1, 2005 to January 1, 2007	74.995% of \$3,500,000 in excess of \$1,500,000
	25% of \$15,500,000 in excess of \$5,000,000
January 1, 2007 to January 1, 2013	74.996% of \$3,500,000 in excess of \$1,500,000
	30% of \$15,500,000 in excess of \$5,000,000
January 1, 2013 to January 1, 2014	74.998% of \$3,500,000 in excess of \$1,500,000
	70.831% of \$3,500,000 in excess of \$1,500,000*
	40% of \$5,000,000 in excess of \$5,000,000
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2014 to January 1, 2019	75% of \$3,500,000 in excess of \$1,500,000
	(Includes Nursing Home Liability)
	40% of \$5,000,000 in excess of \$5,000,000
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2019 to present	100% of \$3,500,000 in excess of \$1,500,000
	75% of \$3,500,000 in excess of \$1,500,000*
	40% of \$5,000,000 in excess of \$5,000,000
	10% of \$10,500,000 in excess of \$10,000,000

\*Excess Nursing Home Liability

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

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All Certificates issued by the Society (after CUP or CUP II retention, if applicable):

July 1, 2002 to July 1, 2003	10% of \$19,000,000 in excess of \$1,500,000
July 1, 2003 to January 1, 2005	20% of \$19,000,000 in excess of \$1,500,000
January 1, 2005 to January 1, 2007	25% of \$19,000,000 in excess of \$1,500,000
January 1, 2007 to January 1, 2013	30% of \$19,000,000 in excess of \$1,500,000
January 1, 2013 to January 1, 2019	40% of \$8,500,000 in excess of \$1,500,000
	30% of \$3,500,000 in excess of \$1,500,000*
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2019 to present	40% of \$8,500,000 in excess of \$1,500,000
	30% of \$3,500,000 in excess of \$1,500,000*
	10% of \$10,500,000 in excess of \$10,000,000

\*Excess Nursing Home Liability

The Pool also participates at five percent for coverages in excess of \$500,000 to a limit of \$1,500,000 for certificates issued from July 1, 2007 to January 2012, and at ten percent for certificates issued from January 1, 2012 to January 1, 2013, and at forty percent for certificates issued after January 1, 2013.

Sexual Misconduct (Occurrence Based to July 1, 1990, Claims-Made Basis thereafter):

Pool Members (Occurrence Based):

July 1, 1987 to July 1, 1990	\$150,000 in excess of \$100,000
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All Certificates issued by the Society (Claims-Made Basis):

July 1, 1990 to present	30% of \$3,500,000 in excess of \$1,500,000
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These coverages are placed through the Catholic Mutual Relief Society of America and the Catholic Relief Insurance Company of America (CRIC), and include both Pool and non-Pool members. Member (Arch) Dioceses are liable for any losses beyond the Pool's responsibilities to fund such losses. A member may elect to obtain morality coverage outside the Pool with the approval of the Board of Trustees.

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

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## Note 16 - Operating Leases

The Diocese leases various office equipment with lease terms that expire through 2025. Annual lease payments range from \$4,471 to \$46,548.

The lease payments for the year ended June 30, 2021, were \$91,865.

The following is a summary of future minimum rental payments for operating leases that have initial or remaining no cancelable terms in excess of one year as of June 30, 2021:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payments</u>
2022	\$ 109,021
2023	108,134
2024	98,396
2025	46,548
	<u>\$ 362,099</u>

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

## Note 17 - Functional Expense

The following schedule presents the natural classification of expenses by function for the years ended June 30, 2021 and 2020:

