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Diocese of Allentown

Combined Financial Statements

June 30, 2022 and 2021

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Independent Auditors' Report

His Excellency
The Most Reverend Alfred A. Schlert, D.C., J.C.L
Diocese of Allentown

Opinion

We have audited the combined financial statements of the Diocese of Allentown (the Diocese), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined 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 (GAAP). These combined financial statements include the accounts of the offices and organizations of the Diocese of Allentown as described in Note 1 to the combined financial statements.

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 Auditors' Responsibilities for the Audit of the Combined 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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 combined 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.

Baker Tilly US, LLP

Allentown, Pennsylvania
May 31, 2023

Diocese of Allentown

Combined Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	$ 25,511,345	$ 25,068,578
Assessments and Premiums Receivable, Net	1,659,741	1,708,080
Pledges Receivable, Net	386,043	1,009,271
Other Receivables, Net	675,985	351,965
Accrued Interest Receivable	82,257	80,552
Prepaid Expenses and Other Assets	1,047,215	1,043,193
Investments	13,182,695	14,974,972
Assets Whose Use is Limited	2,300,000	2,300,000
Assets Whose Use is Contractually Committed	4,475,226	4,905,984
Property and Equipment, Net	3,372,953	3,502,761
Cemetery Lots, Mausolea and Burial Rights, Net	1,305,101	1,539,947
Total assets	$ 53,998,561	$ 56,485,303

See notes to combined financial statements

	2022	2021
Liabilities and Net Assets (Deficit)		
Accounts Payable and Accrued Expenses	$ 302,317	$ 660,077
Contributions Payable, Bishop's Annual Appeal and Forward With Christ	1,547,020	1,845,000
Accrued Compensation and Related Benefits	565,244	673,727
Scholarships Payable	5,477,487	4,790,855
Escrow Funds	498,353	443,677
Deferred Revenue and Contract Liabilities	1,677,313	1,335,872
Annuities Payable	319,989	332,183
Accrual for Self-Insurance	4,312,000	4,481,000
Notes Payable	-	4,813,158
Postretirement Benefit Obligation, Net	24,437,739	26,911,767
Total liabilities	39,137,462	46,287,316
Net Assets (Deficit)		
Without donor restrictions:		
Undesignated, operating	(17,424,687)	(23,272,586)
Contractually committed	4,475,226	4,905,984
Designated	13,501,694	12,848,723
Total net assets (deficit) without donor restrictions	552,233	(5,517,879)
With donor restrictions	14,308,866	15,715,866
Total net assets	14,861,099	10,197,987
Total liabilities and net assets (deficit)	$ 53,998,561	$ 56,485,303

See notes to combined financial statements

Diocese of Allentown

Combined Statement of Activities
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Private and Public Support				
Assessments charged to parishes	$ 6,029,903	$ -	$ 6,029,903	$ 6,224,946
Contributions:				
Bishop's Annual Appeal	-	3,644,329	3,644,329	3,933,698
Eastern Pennsylvania Scholarship Foundation	5,285,287	-	5,285,287	5,138,700
Other contributions, gifts, grants and bequests	143,280	365,596	508,876	1,396,791
Total public and private support	11,458,470	4,009,925	15,468,395	16,694,135
Revenues, Gains and Other				
Sales, fees and insurance premiums	9,442,160	-	9,442,160	9,194,926
Insurance rate stabilization refunds	3,422,889	-	3,422,889	3,267,237
Cemetery revenue	2,166,995	-	2,166,995	2,093,246
Investment income (loss), net	(1,730,291)	(895,392)	(2,625,683)	3,535,902
Perpetual care fees	184,870	-	184,870	165,648
Income (loss) from perpetual care fund	(607,663)	-	(607,663)	949,909
Rent	5,700	-	5,700	16,900
Interest from notes receivable	5,430	-	5,430	-
Gain on sale of assets	21,528	-	21,528	9,406,621
PPP loan forgiveness	1,608,800	-	1,608,800	-
Other	961,531	-	961,531	902,372
Total revenues, gains and other	15,481,949	(895,392)	14,586,557	29,532,761
Net Assets Released From Restrictions				
Satisfaction of donor purpose	4,521,533	(4,521,533)	-	-
Total support, revenues, gains and other	31,461,952	(1,407,000)	30,054,952	46,226,896
Expenses and Other Changes				
High school and educational support services	2,034,231	-	2,034,231	2,265,111
Central Diocesan services	9,698,681	-	9,698,681	10,138,226
Clergy benefits	4,511,712	-	4,511,712	5,213,711
Seminarians, priests and deacons	2,970,000	-	2,970,000	1,483,727
Diocesan cemeteries	1,277,718	-	1,277,718	950,618
Stewardship and development, campaigns and endowments	7,772,198	-	7,772,198	8,000,549
Evangelization and communication	575,608	-	575,608	547,664
Total expenses	28,840,148		28,840,148	28,599,606
Change in net assets from operating activities	2,621,804	(1,407,000)	1,214,804	17,627,290
Postretirement Benefit Changes Other Than Net Periodic Postretirement Benefit Costs	3,448,308	-	3,448,308	6,591,757
Change in net assets	6,070,112	(1,407,000)	4,663,112	24,219,047
Net Assets (Deficit), Beginning	(5,517,879)	15,715,866	10,197,987	(14,021,060)
Net Assets (Deficit), Ending	$ 552,233	$ 14,308,866	$ 14,861,099	$ 10,197,987

