

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC
DIOCESE OF OGDENSBURG**

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

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INDEPENDENT AUDITOR'S REPORT

Most Reverend Terry R. LaValley
Bishop of the Roman Catholic Diocese of Ogdensburg
Ogdensburg, New York

We have audited the accompanying financial statements of the Central Administrative Offices of the Roman Catholic Diocese of Ogdensburg (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

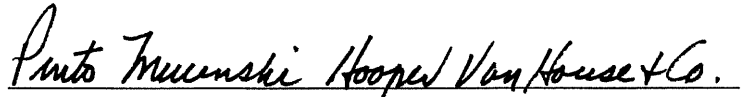
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Offices of the Roman Catholic Diocese of Ogdensburg as of June 30, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Program and Other Expenses on Pages 33 and 34 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Prato Mucinski Hooper Van House & Co.
Certified Public Accountants, P.C.

October 30, 2018

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	6/30/2018	6/30/2017
ASSETS		
Cash and Cash Equivalents	\$ 3,080,257	\$ 2,541,179
Accounts Receivable	633,827	445,388
Accrued Interest Receivable	153,196	163,630
Due from Lay Employees' Retirement Obligation	318,579	403,436
Inventories	19,625	22,001
Prepaid Expenses	398,088	405,087
Investments at Fair Value	78,071,072	77,927,735
Other Investments	462,934	429,747
Loans Receivable - Ministry - Net of Loan Loss Reserve	446,080	470,883
Loans Receivable - Parishes and Affiliates - Net of Loan Loss Reserve	1,974,294	2,170,022
Land, Building, and Equipment - Net of Accumulated Depreciation	2,096,866	2,068,912
Restricted Assets	27,727,187	26,433,898
TOTAL ASSETS	\$ 115,382,005	\$ 113,481,918
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 213,927	\$ 176,739
Accrued Compensation	92,537	86,765
Collections Payable	252,307	252,724
Accrued Interest Payable	111,512	108,479
Deferred Revenue	599,507	630,484
Insurance Claims Payable	2,969,618	2,943,179
Reserve for Insurance Claims	1,517,771	2,178,593
IRCP Claims Payable	5,495,000	-
Deposits Payable	25,465,479	25,699,745
Diocesan Trust Fund	25,340,119	24,035,847
Charitable Gift Annuities Payable	515,202	663,728
Disaster Relief Funds Collected	12,006	11,653
Accrued Pension Obligation	382,517	242,287
Lay Employees' Retirement Obligations	27,727,187	26,433,898
Total Liabilities	90,694,689	83,464,121
 NET ASSETS		
Unrestricted:		
Undesignated	2,805,483	4,890,134
Designated	7,469,935	10,777,923
Total Unrestricted	10,275,418	15,668,057
Temporarily Restricted	13,136,695	13,074,537
Permanently Restricted	1,275,203	1,275,203
Total Net Assets	24,687,316	30,017,797
TOTAL LIABILITIES AND NET ASSETS	\$ 115,382,005	\$ 113,481,918

The accompanying notes are an integral part of these financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Diocesan Assessments	\$ 1,952,768	\$ 74,130	\$ -	\$ 2,026,898
Contributions	1,526,951	425,330	-	1,952,281
Bequests	423,075	-	-	423,075
Contributed Services	92,025	-	-	92,025
Investment Income	1,146,697	418,104	-	1,564,801
Net Realized and Unrealized Gains and (Losses) on Investments	1,091,516	797,603	-	1,889,119
Grants	73,811	39,078	-	112,889
Management Fees	464,786	-	-	464,786
Other Revenue	427,306	28,099	-	455,405
Auxiliary Services	2,360,506	-	-	2,360,506
Gain or (Loss) on Disposal of Assets	(10)	-	-	(10)
Change in the Value of Charitable Gift Annuity	-	(12,963)	-	(12,963)
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	1,707,223	(1,707,223)	-	-
Total Revenues, Gains, and Other Support	<u>11,266,654</u>	<u>62,158</u>	<u>-</u>	<u>11,328,812</u>
EXPENSES				
Pastoral	521,398	-	-	521,398
Religious Personnel Development	2,076,610	-	-	2,076,610
Education	1,550,418	-	-	1,550,418
Social Services	309,205	-	-	309,205
Cemeteries	4,819	-	-	4,819
Diocesan Administration	8,580,464	-	-	8,580,464
Auxiliary Services	3,476,149	-	-	3,476,149
Total Expenses	<u>16,519,063</u>	<u>-</u>	<u>-</u>	<u>16,519,063</u>
CHANGE IN NET ASSETS	(5,252,409)	62,158	-	(5,190,251)
CHANGE IN FUNDED STATUS OF EMPLOYEE BENEFIT PLAN	(140,230)	-	-	(140,230)
NET ASSETS - BEGINNING OF YEAR	<u>15,668,057</u>	<u>13,074,537</u>	<u>1,275,203</u>	<u>30,017,797</u>
NET ASSETS - END OF YEAR	<u>\$ 10,275,418</u>	<u>\$ 13,136,695</u>	<u>\$ 1,275,203</u>	<u>\$ 24,687,316</u>

The accompanying notes are an integral part of these financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Diocesan Assessments	\$ 1,954,747	\$ 74,676	\$ -	\$ 2,029,423
Contributions	1,647,631	661,067	-	2,308,698
Bequests	408,505	34,302	-	442,807
Contributed Services	115,211	-	-	115,211
Investment Income	1,005,052	342,736	-	1,347,788
Net Realized and Unrealized Gains and (Losses) on Investments	1,481,718	1,240,483	-	2,722,201
Grants	67,590	40,000	-	107,590
Management Fees	406,918	-	-	406,918
Other Revenue	412,090	12,556	-	424,646
Auxiliary Services	2,546,153	-	-	2,546,153
Gain or (Loss) on Disposal of Assets	3,208	-	-	3,208
Change in the Value of Charitable Gift Annuity	-	(47,006)	-	(47,006)
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	1,561,719	(1,561,719)	-	-
Total Revenues, Gains, and Other Support	11,610,542	797,095	-	12,407,637
EXPENSES				
Pastoral	509,127	-	-	509,127
Religious Personnel Development	2,053,446	-	-	2,053,446
Education	1,498,103	-	-	1,498,103
Social Services	336,485	-	-	336,485
Cemeteries	4,643	-	-	4,643
Diocesan Administration	2,070,161	-	-	2,070,161
Auxiliary Services	2,534,294	-	-	2,534,294
Total Expenses	9,006,259	-	-	9,006,259
CHANGE IN NET ASSETS	2,604,283	797,095	-	3,401,378
CHANGE IN FUNDED STATUS OF EMPLOYEE BENEFIT PLAN	(56,340)	-	-	(56,340)
TRANSFERS	10,000	-	(10,000)	-
NET ASSETS - BEGINNING OF YEAR	13,110,114	12,277,442	1,285,203	26,672,759
NET ASSETS - END OF YEAR	\$ 15,668,057	\$ 13,074,537	\$ 1,275,203	\$ 30,017,797