	2021										
	Program					Management and Administrative			Total Management and Administrative		
	Pastoral Services	Education	Religious Personnel	Ministries and Social Services	Grants, and Donations	Total Program	Diocesan Administration	Insurances	Administration	Fundraising	Total
Personnel costs	\$ 2,969,243	\$ 1,811,766	\$ 720,169	\$ 1,367,719	\$ -	\$ 6,868,897	\$ 2,551,702	\$ 4,086,392	\$ 6,638,094	\$ 179,116	\$ 13,686,107
Contract services	71,657	37,076	600	38,084	679	148,096	572,802	4,618	577,420	57,588	783,104
Facility, construction and equipment costs	836,430	86,794	96,204	464,378	28,957	1,512,763	139,500	2,700,009	2,839,509	11,877	4,364,149
Office, printing, and other expenses	302,759	65,665	26,635	692,201	54,711	1,141,971	669,098	125,669	794,767	358,314	2,295,052
Seminarian expense, education, and travel	63,507	240,382	620,900	20,802	622	946,213	12,381	160,441	172,822	9,758	1,128,793
Special events	67,465	26,501	24,142	8,940	-	127,048	-	-	-	370,195	497,243
Donations, gifts, charity, and subsidies	-	-	-	-	264,624	264,624	-	-	-	-	264,624
Diocesan dues and assessments	-	-	-	-	-	-	411,394	-	411,394	-	411,394
Interest expense	-	-	-	-	-	-	163,829	-	163,829	-	163,829
Total expenses	<u>\$ 4,311,061</u>	<u>\$ 2,268,184</u>	<u>\$ 1,488,650</u>	<u>\$ 2,592,124</u>	<u>\$ 349,593</u>	<u>\$ 11,009,612</u>	<u>\$ 4,520,706</u>	<u>\$ 7,077,129</u>	<u>\$ 11,597,835</u>	<u>\$ 986,848</u>	<u>\$ 23,594,295</u>

# The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2021 and 2020

	2020										
	Program						Management and Administrative		Total Management and Administrative		
	Pastoral Services	Education	Religious Personnel	Ministries and Social Services	Grants, and Donations	Total Program	Diocesan Administration	Insurances	Administration	Fundraising	Total
Personnel costs	\$ 3,378,565	\$ 2,171,022	\$ 955,317	\$ 1,977,722	\$ 4,710	\$ 8,487,336	\$ 3,208,411	\$ 4,295,555	\$ 7,503,966	\$ 227,742	\$ 16,219,044
Contract services	93,096	29,238	-	68,501	-	190,835	951,688	5,276	956,964	76,984	1,224,783
Facility, construction and equipment costs	697,959	76,575	97,425	450,841	37,714	1,360,514	109,524	2,497,993	2,607,517	8,438	3,976,469
Office, printing, and other expenses	668,407	139,851	30,947	858,366	53,007	1,750,578	747,725	345,111	1,092,836	304,856	3,148,270
Seminarian expense, education, and travel	186,342	335,299	998,381	98,242	3,190	1,621,454	32,094	119,453	151,547	16,243	1,789,244
Special events	112,244	192,142	210,777	92,331	-	607,494	11,763	-	11,763	378,356	997,613
Donations, gifts, charity, and subsidies	-	30	-	-	963,415	963,445	-	-	-	-	963,445
Diocesan dues and assessments	-	-	-	-	-	-	457,179	-	457,179	-	457,179
Interest expense	-	-	-	3,300	-	3,300	196,666	-	196,666	-	199,966
Total Expenses	<u>\$ 5,136,613</u>	<u>\$ 2,944,157</u>	<u>\$ 2,292,847</u>	<u>\$ 3,549,303</u>	<u>\$ 1,062,036</u>	<u>\$ 14,984,956</u>	<u>\$ 5,715,050</u>	<u>\$ 7,263,388</u>	<u>\$ 12,978,438</u>	<u>\$ 1,012,619</u>	<u>\$ 28,976,013</u>

**Note 18 - Commitments and Contingencies**

**Litigation**

The Diocese is involved in lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these lawsuits is not expected to have a material effect on the Diocese's financial position or change in net assets.

**Note 19 - Subsequent Events**

The Diocese's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 22, 2021, which is the date the financial statements were available to be issued.