See notes to combined financial statements

Diocese of Allentown

Combined Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Private and Public Support			
Assessments charged to parishes	$ 6,224,946	$ -	$ 6,224,946
Contributions:			
Bishop's Annual Appeal	-	3,933,698	3,933,698
Eastern Pennsylvania Scholarship Foundation	5,138,700	-	5,138,700
Other contributions, gifts, grants and bequests	144,802	1,251,989	1,396,791
Total public and private support	11,508,448	5,185,687	16,694,135
Revenues, Gains and Other			
Sales, fees and insurance premiums	9,194,926	-	9,194,926
Insurance rate stabilization refunds	3,267,237	-	3,267,237
Cemetery revenue	2,093,246	-	2,093,246
Investment income, net	2,244,434	1,291,468	3,535,902
Perpetual care fees	165,648	-	165,648
Income from perpetual care fund	949,909	-	949,909
Rent	16,900	-	16,900
Gain on sale of assets	9,406,621	-	9,406,621
Other	902,372	-	902,372
Total revenues, gains and other	28,241,293	1,291,468	29,532,761
Net Assets Released From Restrictions			
Satisfaction of donor purpose	5,328,681	(5,328,681)	-
Total support, revenues, gains and other	45,078,422	1,148,474	46,226,896
Expenses and Other Changes			
High school and educational support services	2,265,111	-	2,265,111
Central Diocesan services	10,138,226	-	10,138,226
Clergy benefits	5,213,711	-	5,213,711
Seminarians, priests and deacons	1,483,727	-	1,483,727
Diocesan cemeteries	950,618	-	950,618
Stewardship and development, campaigns and endowments	8,000,549	-	8,000,549
Evangelization and communication	547,664	-	547,664
Total expenses	28,599,606	-	28,599,606
Change in net assets from operating activities	16,478,816	1,148,474	17,627,290
Postretirement Benefit Changes Other Than Net Periodic Postretirement Benefit Costs	6,591,757	-	6,591,757
Change in net assets	23,070,573	1,148,474	24,219,047
Net Assets (Deficit), Beginning	(28,588,452)	14,567,392	(14,021,060)
Net Assets (Deficit), Ending	$ (5,517,879)	$ 15,715,866	$ 10,197,987

See notes to combined financial statements

Diocese of Allentown

Combined Statement of Functional Expenses
Year Ended June 30, 2022

	Total	High School and Educational Support Services	Central Diocesan Services	Clergy Benefits	Seminarians, Priests, and Deacons	Diocesan Cemeteries	Stewardship and Development, Campaigns and Endowments	Evangelization and Communication
Clergy, religious and lay salaries and payroll taxes	$ 5,220,216	$ 503,415	$ 2,332,607	$ 751,250	$ 511,739	$ 475,014	$ 392,353	$ 253,838
Clergy, religious and lay employee benefits	2,026,472	138,628	724,097	434,564	478,965	105,201	106,464	38,553
Diocesan clergy benefits	2,191,822	-	-	2,191,822	-	-	-	-
Clergy postretirement benefits net periodic costs	461,652	-	-	461,652	-	-	-	-
Property and casualty insurance premiums and claims	3,569,916	-	3,515,217	54,699	-	-	-	-
Unemployment claims	183,189	-	183,189	-	-	-	-	-
Program expenses	970,183	128,933	255,561	-	243,580	50,713	165,663	125,733
Scholarships	5,308,756	-	-	-	-	-	5,308,756	-
Secondary and elementary school subsidies	1,112,007	1,112,007	-	-	-	-	-	-
Occupancy	1,232,228	112,545	897,415	142,456	18,426	60,015	792	579
General and administrative, other	1,564,688	20,659	252,230	39,145	1,029,367	33,608	55,832	133,847
Professional fees	1,568,196	18,044	933,726	317,707	31,341	84,059	160,261	23,058
Depreciation and amortization	365,545	-	247,208	118,337	-	-	-	-
Bishop's Annual Appeal allocations	1,438,386	-	-	-	-	-	1,438,386	-
Parish rebates on contributions	34,822	-	-	-	-	-	34,822	-
Tuition assistance, seminarians and clergy	643,593	-	1	80	643,512	-	-	-
Forward with Christ allocations	63,000	-	-	-	-	-	63,000	-
Banking service fees	39,385	-	5,507	-	61	12,753	21,064	-
Grants	13,009	-	-	-	13,009	-	-	-
Fund raising and development expenses	25,264	-	459	-	-	-	24,805	-
National and state Catholic Conference assessments	242,193	-	242,193	-	-	-	-	-
Cost of burial rights and mausolea	456,355	-	-	-	-	456,355	-	-
Interest	53,439	-	53,439	-	-	-	-	-
Charitable gift annuity distributions	55,832	-	55,832	-	-	-	-	-
Total expenses	$ 28,840,148	$ 2,034,231	$ 9,698,681	$ 4,511,712	$ 2,970,000	$ 1,277,718	$ 7,772,198	$ 575,608

See notes to combined financial statements

Diocese of Allentown

Combined Statement of Functional Expenses
Year Ended June 30, 2021

	Total	High School and Educational Support Services	Central Diocesan Services	Clergy Benefits	Seminarians, Priests, and Deacons	Diocesan Cemeteries	Stewardship and Development, Campaigns and Endowments	Evangelization and Communication
Clergy, religious and lay salaries and payroll taxes	$ 5,429,495	$ 826,250	$ 2,351,373	$ 779,051	$ 397,527	$ 420,280	$ 404,496	$ 250,518
Clergy, religious and lay employee benefits	2,029,936	206,457	706,168	463,363	381,645	106,023	122,710	43,570
Diocesan clergy benefits	2,315,794	-	-	2,315,794	-	-	-	-
Clergy postretirement benefits net periodic costs	971,942	-	-	971,942	-	-	-	-
Property and casualty insurance premiums and claims	3,581,674	-	3,521,175	60,499	-	-	-	-
Unemployment claims	31,808	-	31,808	-	-	-	-	-
Program expenses	663,900	149,089	160,758	220	56,648	51,685	132,212	113,288
Scholarships	5,212,204	-	-	-	-	-	5,212,204	-
Secondary and elementary school subsidies	879,965	879,965	-	-	-	-	-	-
Occupancy	1,144,567	122,144	845,336	114,330	14,059	47,076	701	921
General and administrative, other	519,684	66,014	195,094	35,390	11,963	38,924	42,279	130,020
Professional fees	2,101,823	15,192	1,506,814	338,874	15,331	72,456	143,809	9,347
Claims settlements and expenses, net of recovery	10,203	-	10,203	-	-	-	-	-
Depreciation and amortization	378,265	-	255,893	122,372	-	-	-	-
Bishop's Annual Appeal allocations	1,792,663	-	-	-	-	-	1,792,663	-
Parish rebates on contributions	54,377	-	-	-	-	-	54,377	-
Tuition assistance, seminarians and clergy	603,530	-	-	11,876	591,654	-	-	-
Forward with Christ allocations	40,898	-	-	-	-	-	40,898	-
Banking service fees	46,890	-	5,101	-	-	13,739	28,050	-
Grants	14,900	-	-	-	14,900	-	-	-
Fund raising and development expenses	26,150	-	-	-	-	-	26,150	-
National and state Catholic Conference assessments	230,202	-	230,202	-	-	-	-	-
Cost of burial rights and mausolea	200,435	-	-	-	-	200,435	-	-
Interest	260,294	-	260,294	-	-	-	-	-
Charitable gift annuity distributions	58,007	-	58,007	-	-	-	-	-
Total expenses	$ 28,599,606	$ 2,265,111	$ 10,138,226	$ 5,213,711	$ 1,483,727	$ 950,618	$ 8,000,549	$ 547,664

