



Financial Statements  
June 30, 2022 and 2021

**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, 2022 and 2021

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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 Audit of the Financial Statements**

#### ***Opinion***

We have audited the 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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Rancho Cucamonga, California  
January 6, 2023

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

## Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 5,877,587	\$ 5,885,044
Investments (Note 3)	61,968,261	92,941,297
Investments held in trust for others (Note 10)	30,825,062	36,786,819
Receivables (Note 5)		
Accounts receivable, net	3,161,070	3,409,474
Notes receivable	3,964,336	4,262,458
Deposits and prepaid expenses (Note 6)	574,145	403,143
Land, property, and equipment, net of accumulated depreciation (Note 7)	14,466,377	14,800,665
Accrued net pension asset (Note 11)	-	6,044,100
<b>Total assets</b>	<b>\$ 120,836,838</b>	<b>\$ 164,533,000</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 922,982	\$ 1,824,635
Deferred revenue	-	5,003
Notes payable (Note 8)	3,827,005	4,239,188
Funds held in trust for others (Note 10)	30,825,062	36,786,819
Accrued net pension liability (Note 11)	13,419,152	3,037,034
Insurance reserves (Note 13)	250,000	250,000
<b>Total liabilities</b>	<b>49,244,201</b>	<b>46,142,679</b>
<b>Net Assets (Note 14)</b>		
Net assets without donor restrictions	47,295,093	91,057,386
Net assets without donor restrictions - designated	3,243,677	3,375,560
Net assets with donor restrictions	21,053,867	23,957,375
<b>Total net assets</b>	<b>71,592,637</b>	<b>118,390,321</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 120,836,838</b>	<b>\$ 164,533,000</b>

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

## Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	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	\$ 997,108	\$ 1,606,960	\$ 2,604,068	\$ 1,142,524	\$ 466,002	\$ 1,608,526
Contribution - PPP loan forgiveness	-	-	-	-	1,371,559	1,371,559
Assessments	7,430,630	-	7,430,630	7,483,401	-	7,483,401
Diocesan development fund subsidy	3,240,000	-	3,240,000	3,240,000	-	3,240,000
Fees and expense reimbursements	1,568,493	-	1,568,493	1,216,820	-	1,216,820
Insurance premiums	6,940,527	84,393	7,024,920	6,508,867	62,804	6,571,671
Investment income used for operations	-	-	-	718,391	-	718,391
Interest/dividend income	57,224	-	57,224	29,083	-	29,083
Endowment payout	325,097	-	325,097	625,448	-	625,448
Grant income	175,965	226,927	402,892	224,344	234,238	458,582
Other income	313,701	-	313,701	281,818	-	281,818
Net assets released from restrictions	1,419,658	(1,419,658)	-	1,883,290	(1,883,290)	-
Total revenues	22,468,403	498,622	22,967,025	23,353,986	251,313	23,605,299
Expenses						
Program services						
Pastoral services	4,723,953	-	4,723,953	4,311,061	-	4,311,061
Education	2,506,329	-	2,506,329	2,268,184	-	2,268,184
Religious personnel development	3,094,397	-	3,094,397	1,488,650	-	1,488,650
Ministries and social services	2,978,265	-	2,978,265	2,592,124	-	2,592,124
Grants and donations	1,165,440	-	1,165,440	349,593	-	349,593
General and administrative services						
Diocesan administration	4,628,677	-	4,628,677	4,520,706	-	4,520,706
Insurance premiums and benefits	6,700,518	-	6,700,518	7,077,129	-	7,077,129
Fundraising	1,395,951	-	1,395,951	986,848	-	986,848
Total expenses	27,193,530	-	27,193,530	23,594,295	-	23,594,295
Excess (Deficiency) of Revenues over Expenses	(4,725,127)	498,622	(4,226,505)	(240,309)	251,313	11,004
Other Changes in Net Assets						
Investment income not used in operations	(22,382,409)	(3,402,130)	(25,784,539)	24,353,499	4,091,398	28,444,897
Sale of property	-	-	-	10,486	-	10,486
Loss on legal settlements	(360,422)	-	(360,422)	(233,500)	-	(233,500)
Actuarial adjustment - pension plan	(16,426,218)	-	(16,426,218)	14,937,406	-	14,937,406
Total other changes in net assets	(39,169,049)	(3,402,130)	(42,571,179)	39,067,891	4,091,398	43,159,289
Change in Net Assets	(43,894,176)	(2,903,508)	(46,797,684)	38,827,582	4,342,711	43,170,293
Net Assets, Beginning of Year	94,432,946	23,957,375	118,390,321	55,605,364	19,614,664	75,220,028
Net Assets, End of Year	\$ 50,538,770	\$ 21,053,867	\$ 71,592,637	\$ 94,432,946	\$ 23,957,375	\$ 118,390,321