The accompanying notes are an integral part of these financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	6/30/2018	6/30/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (5,190,251)	\$ 3,401,378
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	131,019	128,816
Net Realized and Unrealized (Gains) Losses on Investments	(1,889,119)	(2,722,201)
(Gain) Loss on Sale of Fixed Assets	10	(3,208)
Change in the Value of Charitable Gift Annuity (CGA)	37,127	47,006
Decrease (Increase) In:		
Accounts and Loans Receivable	(163,636)	(177,700)
Accrued Interest Receivable	10,434	(27,549)
Due from Lay Employees' Retirement Obligations	84,857	19,321
Inventories	2,376	(7,347)
Prepaid Expenses	6,999	(5,177)
Increase (Decrease) In:		
Accounts Payable	37,191	(22,549)
Accrued Compensation	5,772	3,747
Accrued Interest Payable	3,033	13,412
Deferred Revenue	(30,977)	(34,576)
Insurance Claims Payable	26,439	379,027
Reserve for Insurance Claims	(660,825)	(347,550)
IRCP Claims Payable	5,495,000	-
Other Liabilities	(64)	14,509
Net Cash Provided (Used) by Operating Activities	(2,094,615)	659,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Equipment	12,000	15,000
Purchase of Furnishings and Equipment	(170,984)	(109,346)
Net Change In:		
Restricted Assets	(1,293,289)	(1,352,325)
Investments	1,712,596	(6,666,502)
Loans Receivable - Parishes and Affiliates	195,728	330,897
Deposits Payable	(234,266)	3,463,324
Diocesan Trust Fund	1,304,272	1,863,960
Lay Employees' Retirement Trust	1,293,289	1,352,323
Net Cash Provided (Used) by Investing Activities	2,819,346	(1,102,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from New Annuities	-	38,908
Annuity Payments and Payoffs	(185,653)	(60,814)
Net Cash Provided (Used) by Financing Activities	(185,653)	(21,906)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	539,078	(465,216)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,541,179	3,006,395
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,080,257	\$ 2,541,179

**SUPPLEMENTAL CASH FLOW DISCLOSURES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Cash Paid During the Year for		
Interest	\$ 1,003,151	\$ 968,764

The accompanying notes are an integral part of these financial statements.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - ORGANIZATION

The Roman Catholic Diocese of Ogdensburg (Diocese) was incorporated in 1945 to oversee the theological and financial affairs of the parishes and missions within the northern counties of New York State. The accompanying financial statements include the assets, liabilities, net assets and financial activities of the offices and departments directly under the control of the Bishop of the Roman Catholic Diocese of Ogdensburg.

The accompanying financial statements do not include the assets, liabilities, net assets, and financial activities of certain entities which operate within the Diocese such as Catholic Charities, parishes, schools, cemeteries, etc. Each is an operating entity distinct from the Diocesan administrative offices.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Use of Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Designated Net Assets - Designated net assets represent internally imposed limitations on the use of unrestricted net assets and are, therefore, included in unrestricted net assets.

Temporarily Restricted Net Assets - Net assets whose use has been limited by donors to specific time periods or purposes. When the donor restrictions expire, that is, when a stipulation ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets that are donated with stipulations that they be invested to provide a permanent source of income. Such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Bequests

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Pledges not received at year end are deemed uncollectible and are not reflected in these financial statements.

Other contributions of cash and other assets are reported as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investments earnings available for distribution are recorded in temporarily restricted net assets until used for their designated purpose.

The Board of Trustees of the Diocese has interpreted the current state law as requiring the preservation of the original gift as of the gift date of the donor as restricted endowment funds, absent donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets the original value of the gift donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. If applicable, the remaining portion of the donor restricted endowment fund earnings that are not classified in permanently restricted net assets are classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Diocese.

Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

Allowance for Doubtful Accounts

Management reviews the status of accounts receivable due from parishes, related entities, and others. If an account is determined to be uncollectible, it is written off. Therefore, all accounts in this category of receivable as outlined in Note 3 are considered to be fully collectible.

Loan Loss Reserve

Management also reviews the outstanding loans receivable. As a result of this review, a Loan Loss Reserve has been set up for loans whose repayments are doubtful (see Note 4 and 11).

Investments

Marketable securities are recorded at their fair value. Other investments as outlined in Note 6 are carried at cost or book value.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Diocese invests in various types of marketable securities. These securities are exposed to various risks, such as interest rates, market conditions and credit risks. Due to these risks, it is at least reasonably possible that changes in values could occur in the near term and such changes could materially affect the market values reported in the accompanying financial statements.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventories consist of various religious items and publications related to the work of the Catholic Church.

Land, Buildings, and Equipment

Land, buildings, and equipment acquired before June 30, 1977 are reflected at their appraisal value as of June 30, 1977. All acquisitions subsequent to that date are reflected at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

- Land Improvements 10 years
- Buildings and Improvements 10 – 40 years
- Furnishings and Equipment 5 – 15 years

Insurance Claims Reserve

The Diocese and participating entities are self-insured for certain risks associated with their operations. These self-insured programs are as follows:

- General Insurance - This program includes property and auto physical damage, general liability, workers compensation, and sexual misconduct.
- New York State Disability Insurance
- New York State Unemployment Insurance

Each of the participating entities are assessed their portion of the estimated expense of these programs. The accompanying financial statements reflect claims currently payable and an estimated amount for incurred but not reported claims.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

The contributed services of clergy and religious who work for the Diocese have been recognized in the accompanying financial statements. The computation of the value of these services represents the difference between the compensation paid to religious personnel and the comparable compensation which would have been paid to lay persons if lay persons were to occupy these positions. No computation is made for positions which can be held only by religious personnel. For the years ending June 30, 2018 and 2017, the recognized value of these services was \$ 92,025 and \$ 115,211, respectively.

Income Taxes

The Roman Catholic Diocese of Ogdensburg qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Diocese is also classified by the Internal Revenue Service as an entity that is not a private foundation. Similar tax exempt status has been obtained under New York State tax laws.

Accounting principles generally accepted in the United States of America requires management to evaluate all significant tax positions. Management believes their tax positions are appropriate based on current facts and circumstances. As of June 30, 2018, the Diocese does not believe that it has taken any positions that would require the recording of any tax liability.

Cash and Cash Equivalents

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

The Diocese maintains cash deposits in bank accounts which may at times exceed the F.D.I.C. limit. The Diocese has not experienced any losses on such accounts and believes it is not exposed to any significant credit risks on these cash and cash equivalents.