See notes to combined financial statements

Diocese of Allentown

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

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ 4,663,112	$ 24,219,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	365,545	378,265
Cost of cemetery lots, mausolea and burial rights sold	234,846	171,756
Increase in allowance for uncollectible accounts	575,000	750,000
Writeoff of uncollectible pledges receivable	500,000	-
Postretirement benefit changes other than net periodic postretirement benefit costs	(3,448,308)	(6,591,757)
PPP loan forgiveness	(1,608,800)	-
Realized and unrealized losses (gains) on investments, net	2,971,258	(3,196,827)
Realized and unrealized losses (gains) in perpetual care fund	607,663	(949,910)
Gain on sale of property and equipment, net	(21,528)	(9,406,621)
Changes in assets and liabilities:		
Other receivables	(324,020)	76,771
Assessments and premiums receivable	(526,661)	(736,393)
Pledges receivable	123,228	443,799
Accrued interest and dividends receivable	(1,705)	(50,686)
Prepaid expenses and other assets	(4,022)	(654,698)
Accounts payable and accrued expenses	(357,760)	(3,679)
Contributions payable	(297,980)	(49,334)
Accrued compensation and related benefits	(108,483)	140,818
Scholarships payable	686,632	(53,480)
Claims payments and other accruals	-	(1,007,999)
Escrow funds	54,676	96,407
Deferred revenue and contract liabilities	341,441	68,130
Annuities payable	(12,194)	(60,276)
Accrual for self-insurance	(169,000)	(1,425,000)
Postretirement benefit obligation	2,198,093	971,942
Additions to postretirement benefit fund	(1,223,813)	(2,022,725)
Net cash provided by operating activities	5,217,220	1,107,550
Cash Flows From Investing Activities		
Cash paid for property, equipment and cemetery assets	(217,763)	(114,769)
Proceeds from sale of property and equipment	3,554	10,473,973
Purchases of investments	(9,725,598)	(1,323,220)
Proceeds from sales of investments	8,546,617	445,924
Collections of notes receivable	-	9,600
Net cash (used in) provided by investing activities	(1,393,190)	9,491,508
Cash Flows From Financing Activities		
Additions to perpetual care fund	(176,905)	(225,808)
Repayment of notes payable	(3,204,358)	(8,434,884)
Net cash used in financing activities	(3,381,263)	(8,660,692)
Increase in cash and cash equivalents	442,767	1,938,366
Cash and Cash Equivalents, Beginning	25,068,578	23,130,212
Cash and Cash Equivalents, Ending	$ 25,511,345	$ 25,068,578
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	$ 53,439	$ 260,294

See notes to combined financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

A diocese is a portion of the people of God which is entrusted to a bishop for him to shepherd with the cooperation of the presbyterium (priests), so that, adhering to its pastor and gathered by him in the Holy Spirit through the gospel and the Eucharist, it constitutes a particular church in which the one, holy, catholic and apostolic Church of Christ is truly present and operative.

The Canonical Diocese of Allentown (Diocese) is a part of the Roman Catholic Church (Church), and it is governed according to Canon law. Canon law is the body of laws and regulations which provide for the governance of the Church, and also create separately identifiable and individualized structures and entities within the five county territory of the Diocese. Most of these separately identifiable and individualized entities have a formal civil law legal structure, as charitable trusts, unincorporated associations or not-for-profit corporations, that confirms under Pennsylvania civil law, the separateness, individuality and independence of these structures established and granted to them under Canon law. The accompanying combined financial statements include the Roman Catholic Diocese of Allentown, a Pennsylvania unincorporated association, and Roman Catholic Diocese of Allentown Charitable Trust, a Pennsylvania charitable trust.

The accompanying combined financial statements also include the following:

The offices directing the central administration of the Diocese, including the: (a) Chancery office; (b) the Secretariat for Administration; (c) the Secretariat for Evangelization, Education and Formationa; (d) the Secretariat for the Clergy; and (e) the Secretariat for Catholic Health and Human Services and Youth Protection (other than Catholic Charities and Holy Family Senior Living).

Bishop's Annual Appeal Charitable Trust, which holds funds for the case-components of the Bishop's Annual Appeal.

Supplemental Health Care Benefits Trust, which holds funds in trust to pay lay employee health insurance claims that have been incurred but not reported.

Diocesan Cemetery Perpetual Care Trust, which holds funds in trust to provide for the perpetual care of diocesan cemeteries.

Clergy Third Age Charitable Trust, which holds funds in trust to provide for priests post-retirement benefits, including healthcare and housing.

Eastern Pennsylvania Scholarship Foundation Charitable Trust, which holds funds in trust to provide scholarships to students attending Catholic elementary and secondary schools, special learning centers, and pre-kindergarten programs in the Diocese.

The Diocese of Allentown Independent Reconciliation and Compensation Trust, which is an independent trust to assist victims and survivors of past clergy sexual abuse.

Allentown Catholic Communications Inc., a Pennsylvania not-for-profit corporation, which operates the official newspaper of the Diocese.

Catholic Relief Insurance Company of America II Participant, which is a participant in a sponsored captive insurance company formed under Vermont law for the purpose of insuring or reinsuring certain risks of the Diocese.

Functional expenses in the accompanying combined financial statements are defined as follows:

Central Diocesan Services - Includes the Chancery office, the Secretariat for Administration (other than cemeteries and the office for Stewardship & Development), the Supplemental Health Care Benefits Trust, the Diocese of Allentown Independent Reconciliation and Compensation Trust (IRCT), the Diocese of Allentown's participation in the Catholic Relief Insurance Company of America II and the Self-Insurance Programs.