See Notes to Financial Statements

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

Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (46,797,684)	\$ 43,170,293
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation expense	616,011	776,006
Unrealized losses (gains) on investments	28,026,286	(27,299,198)
Realized gains on investments	(2,369,418)	(1,779,331)
Contributions restricted for long-term purposes	(507,571)	(238,975)
Change in assets and liabilities		
Accounts receivable	248,404	1,946,292
Deposits and prepaid expenses	(171,002)	71,030
Accounts payable and accrued expenses	(901,653)	(3,082,642)
Funds held for others	(5,961,757)	8,753,908
Refundable advance - PPP loan	-	(1,356,301)
Deferred revenue	(5,003)	-
Pensions	16,426,218	(14,937,406)
Net Cash from Operating Activities	<u>(11,397,169)</u>	<u>6,023,676</u>
Investing Activities		
Purchase of land, property, and equipment	(281,723)	(117,158)
Disposal of property	-	326,000
Collections on notes receivable	298,122	187,539
Changes in investments and funds on deposit	11,277,925	(7,054,798)
Net Cash from Investing Activities	<u>11,294,324</u>	<u>(6,658,417)</u>
Financing Activities		
Collection of contributions restricted for long-term purposes	507,571	238,975
Payments on notes payable	(412,183)	(934,783)
Net Cash from Financing Activities	<u>95,388</u>	<u>(695,808)</u>
Net Change in Cash and Cash Equivalents	(7,457)	(1,330,549)
Cash and Cash Equivalents, Beginning of Year	<u>5,885,044</u>	<u>7,215,593</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,877,587</u>	<u>\$ 5,885,044</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 124,128</u>	<u>\$ 163,829</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**

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.

### **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, 2022 and 2021, amounted to \$1,262,659 and \$978,030, 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, 2022 and 2021, 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, 2022 and 2021.

### **Related Parties**

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

### Change in Accounting Principle

As of July 1, 2021, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

### 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.

### 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:

	2022	2021
Cash and cash equivalents	\$ 2,862,874	\$ 1,375,952
Investments	19,713,522	47,919,733
Accounts receivable, net	1,077,076	1,264,504
Notes receivable	145,588	150,708
	<u>\$ 23,799,060</u>	<u>\$ 50,710,897</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.

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

Notes to Financial Statements

June 30, 2022 and 2021

## **Note 3 - Cash, Cash Equivalents, and Investments**

Cash, cash equivalents, and investments at June 30, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	\$ 5,877,587	\$ 5,885,044
Investments	61,968,261	92,941,297
	<u>\$ 67,845,848</u>	<u>\$ 98,826,341</u>

Cash, cash equivalents, and investments at June 30, 2022 were held for the following purposes:

	2022
Grant Funds	
Black & Indian grant	\$ 172,207
Campaign for Human Development grant	95,112
Catholic Education Foundation - Current year	38,828
Insurance Funds	
Property insurance fund	475,853
Auto insurance fund	458,293
Priests' pension plan	2,704,840
Workers' compensation fund	2,230,977
Priests' health plan	81,502
State unemployment insurance fund	5,182,667
Earthquake insurance fund	8,311,467
Restricted Funds	
Mission Center restricted donations	1,487,839
Catholic Foundation, for the benefit of Seminarians and Priests	17,774,379
Designated Funds	
Valley Missionary Program	244,276
Bishop charity and special work	798,980
Designated donations	255,459
Other Funds	
Excess funds	23,035,930
Operating fund	3,812,087
Fixed asset funds	685,152
	<u>\$ 67,845,848</u>

Funds held for Mission Center restricted donations of \$1,487,839 and Catholic Foundation for the benefit of Seminarians and Priests of \$17,774,379, represent funds that are restricted by virtue of the donor and by the canon laws regulating the activities of the Roman Catholic Church. The Diocese has fiduciary oversight over these funds and they are not available for Diocesan operations, as they are held for the charitable purpose for which they were specifically intended and given. Funds for the Catholic Foundation for the benefit of Seminarians and Priests are restricted in perpetuity through the Catholic Foundation Trust and trust agreements.

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

Notes to Financial Statements

June 30, 2022 and 2021

The following schedule summarizes the Diocese's investment returns for the year ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 1,016,897	\$ 1,111,902
Unrealized gain (loss) for the year	(28,026,286)	27,299,198
Realized gain for the year	2,369,418	1,779,331
	(24,639,971)	30,190,431
Investment expense	(309,203)	(284,188)
Spending policy payout	(778,141)	(713,872)
Net investment returns	\$ (25,727,315)	\$ 29,192,371

The following table summarizes the Diocese's investments at June 30, 2022 and 2021:

	June 30, 2022		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Money market funds	\$ 11,380,981	\$ 11,372,333	\$ (8,648)
Mutual funds	50,367,504	72,637,091	22,269,587
U.S. Government and agency instruments	2,884,545	2,588,951	(295,594)
Corporate bonds	4,010,160	3,876,372	(133,788)
Limited partnerships	1,499,973	2,318,576	818,603
	<u>\$ 70,143,163</u>	<u>\$ 92,793,323</u>	<u>\$ 22,650,160</u>
	June 30, 2021		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Money market funds	\$ 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>

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

Notes to Financial Statements

June 30, 2022 and 2021

## **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, 2022 and 2021 are as follows:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 11,372,333	\$ -	\$ -	\$ 11,372,333
Mutual funds	72,637,091	-	-	72,637,091
U.S. Government and agency instruments	2,588,951	-	-	2,588,951
Corporate bonds	3,876,372	-	-	3,876,372
Limited partnerships	-	2,318,576	-	2,318,576
	<u>\$ 90,474,747</u>	<u>\$ 2,318,576</u>	<u>\$ -</u>	<u>\$ 92,793,323</u>

  

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 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>

## **Note 5 - Accounts and Notes Receivable**

Accounts receivable (net of allowance for doubtful accounts) at June 30, 2022 and 2021 are as follows:

	2022	2021
General receivables	\$ 2,953,235	\$ 2,734,025
Payroll receivables	1,402,343	1,573,887
Other receivables	68,151	79,592
	<u>4,423,729</u>	<u>4,387,504</u>
Total gross receivables		
	4,423,729	4,387,504
Less allowance for doubtful accounts	(1,262,659)	(978,030)
	<u>\$ 3,161,070</u>	<u>\$ 3,409,474</u>
Total accounts receivable, net		



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

Notes to Financial Statements

June 30, 2022 and 2021

Notes receivable at June 30, 2022 and 2021 are as follows:

	2022	2021
Clergy receivable	\$ 7,755	\$ 19,053
Seminarian education notes receivable	254,361	293,807
Note receivable secured by trust deed	-	140,000
Note receivable from Land Development Corporation	3,702,220	3,809,598
Total notes receivable	<u>\$ 3,964,336</u>	<u>\$ 4,262,458</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, 2022 and 2021 was \$3,702,220 and \$3,809,598, 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, 2022 and 2021 were comprised of the following:

	2022	2021
Prepaid expenses - operating funds	\$ 139,950	\$ 170,671
Prepaid expenses - insurance funds	210,553	35,105
Prepaid expenses - other	335	436
Deposit - insurance programs	223,307	196,931
Total deposits and prepaid expenses	<u>\$ 574,145</u>	<u>\$ 403,143</u>

## Note 7 - Land, Property, and Equipment

The composition of plant assets at June 30, 2022 and 2021 is as follows:

	2022	2021
Land	\$ 6,893,606	\$ 6,893,606
Building	16,988,098	16,924,115
Equipment	1,430,852	1,213,112
Furnishings	455,364	455,364
Vehicles	192,432	192,432
Leasehold improvements	415,482	415,482
Total land, property, and equipment	26,375,834	26,094,111
Accumulated depreciation	<u>(11,909,457)</u>	<u>(11,293,446)</u>
Total land, property, and equipment, net	<u>\$ 14,466,377</u>	<u>\$ 14,800,665</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

Depreciation expense for the years ended June 30, 2022 and 2021 was \$616,011 and \$776,006, respectively.

Building assets with depreciated value of \$266,187 are pledged as collateral for the notes payable referenced in Note 8.

## Note 8 - Notes Payable

Notes payable at June 30, 2022 and 2021 are as follows:

	2022	2021
Citizens Business Bank note payable, interest rate of 3.50%, due September 6, 2026	\$ 2,076,658	\$ 2,530,305
Citizens Business Bank line of credit, limit \$5,300,000, interest rate of 4.50%	1,695,347	1,653,883
Note payable to Wilfrid Lemann, successor trustee for property bequest, interest only payments at 6.00% annual interest	55,000	55,000
Total notes payable	<u>\$ 3,827,005</u>	<u>\$ 4,239,188</u>

The Diocese has notes payable due to legally separate but affiliated organizations. As of June 30, 2022, 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 \$124,128 and \$163,829 for the years ended June 30, 2022 and 2021, 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.

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

Notes to Financial Statements

June 30, 2022 and 2021

## Note 10 - Funds Held in Trust for Others

Funds held in trust for others totaled \$30,825,062 and \$36,786,819 at June 30, 2022 and 2021, respectively. These amounts represent other parish and school funds held in trust by the Diocese, and are detailed at June 30, 2022 as follows:

	<u>2022</u>
National collections (Religious retirement, combined collections)	\$ 330,849
State use tax and other tax withholdings	17,645
Parish funds - Lease option to purchase	347,686
Payroll funds - Employee health, pension, and other deductions	2,163,661
Catholic Foundation and Education Foundation funds (schools and parishes)	27,769,379
PPE Grant funds reserved for parishes and schools	183,536
Other	<u>12,306</u>
	<u><u>\$ 30,825,062</u></u>

## 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, 2022 and 2021, was \$748,793 and \$726,832, 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, 2022. 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, 2022 and 2021

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Benefit obligations, beginning of year	\$ 14,380,029	\$ 13,712,653
Service cost	227,983	110,643
Expected employee contributions	26,800	25,550
Interest cost	753,805	720,862
Actuarial gain	(120,013)	(44,472)
Change in assumptions	103,322	1,003,552
Benefit payments	(1,135,747)	(1,148,759)
	<u>14,236,179</u>	<u>14,380,029</u>
Benefit obligations, end of year		
Fair value of plan assets, beginning of year	11,342,995	9,838,536
Actual return on plan assets	(1,500,033)	2,627,668
Actual employee contributions	26,800	25,550
Benefit payments	(1,135,747)	(1,148,759)
Employer contribution	1,291,372	-
	<u>10,025,387</u>	<u>11,342,995</u>
Fair value of plan assets, end of year		
Unfunded	<u>\$ (4,210,792)</u>	<u>\$ (3,037,034)</u>

Net periodic pension costs for the years ended June 30, 2022 and 2021 was:

	2022	2021
Net periodic pension cost	<u>\$ 748,793</u>	<u>\$ 726,832</u>

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2022 and 2021:

	2022	2021
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, 2022 and 2021

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2022 and 2021:

	2022	2021
Discount rate	5.50%	5.50%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return on plan assets	6.00%	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, 2022 and 2021:

June 30, 2022	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 648,591	\$ 648,591	\$ -	\$ -
Equity securities	1,348,847	1,348,847	-	-
Equity mutual funds	5,530,514	5,530,514	-	-
Fixed income mutual funds	2,497,435	2,497,435	-	-
Total assets at fair value	<u>\$ 10,025,387</u>	<u>\$ 10,025,387</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2021				
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>

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, 2022 and 2021

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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 \$910,000 to the pension plan in the 2023 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:

2023	\$ 1,120,902
2024	1,120,636
2025	1,103,899
2026	1,086,833
2027	1,094,524

## **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, 2022, there are 1,961 total lay plan participants; covered payroll for 686 active participants was \$26,017,932.

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

Notes to Financial Statements

June 30, 2022 and 2021

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Benefit obligations, beginning of year	\$ 84,354,342	\$ 80,893,951
Service cost	1,352,000	1,529,515
Expected employee contributions	739,172	790,479
Interest cost	5,395,949	5,202,035
Actuarial loss/(gain)	(900,055)	31,348
Change in assumptions	566,132	(400,286)
Benefit payments	(4,470,250)	(3,692,700)
	<u>87,037,290</u>	<u>84,354,342</u>
Benefit obligations, end of year		
Fair value of plan assets, beginning of year	90,398,442	72,837,728
Actual return on plan assets	(11,343,038)	18,140,430
Actual employee contributions	943,971	894,921
Benefit payments	(4,470,250)	(3,692,700)
Employer contribution	2,299,805	2,218,063
	<u>77,828,930</u>	<u>90,398,442</u>
Fair value of plan assets, end of year		
Funded/(Unfunded)	<u>\$ (9,208,360)</u>	<u>\$ 6,044,100</u>

Net periodic pension costs for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Net periodic pension cost		
Service cost	\$ 1,352,000	\$ 1,529,515
Interest cost	5,395,949	5,202,035
Expected return on plan assets	(5,836,038)	(4,715,612)
Recognition of net loss/(gain)	(340,363)	-
	<u>\$ 571,548</u>	<u>\$ 2,015,938</u>
Net periodic pension cost		

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2022 and 2021:

	2022	2021
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, 2022 and 2021

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</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, 2022 and 2021:

<u>June 30, 2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 815,648	\$ 815,648	\$ -	\$ -
Equity securities	3,179,234	3,179,234	-	-
Equity mutual funds	43,050,221	43,050,221	-	-
Fixed income mutual funds	26,394,688	26,394,688	-	-
Real estate	4,389,139	-	4,389,139	-
	<u>4,389,139</u>	<u>-</u>	<u>4,389,139</u>	<u>-</u>
Total assets at fair value	<u>\$ 77,828,930</u>	<u>\$ 73,439,791</u>	<u>\$ 4,389,139</u>	<u>\$ -</u>
<u>June 30, 2021</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>3,396,004</u>	<u>-</u>	<u>3,396,004</u>	<u>-</u>
Total assets at fair value	<u>\$ 90,398,442</u>	<u>\$ 87,002,438</u>	<u>\$ 3,396,004</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, 2022 and 2021

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 \$2,270,000 to the pension plan in the 2023 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:

2023	\$ 5,678,425
2024	5,964,783
2025	6,315,379
2026	6,618,087
2027	6,836,432

## 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.

	2022	2021
Purpose of restrictions accomplished		
Mission and denominational support	\$ 851,964	\$ 152,126
Mission office expense	83,251	50,411
Grant expenses	287,158	131,708
Catholic Education Foundation grants	197,285	177,486
PPP loan forgiveness	-	1,371,559
	<u>\$ 1,419,658</u>	<u>\$ 1,883,290</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, 2022 and 2021