Subsequent Events

The Diocese has reviewed and evaluated subsequent events from July 1, 2018 through October 30, 2018, the date the financial statements were available to be issued, for possible disclosure and, or, recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date which are required to be recognized in the accompanying financial statements.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the years ending June 30, 2018 and 2017 consists of the following:

	6/30/2018	6/30/2017
North Country Catholic	\$ 1,782	\$ 6,926
Excess Insurance Carriers.....	222,100	176,203
Due from Other Dioceses	202,500	-
Due from Parishes and Other Diocesan Entities		
Protected Self-Insurance Premiums	17,153	6,748
Health Insurance Premiums	69,741	72,991
Parish Assessments.....	21,034	17,915
Other.....	99,517	164,605
Total.....	\$ 633,827	\$ 445,388

NOTE 4 - LOANS RECEIVABLE – MINISTRY

The Diocese provides financial assistance as needed to students attending Seminary College. Students receiving financial assistance sign a note guaranteeing repayment to the Diocese of one-half of the amount loaned. If a student leaves during the course of seminary study the student is responsible for repayment to the Diocese of the total amount of financial assistance. The indebtedness is payable over 15 years at 2% interest, and the minimum monthly payment is \$ 100. If a student proceeds to theological studies, the terms of the Diocese’s Major Seminary Tuition Policy will govern repayment of this indebtedness by the student.

The Diocese pays tuition, room, and board not covered by other sources for its students in an approved program for pre-theology or in theological studies. At time of payment, the seminarian signs a note guaranteeing repayment of the total amount paid for his theological education. The indebtedness shall be paid over 15 years at 2% interest, and the minimum monthly payment is \$ 100.

If a seminarian transfers to another diocese or religious community then the Diocese of Ogdensburg shall request of the diocese or community the seminarian is joining reimbursement of the total amount paid by the Diocese for his theological education.

If a student is ordained a priest, the indebtedness shall be repaid over 20 years at 2% interest. The priest shall make monthly payments of \$ 100 on the first day of each month beginning January 1 following ordination. A balloon payment of the balance of principal and interest as of the last month of the repayment term shall be made by the priest. Priests may apply to the Diocese for assistance with or relief from payments on the promissory notes. The Diocese may grant assistance in the form of a gift, extension of the loan, reduction of interest rate, or forgiveness of all or part of the debt.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - LOANS RECEIVABLE – MINISTRY (Continued)

The loans receivable at June 30, 2018 and 2017 was \$ 686,277 and \$ 724,435, respectively. The loan loss reserve at June 30, 2018 and 2017 was \$ 240,197 and \$ 253,552, respectively.

Future maturities of the loans receivable are as follows:

June 30,	
2019.....	\$ 63,641
2020.....	63,116
2021.....	64,901
2022.....	51,567
2023.....	49,322
Thereafter.....	<u>393,730</u>
	<u>\$ 686,277</u>

NOTE 5 - INVESTMENTS

Investments carried at fair value at June 30, 2018 and 2017 consist of the following:

	<u>Cost</u>	<u>Fair Value (Carrying Amount)</u>
June 30, 2018		
U.S. Government and Agency Obligations ..	\$ 21,509,364	\$ 21,004,212
Stocks.....	20,474,024	24,417,146
Mutual Funds	16,449,163	16,782,310
Corporate Obligations	5,809,926	5,671,246
Dimensional Fund Advisors	990,750	879,196
The Investment Fund for Foundations- Real Opportunity Fund	448,837	541,114
Christian Brothers Investment Services	<u>7,674,494</u>	<u>8,775,848</u>
Total.....	<u>\$ 73,356,558</u>	<u>\$ 78,071,072</u>

Investment income consists of the following

Interest and Dividends	\$ 1,564,801
Unrealized Gain (Loss) on Investments...	419,052
Realized Gain (Loss) on Investments.....	<u>1,470,067</u>
Total.....	<u>\$ 3,453,920</u>

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - INVESTMENTS (Continued)

	Cost	Fair Value (Carrying Amount)
June 30, 2017		
U.S. Government and Agency Obligations .	\$ 20,821,826	\$ 20,790,896
Stocks.....	20,459,561	23,500,323
Mutual Funds	17,286,173	17,734,129
Corporate Obligations	6,356,595	6,329,760
Dimensional Fund Advisors	990,750	849,589
The Investment Fund for Foundations- Real Opportunity Fund	484,037	576,395
Christian Brothers Investment Services	7,522,343	8,146,643
Total.....	\$ 73,921,285	\$ 77,927,735
Investment income consists of the following		
Interest and Dividends		\$ 1,347,788
Unrealized Gain (Loss) on Investments...		1,447,385
Realized Gain (Loss) on Investment		1,274,816
Total.....		\$ 4,069,989

Total expenses and fees for investment advisory services and custodial expense were \$ 200,068 and \$ 194,373 for the years ending June 30, 2018 and 2017, respectively.

NOTE 6 - OTHER INVESTMENTS

At June 30, 2018 and 2017, other investments consisted of the following:

	6/30/2018	6/30/2017
The National Catholic Risk Retention Group (at cost).....	\$ 132,248	\$ 132,248
The Bishop's Plan Insurance Company	330,686	297,499
Total.....	\$ 462,934	\$ 429,747

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment as of June 30, 2018 and 2017 consist of the following:

	6/30/2018	6/30/2017
Land and Improvements	\$ 957,034	\$ 957,034
Buildings and Improvements.....	2,414,599	2,283,665
Furnishings and Equipment.....	1,065,189	1,040,439
	4,436,822	4,281,138
Accumulated Depreciation.....	(2,339,956)	(2,212,226)
Land, Buildings, and Equipment - Net	\$ 2,096,866	\$ 2,068,912

Depreciation charged to operations for the years ended June 30, 2018 and 2017 were \$ 131,019 and \$ 128,816, respectively.

NOTE 8 - GENERAL INSURANCE PLAN

The Insurance Department of the Diocese manages a protected self-insurance program in conjunction with Arthur J. Gallagher and Co. and Gallagher Bassett Services, Inc. on behalf of the Diocese, parishes and other related entities of the Diocese. The protected self-insurance program consists of a combination of self-insurance retentions, participation in liability risk retention groups with other Dioceses, and the purchase of excess insurance coverage above the self-insured levels. Excess insurance coverage is provided by the purchase of various policies carried through Arthur J. Gallagher and Co.

The schedule below summarizes the benefit structure for each line of coverage.