Clergy Benefits - Includes the Clergy Benefits Fund of the Diocese, including retirement residences for clergy and the Clergy Third Age Charitable Trust.

Seminarians, Priests & Deacons - Includes the Secretariat for Clergy (other than Holy Family Villa which is included in Clergy Benefits).

Diocesan Cemeteries - Includes the two cemeteries operated by the Diocese, Holy Saviour and Resurrection and the Diocesan Cemetery Perpetual Care Trust.

Stewardship & Development and Campaigns & Endowments - Includes the office for Stewardship & Development, Bishop's Annual Appeal Charitable Trust (BAA), Forward With Christ (FWC), Eastern Pennsylvania Scholarship Foundation Charitable Trust (EPSF), Seminarian Trust Fund and National Collections.

Evangelization and Communication - Includes the offices for Catholic Life & Evangelization and for Communications, and Allentown Catholic Communications, Inc., including The A.D. Times (the official biweekly newspaper of the Diocese).

High School and Educational Support Services - Includes the separate costs incurred primarily for support services provided by the office for Catholic Education and subsidy allocations to the Diocesan high schools.

These combined financial statements do not include the assets, liabilities, or activities of the Allentown Catholic Beneficial Association Inc. (A.C.B.A.), the Allentown Catholic Unitized Investment Fund Charitable Trust (U.I.F.), the Diocesan high school corporations, special learning center corporations, the individual parishes or their associated charitable trusts (including elementary schools), regional elementary schools or their associated charitable trusts, parish cemeteries, social services, pension plans, long-term care facilities, or the religious communities of men and women in the Diocese. These excluded activities may or may not be separately incorporated, operating as unincorporated associations, or have associated charitable trusts under civil law and Canon law; however, each is an operating entity distinct from the offices and organizations included herein, maintains separate accounts and carries on its own services and programs.

Functional Allocation of Expenses

The costs of providing the Diocese's programs and other activities have been summarized on a functional basis in the combined statements of activities and the combined statements of functional expenses. Certain costs could be allocated to the program and supporting services benefited as needed; however, the nature of the current expenditures do not require allocation. Expenses were incurred of $927,234 and $900,407 related to development and fundraising for the years ended June 30, 2022 and 2021, respectively. Such amounts are included in Stewardship & Development, Campaigns & Endowments expenses in the accompanying combined statements of functional expenses. Other supporting services for general and administrative activities are reported in the Central Diocesan Services category of the combined statements of functional expenses.

Basis of Presentation

Accounts have been maintained and the accompanying combined financial statements have been prepared on the accrual basis. All significant inter-entity transactions and balances have been eliminated upon combination.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided on the straight-line method over the assets' estimated lives on all property and equipment except land, cemetery lots and construction in progress. Estimated useful lives are:

	Years
Buildings	27.5
Land and building improvements	15
Furniture, fixtures and equipment	7
Computers, software and vehicles	5

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate 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. If expected 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 the assets.

Revenue Recognition

Assessments charged to parishes are levied on parishes to fund the operations and support functions of the Diocese and support the ministries and programs shared by the whole local Church. Diocesan assessments are based on a standard formula based on parish offering income. Revenue from parish assessments is recognized on a monthly basis over the fiscal year.

Revenue from sales, fees and insurance premiums charged to parishes and schools include items such as property and casualty, unemployment and other insurance premiums, clergy support, sales from collective purchases and fees for services. These amounts are recorded as revenue when the performance obligations have been met, which is generally when the related expenses are incurred, usually on a monthly basis.

The Diocese employee healthcare self-insurance is administrated by the healthcare carrier. The carrier invoices and collects premiums from parishes, schools, and administrative offices, pays healthcare claims, and retains service fees. Remaining premium balances after claims and fees are paid to the Diocese as Insurance Rate Stabilization Refunds are recorded as revenue when received, and are used to maintain a self-insurance reserve fund and offset additional healthcare and other expenses.

Cemetery revenue is recorded on sales of burial rights in grave plots, crypts, niches and on sales of private mausolea, monuments and other markers. Burial right sales are generated through two sales programs - at need and pre-need programs - with each contract carrying the same terms and conditions. Sales and cost of sales relating to all at-need and pre-need burial rights are recognized and related available inventory is relieved at the time of the sale. Sales and cost of sales relating to private mausolea, monuments and other markers are recognized over time as construction and/or installation occurs. Customers are allowed to purchase pre-need burial rights, private mausolea, monuments and other markers through an installment method with interest charges. As a matter of policy, sales have been refunded under certain circumstances at amounts equal to the original sales price less a restocking fee, with the units then returned to inventory. This policy is subject to amendment at any time. All contracts in which patrons have not made payments for a 60-day period are cancelable. Sales of at-need cemetery services and merchandise are recognized as cemetery revenue in the period the service is performed. The Diocese recognizes its canonical obligation to care for the dead and maintains a perpetual care trust fund to ensure the continuous maintenance and operation of the cemetery grounds (see Note 11).

Contributions

Gifts of cash and other assets are reported as restricted support if the gifts 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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. In the absence of specific donor restriction, contributions are considered available for use. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying combined financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received in advance of satisfying the conditions are recorded as refundable advances.

Contributed Services

Contributed services are recognized for the significant level of service provided by priests and female religious in the operation of certain programs, along with the corresponding expense, for the differential between actual costs incurred and lay-equivalent costs for the positions filled by the priests and female religious, when material to the combined financial statements. No computation is made for positions that can be held only by religious personnel. No contributed services were recorded for the years ended June 30, 2022 and 2021.

Net Assets

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by management or those charged with governance, or may be contractually obligated under terms of cemetery contracts in the normal course of business.

Net Assets With Donor Restrictions - Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by actions of the Diocese pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. Net assets with donor restrictions also includes certain pledges for future gifts principally for the Bishop's Annual Appeal Charitable Trust and educational programs. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restriction are reclassified to net assets without restrictions and reported in the combined statements of activities as net assets released from restrictions. Additionally, gifts which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Cemeteries, Mausolea and Columbaria

Cemetery lots, mausolea columbaria and burial rights are recorded at cost, net of cumulative amounts sold of $1,209,477 and $987,220 at June 30, 2022 and 2021, respectively.