## 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:

	2022	2021
Mission and denominational support		
Propagation of the Faith	\$ 887,734	\$ 858,257
Catholic Relief Services	393,695	445,695
Holy Childhood Association	19,769	4,292
National World Apostolates	185,785	94,844
Grant income	1,136,329	891,307
Bishop's charity work	413,995	640,920
Catholic Education Foundation	38,828	106,806
Family Trust for Charismatic Renewal	203,353	203,353
	<u>\$ 3,279,488</u>	<u>\$ 3,245,474</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:

	2022	2021
Diocesan activities - RCB restricted	\$ 974,758	\$ 1,165,873
Seminarian activities and education - RCB restricted	5,365,929	6,478,671
Seminarian activities and education - donor restricted	3,113,435	3,204,767
Priest relief endowment - RCB restricted	8,247,858	9,775,976
Priests ongoing education - RCB restricted	72,399	86,614
Total	<u>\$ 17,774,379</u>	<u>\$ 20,711,901</u>

The corpus balance restricted to investment in perpetuity was \$11,879,905 at June 30, 2022.

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

	2022	2021
Endowment funds, beginning of year	\$ 20,711,901	\$ 16,424,536
Interest and dividends	288,027	280,929
Gain (loss) in value of assets	(2,914,663)	4,519,413
Contributions	507,571	238,975
Fees	(40,316)	(38,080)
Distributions	(778,141)	(713,872)
Endowment funds, end of year	<u>\$ 17,774,379</u>	<u>\$ 20,711,901</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

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

Notes to Financial Statements

June 30, 2022 and 2021

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.

**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, 2022, were \$142,128.

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, 2022:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payments</u>
2023	\$ 97,970
2024	93,062
2025	<u>45,054</u>
	<u><u>\$ 236,086</u></u>

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

Notes to Financial Statements

June 30, 2022 and 2021

## Note 17 - Functional Expense

The following schedule presents the natural classification of expenses by function for the years ended June 30, 2022 and 2021:

	2022										
	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	\$ 3,216,062	\$ 2,000,799	\$ 365,903	\$ 1,671,994	\$ -	\$ 7,254,758	\$ 2,888,806	\$ 3,475,024	\$ 6,363,830	\$ 254,899	\$ 13,873,487
Contract services	69,984	9,044	680	46,091	-	125,799	477,510	6,002	483,512	101,726	711,037
Facility, construction and equipment costs	843,778	85,028	146	395,027	6,853	1,330,832	162,851	2,824,678	2,987,529	10,686	4,329,047
Office, printing, and other expenses	364,311	71,299	15,975	48,947	57	500,589	546,197	323,172	869,369	379,338	1,749,296
Seminarian expense, education, and travel	112,955	318,296	57,130	57,061	31,662	577,104	16,458	65,874	82,332	7,889	667,325
Special events	-	21,863	333,541	46,245	-	401,649	778	5,724	6,502	641,413	1,049,564
Donations, gifts, charity, and subsidies	116,863	-	2,321,022	712,900	1,126,868	4,277,653	-	44	44	-	4,277,697
Diocesan dues and assessments	-	-	-	-	-	-	411,949	-	411,949	-	411,949
Interest expense	-	-	-	-	-	-	124,128	-	124,128	-	124,128
Total expenses	<u>\$ 4,723,953</u>	<u>\$ 2,506,329</u>	<u>\$ 3,094,397</u>	<u>\$ 2,978,265</u>	<u>\$ 1,165,440</u>	<u>\$ 14,468,384</u>	<u>\$ 4,628,677</u>	<u>\$ 6,700,518</u>	<u>\$ 11,329,195</u>	<u>\$ 1,395,951</u>	<u>\$ 27,193,530</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

	2021										
	Program					Management and Administrative		Total Management and			
	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>

**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 January 6, 2023, which is the date the financial statements were available to be issued.