	Self-Insured Retention	Maximum Coverage
<u>Coverage 2017 - 2018</u>		
All Risk, Property, Equipment, and Auto Physical Damage.....	\$ 250,000	\$ 100,000,000
Boiler and Machinery	2,500	50,000,000
General Liability, Auto Liability, Directors and Officers Liability ...	250,000	10,000,000
Workers' Compensation	200,000	Statutory
Sexual Misconduct	250,000	3,000,000
<u>Coverage 2016 - 2017</u>		
All Risk, Property, Equipment, and Auto Physical Damage.....	\$ 250,000	\$ 100,000,000
Boiler and Machinery	2,500	50,000,000
General Liability, Auto Liability, Directors and Officers Liability ...	250,000	10,000,000
Workers' Compensation	200,000	Statutory
Sexual Misconduct	250,000	3,000,000

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - GENERAL INSURANCE PLAN (Continued)

The Diocese has an accrued liability which is the difference between the maximum estimated claims less payments made against the open claims and an actuarially determined amount for claims incurred but not reported. For fiscal years ended June 30, 2018 and 2017, this accrued liability amounted to \$ 1,517,771 and \$ 2,178,593, respectively.

In the year ended June 30, 2016, the Diocese's insurance program received a significant payment from an excess insurance carrier in partial settlement of a claim. As the claimant expends monies for this claim, funds are transferred from the Diocesan program to the claimant. The balance of this claim remaining for fiscal years ended June 30, 2018 and 2017 amounted to \$ 2,969,618 and \$ 2,943,179 respectively, and is shown in the statement of financial position as a liability.

The Diocese had in place a letter of credit in the amount of \$ 1,598,910 as of June 30, 2018, and \$ 1,236,000 as of June 30, 2017. This letter of credit is required by the New York State Workers' Compensation Board, since the Diocese maintains a self-insured workers' compensation program. The letter of credit is not to be used for any other purpose. There was no outstanding balance on this letter of credit at June 30, 2018 and 2017.

Diocesan entities are billed premiums to defray the cost of the protected self-insurance program. A summary of the insurance activities for the years ended June 30, 2018 and 2017 follows:

	2018	2017
For the Years Ended June 30,		
Premium Revenue	\$ 1,896,398	\$ 1,821,467
Investment Earnings	115,837	136,060
Other	-	2,500
Total Revenues	2,012,235	1,960,027
Net Claims and Reserve Expense	311,938	(6,748)
Administrative Costs	232,585	216,317
Departmental Grants	816,032	37,264
Commercial Insurance Premiums	928,239	886,768
Total Expenses	2,288,794	1,133,601
Net Insurance Activity	(276,559)	826,426
Net Assets – Beginning of Year	1,807,175	980,749
Net Assets – End of Year	\$ 1,530,616	\$ 1,807,175

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - INDEPENDENT RECONCILIATION AND COMPENSATION PROGRAM

On March 1, 2018, the Diocese of Ogdensburg established a voluntary Independent Reconciliation and Compensation Program (“IRCP”) to assist victims of clergy sex abuse in their healing process. The IRCP moves beyond the long-standing diocesan programs that offer professional counseling and other assistance to victims of abuse.

Mr. Kenneth Feinberg and Ms. Camille Biros serve as the independent administrators of the program. Mr. Feinberg and Mr. Biros have vast experience in administering voluntary compensation programs including the World Trade Center compensation program and IRCP’s undertaken in other NYS dioceses. The independent administrators evaluate claims submitted by those who previously reported incidents of clergy sex abuse to the diocese and determine what compensation will be awarded.

The diocese mailed letters to known victims which informed them of their potential eligibility to participate in IRCP. Additionally, some previously unreported claims were submitted to the IRCP when they were reported to the diocese in response to the IRCP. The claims were reported to the appropriate district attorney. Participation in the IRCP by the victim is voluntary. The independent administrator determined whether the victims were eligible for compensation and the amount of compensation awards.

Through October 18, 2018, 37 claimants have received \$ 5,495,000 in compensation through IRCP. Funding has been provided through an approved line of credit obtained by the diocese from its custodial bank, NBT Bank. The amount of compensation has been recorded as a liability by the diocese as of June 30, 2018.

NOTE 10 - NEW YORK STATE DISABILITY INSURANCE

The Diocese has a self-insurance program for New York State disability benefits which is administered by Association Plan Administrators, Inc. This program covers the employees of the Diocese, parishes, and other related entities of the Diocese.

NOTE 11 - NEW YORK STATE UNEMPLOYMENT INSURANCE

The Diocese has a self-insurance program for New York State unemployment insurance benefits. The Diocese assumes the responsibility for reimbursing the State of New York for unemployment insurance benefits paid by the State to former employees of the Diocese, parishes, and other related entities.

NOTE 12 - DIOCESAN DEPOSIT AND LOAN FUND

Loans Receivable

The Diocesan Deposit and Loan Fund receives deposits from the Diocese, parishes, and other related entities that in turn are loaned or become available for loan to parishes and other related entities. As of June 30, 2018 and 2017, the loans receivable outstanding totaled \$ 2,417,952 and \$ 2,658,204, respectively. The loan loss reserve at June 30, 2018 and 2017 was \$ 443,658 and \$ 488,182, respectively.

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - DIOCESAN DEPOSIT AND LOAN FUND (Continued)

The Diocese's policy is to loan funds for a period of ten years with interest and principal payable quarterly, or in the case of autos five years, unless other terms are agreed upon. The interest rate charged was 4% for the years ended June 30, 2018 and 2017, unless agreed upon otherwise. Interest received on outstanding loans amounted to \$ 67,779 and \$ 74,481 for the years ended June 30, 2018 and 2017, respectively.

Future maturities of the loans receivable are as follows:

June 30,		
2019.....	\$	284,984
2020.....		279,454
2021.....		251,514
2022.....		228,699
2023.....		217,380
Thereafter.....		<u>1,155,921</u>
	<u>\$</u>	<u>2,417,952</u>

Deposits Payable

Deposits payable are due to the Diocese, parishes, and other related entities on demand. As of June 30, 2018 and 2017 these deposits payable totaled \$ 25,465,479 and \$ 25,699,745, respectively. Interest on deposits was paid at 3% for the years ended June 30, 2018 and 2017 and amounted to \$ 1,003,151 and \$ 968,764, respectively.

NOTE 13 - DIOCESAN TRUST FUND

The Diocesan Trust Fund is a mutual fund operated by the Diocese for the investment of endowment and other similar long-term investments of the Diocese, parishes, and related entities. The fund is designed to pay quarterly dividends and to grow the principal to offset inflation. As of June 30, 2018 and 2017, the Diocesan Trust Fund balance was \$ 25,340,119 and \$ 24,035,847, respectively.

Total dividends paid from the Diocesan Trust Fund for years ended June 30, 2018 and 2017 were \$ 751,251 and \$ 751,248, respectively.