Income Taxes

As subordinate organizations of the Church in the United States of America, the entities within the Diocese are entitled to exemption from federal income tax under the provisions as described in Section 501(c)(3) of the Internal Revenue Code.

Uncertainties in income taxes are accounted for in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2022 and 2021.

The organizations included herein are exempt from filing federal Exempt Organization Business Income Tax Returns because each is either (1) a church, an interchurch organization of local units of a church, a convention or association of churches or an integrated auxiliary of a church, or (2) a church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs or (3) a school below college level affiliated with a church or operated by a religious order, in accordance with the applicable Treasury regulations.

Other Changes in Net Assets

Revenues or expenses not directly identifiable to programs, nor related to the overall support and direction of the Diocese, are reported separately from functional expenses. Typically, these represent unusual activities that may not reoccur from year to year, or may vary significantly in amount at management's sole discretion including postretirement benefit changes other than net periodic postretirement costs, other net asset transfers and discretionary contributions to pension plans.

Postretirement Benefits

The incardinated priests serving the Diocese are provided with benefits following their retirement from active service. Benefits include continuation of medical insurance, medical treatments, long-term care, certain living allowances and other reimbursements. The Diocese follows the authoritative guidance accounting for postretirement benefits. The guidance requires an employer to recognize in its statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation (Note 9).

Investments

Investments are recorded at fair value in the accompanying combined statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion on fair value measurements. Gains on investments include gains and losses on investments bought and sold, as well as held during the year. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments are comprised of a variety of financial instruments. The fair values reported in the combined statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that the amounts reported in the accompanying combined statements of financial position could change materially in the near future.

The U.I.F. was established to offer the parishes, institutions, offices and agencies of the Diocese an investment alternative. Participation in the U.I.F. is voluntary and may be extended as a privilege to those religious institutions that have locations in the Diocese. The U.I.F. utilizes a unitized investment pool accounting structure whereby each participant is a shareholder. The U.I.F. is comprised of three asset classes: the equity fund, the fixed income fund and the cash fund. Each participant chooses what portion of its funds should be allocated to the respective asset classes based upon the investment objectives of the respective asset class. The U.I.F. allocates shares to participants based upon the relationship of the individual participants' investment to total pooled investments. Interest, dividends, realized and unrealized gains and losses and expenses are allocated based upon the number of shares each participant holds. The various organizations included herein are some of the participants within the U.I.F.

Cash Equivalents

All highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents, with the exception of cash held for reinvestment, which is included in investments. Cash equivalents includes donor restricted or management designated funds that are not included in investments, some of which are held in individual deposit accounts in the A.C.B.A.

The A.C.B.A was established to make it possible for Church institutions such as parishes, schools, offices and agencies (Catholic Institutions) located within the Diocese to help other Catholic Institutions located within the Diocese. Participation in the A.C.B.A. is open to Catholic Institutions located within the Diocese. Deposits are made on a voluntary basis. Depositors may withdraw funds at any time; however, for purposes of maintaining liquidity, withdrawals may be subject to a waiting period of not more than 30 days. The various organizations included herein are some of the depositors of the A.C.B.A.

Accounts, Assessments and Premiums Receivable

Accounts, assessments and premiums receivable are reported at net realizable value. Premiums and assessments are charged on a monthly basis to the parishes, schools and other entities within the Diocese. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for uncollectible accounts is estimated based upon a periodic review of individual accounts.

The following allowances have been recorded as of June 30, 2022 and 2021:

	2022	2021
Assessments and premiums receivable	$ 14,611,472	$ 14,084,811
Allowance for uncollectible accounts	(12,951,731)	(12,376,731)
Assessments and premiums receivable, net	$ 1,659,741	$ 1,708,080

Self-Insurance Reserves

The self-insurance reserves provides for that portion of claims not covered by the Diocese's other insurance coverage. The provision for estimated self-insurance costs includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The liability for this reserve is estimated based on historical claims and management's evaluation of the future potential losses. The self-insurance reserves are $4,312,000 and $4,481,000 at June 30, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards Adopted in the Current Year

During August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 modifies and clarifies the required disclosures for employers that sponsor defined benefit pension or other postretirement plans. These amendments removed disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 was issued to increase the transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal year June 30, 2023. The Diocese is assessing the impact these standards will have on its combined financial statements.

Reclassifications

Certain reclassifications were made to the 2021 combined financial statements to conform to the current year presentation.

Subsequent Events

Subsequent events were evaluated for recognition or disclosure through May 31, 2023, the date the combined financial statements were available to be issued.

2. Fair Value Measurements, Investments and Other Financial Instruments

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following tables present the financial instruments measured at fair value as of June 30, 2022 and 2021 by caption on the combined statements of financial position by the valuation hierarchy defined above:

	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets whose use is limited:				
Money market funds	$ 43,081	$ -	$ -	$ 43,081
Government Bond Index Funds	2,347,948	-	-	2,347,948
TNCRRG equity	-	-	495,206	495,206
Mutual funds and exchange traded funds:				
Equities	301,880	1,799,669	-	2,101,549
Fixed income	231,522	954,866	-	1,186,388
Alternatives	30,514	-	-	30,514
Allentown Catholic Unitized Investment Fund:				
Equity pool	-	5,688,535	-	5,688,535
Fixed pool	-	3,589,474	-	3,589,474
Total investments and assets whose use is limited	$ 2,954,945	$ 12,032,544	$ 495,206	$ 15,482,695

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets whose use is limited:				
Money market funds	$ 4,295,828	$ -	$ -	$ 4,295,828
U.S. Treasury obligations	462,300	-	-	462,300
Government Bond Index Funds	2,364,353	-	-	2,364,353
TNCRRG equity	-	-	454,197	454,197
Mutual funds and exchange traded funds:				
Equities	361,556	2,053,196	-	2,414,752
Fixed income	299,127	1,056,853	-	1,355,980
Alternatives	34,760	-	-	34,760
Allentown Catholic Unitized Investment Fund:				
Equity pool	-	3,877,270	-	3,877,270
Fixed pool	-	2,015,532	-	2,015,532
Total investments and assets whose use is limited	$ 7,817,924	$ 9,002,851	$ 454,197	$ 17,274,972

Valuation Methodologies

Money market funds are valued at cost, which approximates fair value, due to their short-term nature and/or current market interest rates, and are considered Level 1.