The value per share is determined quarterly based upon the number of shares outstanding in the fund and the market value of the fund at the end of the quarter. As of June 30, 2018 and 2017, the value per share was \$ 36.409 and \$ 34.350, respectively. The original per share value in 1977 was \$ 10 per share.

NOTE 14 - CHARITABLE GIFT ANNUITY PAYABLE

A Charitable Gift Annuity is a contract between the donor and the Diocese. The beneficiaries of the Charitable Gift Annuity program can be designated by the donor to benefit the Diocese, parishes, or other related entities of the Diocese. In exchange for an irrevocable gift of cash, securities, or other assets, the Diocese agrees to pay the annuitants a fixed sum each year for life. The annuity payments are guaranteed by the general resources of the Diocese.

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - CHARITABLE GIFT ANNUITY PAYABLE (Continued)

The Diocese was granted a permit by the State of New York Insurance Department to operate a Charitable Gift Annuity program. This permit authorizes the Diocese to receive gifts of money conditioned upon, or in return for, its agreement to pay an annuity to the donor, or his/her nominee, and to make and carry out such annuity agreements within New York State as specified in Section 1110 of the New York State Insurance Law. In accordance with New York State law, the Diocese maintains assets of at least 126.5% and reserves of at least 105% of the annuity payable. The Diocese uses the United States Internal Revenue Service's discount rate and mortality table 80 CNSMT to compute the annuity payable. In addition, the Diocese has been granted approval by the State of Florida to operate a Charitable Gift Annuity program.

NOTE 15 - LAY EMPLOYEES' RETIREMENT TRUST

The Lay Employees' Retirement Trust is a qualified multi-employer defined benefit plan which includes lay employees of the Diocese, parishes, and other related entities under Diocesan control. The current funding policy of the plan is to collect 9% of eligible wages from the employer since this Plan is entirely employer funded. The contributions are used to pay current pensions, overhead costs and provide funding for the actuarial present value of accumulated plan benefits as well as to fund future benefit enhancements.

The Bishop of the Diocese of Ogdensburg serves as the Trustee of the Plan. The pension funds are invested by Manning and Napier, Dimensional Fund Advisors, the Investment Fund for Foundations, and Christian Brothers Investment Services as investment managers of the Plan. NBT Bank is the custodian bank for assets invested by Manning and Napier.

A summary of the lay employees' pension activities for the years ended June 30, 2018 and 2017 follows:

	2018	2017
For the Years Ended June 30,		
Employer Contributions.....	\$ 1,462,221	\$ 1,142,440
Realized and Unrealized Investment Gains	1,918,407	2,798,871
Investment Earnings.....	566,437	443,155
Department Grants	<u>500,000</u>	<u>-</u>
Total Revenues	<u>4,447,065</u>	<u>4,384,466</u>
Pension Payments	2,876,483	2,761,015
Administrative Costs	<u>277,293</u>	<u>271,128</u>
Total Expenses.....	<u>3,153,776</u>	<u>3,032,143</u>
Net Lay Employees' Pension Activity.....	1,293,289	1,352,323
Restricted Assets – Beginning of Year....	<u>26,433,898</u>	<u>25,081,575</u>
Restricted Assets – End of Year.....	<u>\$ 27,727,187</u>	<u>\$ 26,433,898</u>

For the year ended June 30, 2018, the fund received contributions of \$ 1,462,221 of which \$ 129,272 were for Diocesan employees.

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - LAY EMPLOYEES' RETIREMENT TRUST (Continued)

The assets and liabilities of the fund at June 30, 2018 and 2017 are as follows:

	2018	2017
Cash and Cash Equivalents	\$ 265,165	\$ 171,002
Investments at Fair Value	27,597,023	26,885,266
Employers' Receivable	37,795	71,964
Accrued Investment Income	26,910	25,453
Prepaid Expenses	243,274	235,135
Due to Operating Fund	(318,579)	(403,436)
Deferred Revenue	(124,401)	(551,486)
 Restricted Assets	 \$ 27,727,187	 \$ 26,433,898
 Net Assets Available for Benefits	 \$ 27,727,187	 \$ 26,433,898

The net assets available for benefits of the Lay Employees Retirement Trust are classified as restricted assets on the accompanying statement of financial position.

Investments with readily determinable market value at June 30, 2018 and 2017 consist of the following:

	Cost	Fair Value
June 30, 2018		
U.S. Government and Agency Obligations .	\$ 3,186,928	\$ 3,118,469
Equities	9,658,831	11,300,371
Mutual Funds	4,514,882	4,496,341
Corporate Obligations	764,894	743,576
Dimensional Fund Advisors	1,034,250	941,585
The Investment Fund for Foundations- Real Opportunity Fund	338,339	407,899
Christian Brothers Investment Services	5,765,334	6,588,782
 Total	 \$ 25,263,458	 \$ 27,597,023

Investment income consists of the following

Interest and Dividends	\$ 566,437
Unrealized Gain (Loss) on Investments...	594,883
Realized Gain (Loss) on Investments	1,323,524
 Total	 \$ 2,484,844

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - LAY EMPLOYEES' RETIREMENT TRUST (Continued)

	Cost	Fair Value
June 30, 2017		
U.S. Government and Agency Obligations	\$ 3,271,992	\$ 3,279,246
Equities	9,109,770	10,520,211
Mutual Funds	4,775,736	4,769,168
Corporate Obligations	858,320	855,826
Dimensional Fund Advisors	1,034,250	909,877
The Investment Fund for Foundations- Real Opportunity Fund	364,872	434,493
Christian Brothers Investment Services	5,651,207	6,116,445
Total.....	\$ 25,066,147	\$ 26,885,266

Investment income consists of the following

Interest and Dividends	\$ 443,155	
Unrealized Gain (Loss) on Investments...	1,562,651	
Realized Gain (Loss) on Investments.....	1,236,220	
Total.....	\$ 3,242,026	

Total expenses and fees for investment and advisory services and custodial fees expenses were \$ 134,712 and \$ 143,575 for the years ending June 30, 2018 and 2017, respectively.

Generally accepted accounting principles requires an employer to recognize the funded status (i.e. difference between the fair value of Plan assets and projected benefit obligations) of its defined benefit pension plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets.

The funded status of the Plan and amounts recognized in the balance sheet at June 30, 2018, are as follows:

		2018
Total Plan Funded Status, End of Year		
Fair Value of Plan Assets	\$ 28,045,766	
Projected Benefit Obligation	37,438,052	
Prepaid (Accrued) Pension Obligation	\$ (9,392,286)	
Total Central Office Pension Obligation Recorded in Unrestricted Net Assets, End of Year		
Net Actuarial Loss.....	\$ 382,517	

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 - PRIESTS' RETIREMENT PLAN

The Diocese has a non-qualified retirement plan which covers all eligible Diocesan priests. During the years ended June 30, 2018 and 2017 the Plan paid retirement benefits and the total cost of health insurance premiums for the retired priests.

The Plan assesses the Diocese and its parishes and other related entities to fund the Plan. Other financial support includes bequests designating the Plan as beneficiary and investment income on accumulated funds.

The assets and liabilities of the fund at June 30, 2018 and 2017 are as follows:

	2018	2017
Cash and Cash Equivalents	\$ 461,854	\$ 218,662
Investments at Fair Value	11,727,200	11,716,797
Accounts Receivable	6,294	8,127
Accrued Investment Income	13,225	10,632
Due to Operating Fund	(2,003,667)	(1,753,778)
 Total Assets	 \$ 10,204,906	 \$ 10,200,440
 Temporarily Restricted Net Assets	 \$ 10,204,906	 \$ 10,200,440

Investments with readily determinable market value at June 30, 2018 and 2017 consist of the following:

	Cost	Fair Value (Carrying Amount)
June 30, 2018		
U.S. Government and Agency Obligations .	\$ 2,444,077	\$ 2,375,290
Corporate Obligations	532,024	516,987
Mutual Funds	2,312,525	2,374,798
Equities	2,802,866	3,334,453
Dimensional Fund Advisors	364,750	325,793
The Investment Fund for Foundations- Real Opportunity Funds	132,011	159,151
Christian Brothers Investment Services	2,309,545	2,640,728
 Total	 \$ 10,897,798	 \$ 11,727,200

Investment income consists of the following:

Interest and Dividends	\$ 252,711
Unrealized Gain (Loss) on Investments...	161,325
Realized Gain (Loss) on Investments	524,390
 Total	 \$ 938,426

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - PRIESTS' RETIREMENT PLAN (Continued)

	Cost	Fair Value (Carrying Amount)
June 30, 2017		
U.S. Government and Agency Obligations .	\$ 2,358,207	\$ 2,353,927
Mutual Funds	2,517,004	2,597,601
Equities	3,370,101	3,829,520
Dimensional Fund Advisors	364,750	314,822
The Investment Fund for Foundations- Real Opportunity Funds	142,364	169,528
Christian Brothers Investment Services	2,263,768	2,451,399
Total.....	\$ 11,016,194	\$ 11,716,797
Investment income consists of the following:		
Interest and Dividends		\$ 187,743
Unrealized Gain (Loss) on Investments...		585,633
Realized Gain (Loss) on Investments,		536,268
Total.....		\$ 1,309,644

Total investment expenses are \$ 33,118 and \$ 38,073 for the years ending June 30, 2018 and 2017, respectively.

NOTE 17 - FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

(a) Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes fixed income and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

(b) Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. This category generally includes certain U.S. Government and agency obligations, fixed income securities and alternative investments.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

(c) Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes private debt and equity instruments and alternative investments.

The following tables present the Diocese's investments at June 30, 2018 and 2017, that are measured at fair value on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

	Total 2018	Quoted prices in markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
U.S Government and Agency Obligations	\$ 24,122,681	\$ 9,815,750	\$ 14,306,931	\$ -
Stocks	35,717,517	35,717,517	-	-
Equity Funds	3,483,866	3,483,866	-	-
Bond Funds	16,236,267	-	16,236,267	-
Real Estate Investment Funds	1,558,518	-	1,558,518	-
Corporate Obligations	6,414,822	-	6,414,822	-
Dimensional Fund Advisors	1,820,781	1,820,781	-	-
The Investment Fund For Foundations – Real Opportunity Fund	949,013	-	-	949,013
Christian Brothers Investment Services	15,364,630	-	15,364,630	-
The National Catholic Risk Retention Group	132,248	-	-	132,248
The Bishop's Plan Insurance Company	330,686	-	-	330,686
	<u>\$ 106,131,029</u>	<u>\$ 50,837,914</u>	<u>\$ 53,881,168</u>	<u>\$ 1,411,947</u>

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The above fair value measurements consist of the following:

	<u>Total 2018</u>	<u>Quoted prices in markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Diocesan Investments	\$ 78,534,006	\$ 36,730,736	\$ 40,799,222	\$ 1,004,048
Lay Employees' Retirement Trust	<u>27,597,023</u>	<u>14,107,178</u>	<u>13,081,946</u>	<u>407,899</u>
	<u>\$ 106,131,029</u>	<u>\$ 50,837,914</u>	<u>\$ 53,881,168</u>	<u>\$ 1,411,947</u>

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value:

	<u>Real Opportunity Fund</u>	<u>National Catholic Risk Retention</u>	<u>Bishop's Plan Insurance Company</u>	<u>Total</u>
Balance at June 30, 2017	\$ 1,010,888	\$ 132,248	\$ 297,499	\$ 1,440,635
Purchases	-	-	-	-
Capital Distributions	(61,733)	-	-	(61,733)
Sales	-	-	-	-
Unrealized Gains (Losses)	(142)	-	-	(142)
Increase in Member's Surplus	<u>-</u>	<u>-</u>	<u>33,187</u>	<u>33,187</u>
Balance at June 30, 2018	<u>\$ 949,013</u>	<u>\$ 132,248</u>	<u>\$ 330,686</u>	<u>\$ 1,411,947</u>

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

	Total 2017	Quoted prices in markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
U.S. Government and Agency Obligations	\$ 24,070,142	\$ 8,492,369	\$ 15,577,773	\$ -
Stocks	34,020,534	34,020,534	-	-
Equity Funds	4,309,347	4,309,347	-	-
Bond Funds	16,653,062	-	16,653,062	-
Real Estate Investment Funds	1,540,887	-	1,540,887	-
Corporate Obligations	7,185,586	-	7,185,586	-
Dimensional Fund Advisors	1,759,466	1,759,466	-	-
The Investment Fund For Foundations – Real Opportunity Fund	1,010,888	-	-	1,010,888
Christian Brothers Investment Services	14,263,088	-	14,263,088	-
The National Catholic Risk Retention Group	132,248	-	-	132,248
The Bishop’s Plan Insurance Company	297,499	-	-	297,499
	<u>\$ 105,242,747</u>	<u>\$ 48,581,716</u>	<u>\$ 55,220,396</u>	<u>\$ 1,440,635</u>

The above fair value measurements consist of the following:

	Total 2017	Quoted prices in markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Diocesan Investments	\$ 78,357,481	\$ 35,039,929	\$ 42,311,410	\$ 1,006,142
Lay Employees’ Retirement Trust	<u>26,885,266</u>	<u>13,541,787</u>	<u>12,908,986</u>	<u>434,493</u>
	<u>\$ 105,242,747</u>	<u>\$ 48,581,716</u>	<u>\$ 55,220,396</u>	<u>\$ 1,440,635</u>