U.S. Treasury obligations are valued using pricing models maximizing the use of observable inputs for identical securities, and are considered Level 1.

Government bond index funds, mutual funds and exchange traded funds are valued at the net asset value of shares held at year end and are considered Level 1, except for mutual funds which are closed to certain investors and are not widely traded, and are considered Level 2.

The National Catholic Risk Retention Group (TNCRRG) is valued at the net asset book value of shares held, according to TNCRRG's December 31, 2021 and 2020 audited annual reports. Shares may be subject to redemption restrictions of up to five years, or sooner if TNCRRG's actuary certifies that the covered claims of the withdrawing shareholder are closed, and are considered Level 3. See Note 13, *Risk Retention Group and Insurance Pool Participation*.

The U.I.F. is valued at net asset value, which is based upon the fair value of their underlying assets derived principally from or corroborated by observable market data, and are considered Level 2 inputs. The underlying assets of the Equity Pool are a diversified mix of investments with the objective to provide capital appreciation and growth over time. The underlying assets of the Fixed Pool are a diversified mix of investments with the objective to generate consistent income over time, with low levels of volatility. Funds transferred to the U.I.F. shortly before the first day of the month are classified in the Cash Pool. The U.I.F. requires withdrawals to occur on the first business day of each month, so there may be up to a 30-day waiting period to receive a distribution from this fund.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the valuation methods are believed to be appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Assets Whose Use is Limited

As a condition for certification as a self-insured entity with the Commonwealth of Pennsylvania (the Commonwealth), the Commonwealth required the Diocese to maintain a minimum of $2,300,000 for its self-insurance program as of June 30, 2022 and 2021. These assets are held in trust at US Bank, and are invested primarily in cash, a government bond index fund, and U.S. Treasury obligations. The value of these assets were $2,347,948 and $2,833,331 as of June 30, 2022 and 2021, respectively, and is reported in investments and assets whose use is limited in the accompanying combined statements of financial position.

3. Pledges Receivable

The following promises to give were included in pledges receivable at June 30:

	2022	2021
Bishop's Annual Appeal	$ 386,043	$ 369,945
Education and other	-	640,000
Total unconditional promises to give	386,043	1,009,945
Less unamortized discount	-	(674)
Net unconditional promises to give	$ 386,043	$ 1,009,271
Amounts due in:		
Less than one year	$ 386,043	$ 909,945
One to four years	-	100,000
Total	$ 386,043	$ 1,009,945

4. Property and Equipment and Land Held for Sale

Property and equipment is as follows:

	2022	2021
Land	$ 1,009,140	$ 1,009,140
Buildings, and building and land improvements	7,076,909	7,070,409
Furniture and equipment	2,704,158	2,634,436
Automobiles and trucks	615,138	585,696
Total	11,405,345	11,299,681
Less accumulated depreciation	(8,106,670)	(7,798,227)
Total	3,298,675	3,501,454
Construction-in-progress	74,278	1,307
Property and equipment, net	$ 3,372,953	$ 3,502,761

As a condition of sale for a parcel sold in December 2020, $738,500 of the sale proceeds was placed in an account held by a third party for the estimated future payment of roll-back taxes when the property tax classification of the parcel is changed per the buyer's development plans. This asset account balance is reflected in prepaid expenses and other assets, and the related liability of $1,009,422 is reflected in deferred revenue and contract liabilities within the accompanying combined statements of financial position at June 30, 2022 and 2021.

5. Liquidity and Availability of Resources

The financial assets available within one year of the combined statement of financial position date for general expenditure are as follows at June 30:

	2022	2021
Cash and cash equivalents	$ 7,107,304	$ 9,409,108
Assessments and premiums receivable	1,659,741	1,708,080
Other receivables	657,660	268,824
	$ 9,424,705	$ 11,386,012

As part of liquidity management, there is a policy to structure financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term investments.

Designated net assets were $13,501,694 and $12,848,723 at June 30, 2022 and 2021, respectively. Although there is no intent to spend from designated net assets other than for the purposes described in Note 10, amounts from the designated net assets could be made available, if necessary.

6. Notes Payable

On March 29, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). One principal portion of the CARES Act established the Paycheck Protection Program (PPP), under which the United States Small Business Administration (SBA) was empowered to approve loans (PPP Loan) by insured financial institutions. If a PPP Loan application were approved by the SBA, the SBA would guarantee the Loan. In addition, the borrower of a PPP Loan would have the Loan forgiven (i.e., effectively the Loan became a Federal grant), if the borrower complied with all the conditions applicable to obtaining a PPP Loan. During April 2020, a PPP Loan in the amount of $1,608,800 was approved and received from ESSA Bank & Trust (ESSA). The PPP Loan is reflected in notes payable in the accompanying combined statements of financial position. Forgiveness was applied for, and in July 2021, the SBA forgave the loan in full and is reported as PPP loan forgivementss in the combined statement of activities for the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The results of any audits or reviews by the SBA are not believed to represent a material impact on the combined financial statements.

Notes payable consist of the following at June 30, 2022 and 2021:

	2022	2021
A.C.B.A. unsecured loan with variable interest rate related to the self-insurance security requirement set by the Commonwealth of Pennsylvania. Principal payments may be made early without penalty. Repaid in full during 2022.	$ -	$ 2,300,000
A.C.B.A. loan with variable interest rate of 3.25% and 3.75% at June 30, 2022 and 2021, respectively, to support Catholic education in Schuylkill County through the purchase of a new school building for St. Jerome Regional Elementary School Charitable Trust in Tamaqua, PA; secured by a mortgage on that real estate. Principal payments may be made early without penalty. Repaid in full during 2022.	-	904,358
ESSA loan under the CARES Act PPP loan program, approved and guaranteed by the SBA. The loan is payable within two years of the origination date at an interest rate of 1%, with a deferral of payments until August 2021. In July 2021, the SBA forgave the principal and accrued interest of this loan.	-	1,608,800
Total	$ -	$ 4,813,158

7. Lease Commitments

There are commitments under a number of noncancelable operating leases having minimum future rental payments at June 30, 2022, due as follows:

Years ending June 30:	
2023	$ 611,587
2024	580,781
2025	493,120
2026	441,026
2027	195,558
Thereafter	38,120
Total	$ 2,360,192

Recognized lease expense of $629,206 in 2022 and $679,965 in 2021 is included in occupancy expense.

8. Diocesan Pension Plans

The Diocese sponsors a contributory defined benefit pension plan covering lay employees of the Diocese who meet certain age and service requirements. On a monthly basis, the parishes, schools and Diocesan entities contribute a portion of participants' compensation exclusive of bonus, overtime and other nonrecurring payments. The Pension Trustees amended the Lay Employee Pension Plan (Lay Plan) in 2010 to reduce the benefits earned in years beginning on or after January 1, 2011. Additionally, the Diocese increased the employer contribution beginning July 1, 2014, to 4.75% for the fiscal year beginning July 1, 2020, and 5.25% for the fiscal year beginning July 1, 2021, and 5.75% for the fiscal year beginning July 1, 2022.

The Pension Trustees and the Diocese continue to monitor and make appropriate changes as necessary to improve the Plan's funded status. The Diocese also has a noncontributory plan (Priests Plan) for its ordained Diocesan priests who are in good standing. Likewise, plan participants include priests assigned to parishes and entities outside the entities represented in these combined financial statements. These plans are separate trusts and operate as multiemployer plans, and for purposes of these combined financial statements, are not included herein. Contributions from the various organizations included herein are recorded in benefits expense as reported below.

The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

Participation by the various organizations included herein in pension plans (Plans) for the years ended June 30, 2022 and 2021 is outlined in the table below. The EIN/PN column provides the Employer Identification Number (EIN) and the three-digit plan number (PN). The most recent funded status available for 2022 and 2021 is for the plan year-end as indicated below. The funded status is based on information received from the Plans' actuaries.

The Plans have not benefitted from additional surcharges in addition to their regular plan contributions. Management has implemented plans to increase funding to the Plans over the next five years.

Pension Fund	EIN/Pension Plan Number	Funded Status 2022	Funded Status 2021	Contributions by Diocese for the Year Ended 2022	Contributions by Diocese for the Year Ended 2021
Diocese of Allentown Lay Employees Retirement Plan	(a) 23-1598116/001	60.8% as of 1/1/2019	69.5% as of 1/1/2018	$ 171,580	$ 165,343
Retirement Plan for the Ordained Diocesan Priests of the Diocese of Allentown	(b) 20-8045588/001	99.0% as of 7/1/2021	79.9% as of 7/1/2020	197,991	207,148

The various organizations included herein provided more than 5% of total contributions for each of the plans for 2022 and 2021.

(a) The Plan's financial statements for the years ended December 31, 2018 and 2017 (latest available information) indicated total net assets of $71,728,628 and $80,756,209, respectively; total actuarial present value of accumulated plan benefits of $117,892,081 and $116,274,286, respectively; and total contributions for all participating employers of $2,863,862 and $5,314,333, respectively.

(b) The Plan's financial statements for the years ended June 30, 2021 and 2020 indicated total net assets of $13,882,946 and $11,102,581, respectively; total actuarial present value of accumulated plan benefits of $14,018,337 and $13,896,727, respectively; and total contributions for all participating employers of $1,202,290 and $1,468,544, respectively.

9. Postretirement Benefit Obligation

The Diocese provides postretirement benefits to its incardinated priests in good standing who retire from service to the Diocese at normal retirement age or through early retirement due to disability. These benefits include continuation of medical benefits such as premiums on policies and payment of certain medical costs not covered by insurance; residence and care at a defined residence, where available; and reimbursements, for automobile insurance, workshops and retreats. The accrual for postretirement benefits recognizes the postemployment obligation for the above noted benefits provided to incardinated priests in good standing serving the Diocese.

The following is a summary of the plan's funded status at June 30, 2022 and 2021:

	2022	2021
Fair value of plan assets	$ 10,413,854	$ 10,926,482
Accumulated benefit obligation	(34,851,593)	(37,838,249)
Funded status of plan	$ (24,437,739)	$ (26,911,767)

Plan assets are held in trust by the Clergy Third Age Charitable Trust to provide for priests post-retirement benefits, including healthcare and housing. Contributions to the plan are derived from monthly assessments billed to the parishes, schools and other entities within the Diocese and amounts received from donors.

Contributions received are initially deposited in savings held in the A.C.B.A. Periodically, a portion of those deposits are added to investments held in the U.I.F., using a target allocation percentage of 60% equity pool and 40% fixed pool. This investment strategy utilizes different asset classes with varying risk/return characteristics, which are believed to provide a long-term rate of return without undue exposure to severe depreciation in asset value during adverse markets.

Withdrawal of plan assets totaled $250,000 in 2022 and 2021. Management estimates that total contributions to the plan during 2023 will be approximately $700,000.

The following tables present the plan assets measured at fair value at June 30, 2022 and 2021 by the valuation hierarchy defined in Note 2. In addition, deposits held in the A.C.B.A. are valued using observable inputs, but do not trade in an active market, and are therefore categorized in Level 2.

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Plan assets:				
Cash and cash equivalents	$ 56,164	$ -	$ -	$ 56,164
Pledges receivable	-	-	880	880
Deposits held in the A.C.B.A.	-	3,698,236	-	3,698,236
U.I.F.:				
Equity pool	-	4,427,044	-	4,427,044
Fixed pool	-	2,231,530	-	2,231,530
Total plan assets	$ 56,164	$ 10,356,810	$ 880	$ 10,413,854

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Plan assets:				
Cash and cash equivalents	$ 79,913	$ -	$ -	$ 79,913
Pledges receivable	-	-	2,162	2,162
Deposits held in the A.C.B.A.	-	3,171,372	-	3,171,372
U.I.F.:				
Equity pool	-	5,163,243	-	5,163,243
Fixed pool	-	2,509,792	-	2,509,792
Total plan assets	$ 79,913	$ 10,844,407	$ 2,162	$ 10,926,482

Other than plan assets, management designated funds have been established for priest life insurance (see Note 10).