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - FAIR VALUE MEASUREMENTS (Continued)

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value:

	<u>Real Opportunity Fund</u>	<u>National Catholic Risk Retention</u>	<u>Bishop's Plan Insurance Company</u>	<u>Total</u>
Balance at June 30, 2016	\$ 1,168,065	\$ 132,248	\$ 245,370	\$ 1,545,683
Purchases	32,200	-	-	32,200
Capital Distributions	(224,762)	-	-	(224,762)
Sales	-	-	-	-
Unrealized Gains (Losses)	35,385	-	-	35,385
Increase in Member's Surplus	<u>-</u>	<u>-</u>	<u>52,129</u>	<u>52,129</u>
Balance at June 30, 2017	<u>\$ 1,010,888</u>	<u>\$ 132,248</u>	<u>\$ 297,499</u>	<u>\$ 1,440,635</u>

Level 3 investments are non-traditional investments which are not listed on national exchanges or over the counter markets, and quoted market prices are not available. The fair values of these investments are measured based on a review of all available information provided by fund managers, general partners or the management of the respective investment. These fair value estimates are evaluated on a regular basis and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

**CENTRAL ADMINISTRATIVE OFFICES
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 18 - DESIGNATED NET ASSETS

Designated net assets at June 30, 2018 and 2017 are as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Capital Improvements	\$ 80,498	\$ 122,298
Charitable Needs of the Diocese	235,314	168,407
Catholic Education	4,907	4,907
Bishop's Discretionary.....	82,627	82,627
Guggenheim Maintenance.....	64,771	112,436
St. Joseph's Emergency Fund.....	31,416	31,416
St. Paul's.....	21,312	21,312
Bishop's Retirement	763,610	720,426
Bishop's Contingency	130,000	130,000
Bishop's Heritage Circle	98,100	92,884
Priests' Graduate Studies	66,786	61,511
Support of Priests Not in Ministry.....	398,630	472,473
Protected Self-Insurance	1,530,616	1,807,175
Unemployment	264,670	478,956
Disability	229,581	202,751
Deposit and Loan Fund	2,692,000	5,501,928
LEAD.....	2,677	3,568
Good Samaritan Fund - Housing.....	9,000	9,000
Clergy Education.....	5,000	5,000
World Youth Day	2,281	2,281
Special Care of Priests.....	38,219	38,219
Celebrate Christ	6,257	6,500
Archives.....	70	769
North Country Catholic.....	30,000	30,000
Support of Future Operating Budgets.....	40,000	40,000
Support of Action Plan Committee	172,736	174,882
Catholic School Financial Support	130,896	131,206
Catholic School Curriculum.....	13,816	16,152
Youth Ministry.....	4,130	4,905
Vocations (Youth)	4,130	4,905
Evangelization	4,905	4,905
Youth Adult Ministry.....	1,247	1,247
Respect Life.....	5,208	8,624
Solidarity (Diocese of Latakia, Syria)	302,125	284,253
Support from Capital Campaign		
Guggenheim.....	312	-
St. Mary's Cathedral.....	696	-
Benefits for Retired Priests	696	-
Education of Seminarians	696	-
	<u>\$ 7,469,935</u>	<u>\$ 10,777,923</u>

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 19 - RESTRICTED NET ASSETS

Restricted net assets at June 30, 2018 and 2017 are as follows:

	6/30/2018	6/30/2017
<u>Temporarily Restricted</u>		
Annuity Funds.....	\$ 150,247	\$ 150,247
Charitable Gift Annuities	135,551	117,667
Annie Peck	13,065	12,035
Indian	23,570	28,515
Missionary Projects	177,262	142,249
Priests' Disability	73,214	52,736
Bourdon Estate.....	115,605	112,355
Priests' Retirement	10,204,906	10,200,440
K of C Foundation Fellowship	96,476	90,573
Communications	8,355	5,751
Mallette Scholarship	17,960	17,960
Catholic Campaign for Human Development.	12,395	12,471
K of C for Handicap Children	1,585	1,585
Education of Seminarians	1,446,357	1,476,545
Mear Scholarship Endowment	42,505	42,505
Education Grants	5,705	5,705
Rachael's Vineyard.....	6,205	6,205
Spratt Memorial	5,081	1,441
Bishop's Good Samaritan Fund	3,029	2,556
Formation for Ministry.....	19,835	16,735
Vocation.....	3,796	3,198
Foundation Support for Education	50,879	41,049
Special Care of Priests	520,917	533,614
Continuing Formation of Priests.....	400	400
NYS Paid Family Leave	1,795	-
	<u>\$ 13,136,695</u>	<u>\$ 13,074,537</u>
	<u>6/30/2018</u>	<u>6/30/2017</u>
<u>Permanently Restricted</u>		
K of C Foundation Fellowship	\$ 20,000	\$ 20,000
Reverend O.L. Bentley Fund.....	11,781	11,781
Kelly-Rivette Trust Fund.....	4,703	4,703
Annie Peck Fund	5,000	5,000
Mallette Catholic School Endowment Fund ..	207,854	207,854
Youth Sports Camp Endowment Fund	58,665	58,665
Weidner Memorial Endowment.....	967,200	967,200
	<u>\$ 1,275,203</u>	<u>\$ 1,275,203</u>

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 20 - ENDOWMENTS

The Diocese endowments consist of seven individual funds established for a variety of purposes. The endowments are permanently restricted by the donor. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported basically on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The New York Prudent Management of Institutional Funds Act (NYPMIFA) is New York State's version of the Uniform Management of Institutional Funds Act and governs the management and investment of funds held by not-for-profit corporations and other institutions.

Under the law, institutions are allowed to spend endowment funds below their original historic dollar value without government approval or attorney general review if the institution's Board concludes that such spending is prudent.

The Act also provides that each person responsible for managing and investing an institution's fund does so in good faith and with the care that an ordinarily prudent person would exercise under similar circumstances. The Act sets forth basic requirements for establishing the standard of prudence, including a requirement that an institution make a reasonable effort to verify facts relevant to the management and investment of the fund.

In deciding whether to appropriate from an endowment fund, the institution must act in good faith and must consider, if relevant, the following factors:

1. The duration and preservation of the endowment fund;
2. The purpose of the institution and the endowment fund;
3. General economic conditions;
4. Possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
8. The investment policy of the institution.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 20 - ENDOWMENTS (Continued)

Endowment net assets by type of fund consist of the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 946,576	\$ 1,275,203	\$ 2,221,779

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 820,929	\$ 1,275,203	\$ 2,096,132
Investment Return				
Interest and Dividends Realized and Unrealized	-	54,457	-	54,457
Gains (Losses)	-	125,647	-	125,647
Contributions	-	-	-	-
Appropriation for Expenditure	-	(54,457)	-	(54,457)
Endowment Net Assets, End of Year	\$ -	\$ 946,576	\$ 1,275,203	\$ 2,221,779

Endowment net assets by type of fund consist of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ 820,929	\$ 1,275,203	\$ 2,096,132

Changes in endowment net assets for the fiscal year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 714,704	\$ 1,285,203	\$ 1,999,907
Investment Return				
Interest and Dividends Realized and Unrealized	-	54,844	-	54,844
Gains (Losses)	-	106,225	-	106,225
Contributions	-	-	-	-
Appropriation for Expenditure	-	(54,844)	(10,000)	(64,844)
Endowment Net Assets, End of Year	\$ -	\$ 820,929	\$ 1,275,203	\$ 2,096,132

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 20 - ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Diocese has adopted an investment policy for endowment assets that will attempt to provide a predictable stream of funding to the beneficiaries supported by the various endowments, while seeking to maintain the purchasing power of the endowment assets, including those assets of donor restricted funds that the Diocese must hold in perpetuity or for a donor specified period. The Diocese utilizes the results of Morningstar U.S. Balance Universe, Wilshire 5000 Index and LB Aggregate Bond Index to evaluate performance. The Diocese expects its endowment funds over time to provide a total rate of return equal to or exceeding any approved distribution rate. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objective, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified assets allocation that places a greater emphasis on equity based investments to achieve its long-term objectives within prudent risk constraints.

According to its distribution policy, the Diocese may make quarterly distributions from the total growth of each endowment in an amount up to 5% on an annualized basis of the fair market value of the total assets of that endowment at the beginning of each quarter. In no event shall the quarterly distribution exceed 5% on an annualized basis of the total growth of the fair market value of the total assets in that endowment at the beginning of the quarter. The Board of Directors shall review this limit on an annual basis.

NOTE 21 - CONTINGENCIES

As of the date of these financial statements, various claims and lawsuits are pending against the Diocese. The outcome of these matters is not currently determinable. In the opinion of management, after consultation with counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Diocese.

On April 6, 2017, the Diocese of Ogdensburg announced a “twinning relationship” with the Diocese of Latakia, located in Syria. This relationship, named Solidarity in Faith, is established to allow the diocese to be a source of Christian gladness and hope to this Middle East diocese whose Christian faithful face tremendous challenges in the practice of their faith. War has wreaked havoc in the region. In addition to normal pastoral activities, the Diocese of Latakia must minister to thousands of displaced Syrians who seek safe refuge within its borders.

**CENTRAL ADMINISTRATIVE OFFICES
OF THE ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 21 - CONTINGENCIES (Continued)

The Diocese of Ogdensburg will encourage missionary animation highlighting the needs of the faithful in Latakia through presentations in our local Catholic schools, religious education programs, adult faith formation programs, and parishes. Such presentation shall share with our faithful information about the challenges facing the faithful of Latakia, their efforts in dealing with these challenges, and promote spiritual and financial support for the Diocese of Latakia.

One component of the Solidarity in Faith initiative is a charitable financial commitment by the Diocese of Ogdensburg to the Diocese of Latakia. Initial funding of designated net assets set aside by the diocese came from unrestricted bequests and contributions dedicated for program support. In 2017-18, the diocese announced a formal policy for support of the Diocese of Latakia in its Solidarity in Faith program. Included in this policy is a contingent commitment to contribute \$ 20,000 each calendar quarter over the next four years to the Diocese of Latakia. Additional contributions may be considered depending on the needs of the Diocese of Latakia and the funding available by the diocese for such support. The Diocese of Ogdensburg has designated 10% of unrestricted bequests or testamentary substitutes to provide this support. Additional appeals for charitable contributions may be made by the Diocese of Latakia as part of the Diocese of Ogdensburg's Mission Co-op Program. This policy will be reviewed every four years.

SUPPLEMENTAL SCHEDULES

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**SCHEDULES OF PROGRAM AND OTHER EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	6/30/2018	6/30/2017
PASTORAL		
Respect Life	\$ 45,505	\$ 41,522
Pastoral Grants	60,703	67,711
Tribunal	73,055	66,547
Hospital Apostolate	13,368	12,133
Evangelization	76,057	89,059
Formation for Ministry	92,296	83,012
Department of Worship	22,587	17,861
Indian Apostolate	30,800	30,650
Missionary Projects of the Diocese	62,719	63,642
Guggenheim Center	43,900	36,487
Other Pastoral	408	503
Total Pastoral Expenses	521,398	509,127
RELIGIOUS PERSONNEL DEVELOPMENT		
Priest and Pastoral Personnel	20,509	23,873
Vicar for Religious	13,303	37,563
Council of Women Religious	733	1,250
Vocations	64,860	224,503
Education of Priests and Seminarians	429,466	291,119
Care of Clergy	1,454,477	1,404,824
Council of Priests	3,005	3,035
Permanent Diaconate Formation Program/ Ordained Deacons	90,257	67,279
Total Religious Personnel Development Expenses	2,076,610	2,053,446
EDUCATION		
Education Grants	225,900	221,900
Catholic Schools	949,936	918,885
Communications	9	13
Christian Formation	159,296	162,813
Family Life/Natural Family Planning	122,751	110,117
Campus Ministry	92,526	84,375
Total Education Expenses	1,550,418	1,498,103
SOCIAL SERVICES		
Social Service Grants and Donations	96,993	146,818
Catholic Youth Ministry	212,212	189,667
Total Social Services Expenses	309,205	336,485
CEMETERIES		
Operations	4,819	4,643

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF OGDENSBURG**

**SCHEDULES OF PROGRAM AND OTHER EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)**

	6/30/2018	6/30/2017
DIOCESAN ADMINISTRATION		
Diocesan Administration	875,440	858,185
Solidarity in Faith	65,000	10,000
Independent Reconciliation and Compensation Program	5,857,489	-
Bishop's Residence	76,672	119,134
Planning	14,774	10,373
Development Office	953,252	385,381
Diocesan Fiscal Office	358,905	345,232
Catholic Charities Fiscal Office	88,051	86,197
Parish Services	86,903	74,960
Safe Environment	64,472	54,940
Information Technology	138,470	125,625
Archives	1,036	134
Total Diocesan Administration Expenses	8,580,464	2,070,161
AUXILIARY SERVICES		
Protected Self-Insurance Program	1,468,762	1,096,337
Disability Insurance	84,153	78,636
Unemployment Insurance	348,569	37,118
North Country Catholic	203,167	201,584
Diocesan Loan Fund	1,356,372	1,114,923
Charitable Gift Annuity Program	15,126	5,696
Total Auxiliary Services Expenses	3,476,149	2,534,294
TOTAL	\$ 16,519,063	\$ 9,006,259