Net periodic postretirement benefit cost, contributions and benefits paid related to the plan are as follows for 2022 and 2021:

	2022	2021
Service cost	$ 912,485	$ 1,010,477
Interest cost on accumulated benefit obligation	700,147	911,362
Expected return on assets	(655,589)	(534,224)
Amortization of unrecognized prior service cost	(209,286)	(209,286)
Amortization of gains	(286,105)	-
Net periodic postretirement benefit cost	$ 461,652	$ 1,178,329
Employer contributions	$ 2,198,093	$ 2,229,111
Benefits paid	$ 1,710,905	$ 1,632,874

The measurement date used to determine the plan asset and benefit obligation information was June 30, 2022 and 2021.

Total postretirement benefit expense included in clergy benefits expenses is as follows for 2022 and 2021:

	2022	2021
Clergy benefits, net periodic postretirement benefit cost	$ 461,652	$ 971,942
Changes other than net periodic postretirement benefit cost:		
Amortization of prior service cost	209,286	209,286
Net gain	(3,657,594)	(6,801,043)
Total other changes	(3,448,308)	(6,591,757)
Total	$ (2,986,656)	$ (5,413,428)

Benefits expected to be paid in the next ten fiscal years, estimated based on the same assumptions used in the measurement of the June 30, 2022 benefit obligation, are as follows:

2023	$ 1,961,510
2024	1,984,206
2025	2,004,931
2026	2,011,319
2027	2,079,975
2028 - 2032	10,634,772

Postretirement benefit obligation at June 30:

	2022	2021
Retirees	$ 18,837,935	$ 16,587,104
Other eligible and active plan participants	16,013,658	21,251,145
Accumulated postretirement benefit obligation	$ 34,851,593	$ 37,838,249
Healthcare costs	$ 14,064,583	$ 13,816,630
Care-level facilities	18,272,952	21,310,844
Life insurance	1,355,687	1,504,849
Other	1,158,371	1,205,926
Accumulated postretirement benefit obligation	$ 34,851,593	$ 37,838,249
Items not yet recognized as a component of net periodic cost:		
Prior service cost	$ (1,535,583)	$ (1,744,870)
Net gain	(8,757,288)	(7,789,300)
Total	$ (10,292,871)	$ (9,534,170)

The not yet recognized net gain of $8,757,288 is greater than 10% of the accumulated postretirement benefit obligation on June 30, 2022, and therefore needs to be amortized in the net periodic postretirement cost for the fiscal year ending June 30, 2023.

Assumptions used in determining the postretirement benefit cost and the accumulated postretirement benefit obligation were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Discount rate	4.60 %	2.61 %
Expected long-term rate of return on plan assets	6.00	6.00
Increase rates for Medicare Healthcare costs (all years)	5.00	5.00
Increase rates for Non Medicare Healthcare costs (all years)	7.00	7.00
Increase rates for Holy Family Villa costs	3.50	3.50
Mortality table	RP-2000	RP-2000

Changes in assumptions caused a net decrease in the postretirement benefit obligation totaling $2,986,656 for the year ended June 30, 2022. Significant changes were as follows:

- Increase in the discount rate;
- Significantly higher than expected increase in costs of medical and drug coverages;
- Lower than expected increase in the cost of other benefits.

10. Net Assets

Net assets without donor restrictions are designated for the following purposes at June 30:

	2022	2021
Self-insurance reserves	$ 8,947,157	$ 8,411,321
Other clergy benefit and retirement funds	1,297,148	1,228,789
Seminarian fund	2,013,155	2,305,956
Other management designated funds	1,244,234	902,657
Total	$ 13,501,694	$ 12,848,723

Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Forward With Christ campaign	$ 3,820,135	$ 4,228,792
Forward With Christ endowment	2,207,370	2,207,370
Other endowments	331,452	330,496
Bishop's Annual Appeal	1,188,392	1,185,824
Endowment annuity	288,521	410,857
Seminarian fund	225,583	252,858
Priest postretirement benefits	5,283,010	5,537,688
Education	-	639,326
Other	964,403	922,655
Total	$ 14,308,866	$ 15,715,866

Net assets released from restrictions consisted of the following at June 30:

	2022	2021
Forward With Christ campaign	$ 63,000	$ 40,898
Bishop's Annual Appeal	3,354,980	4,109,513
Seminarian fund	385,675	273,333
Endowment annuity	55,832	58,007
Priest postretirement benefits	266,992	268,275
Education	140,000	340,000
Other	255,054	238,655
Total	$ 4,521,533	$ 5,328,681

During the 1980's the Diocese-wide Forward With Christ (FWC) campaign established funds for the immediate and future needs of its high schools, elementary schools and for the broader concerns of Catholic education and spiritual development of its people through the five-county area it serves. In 2005, $4,000,000 was borrowed from the FWC funds, used toward the purchase of land intended for construction of a new Catholic high school in Berks county. In 2022, the Diocese returned $250,000 to the FWC funds. The funds owed to the FWC campaign are included in FWC net assets with donor restrictions.

11. Contractually Committed Assets and Net Assets

For each lot, crypt and niche sold, a portion of the sale is designated to provide for the future maintenance and preservation of the cemeteries, mausolea and columbaria. These funds are not contributions; therefore, they are not donor-restricted under U.S. GAAP. Further, the Commonwealth of Pennsylvania only regulates permanent maintenance funds when they are held by entities other than religious organizations, requiring that such funds be treated as trust funds, prudently invested with the intent of preserving capital and producing a reasonable income. Although the Diocese is exempt from these regulations, it recognizes a written commitment to invest the principal of the perpetual care fund, to be used for the care, general maintenance and improvements of the cemeteries, mausolea and columbaria. These funds are held in the Diocesan Cemetery Perpetual Care Trust, and classified as contractually committed net assets.

The following tables present the contractually committed assets measured at fair value as of June 30, 2022 and 2021 by the valuation hierarchy defined in Note 2. In addition, certificates of deposit and deposits held in the A.C.B.A. are valued using observable inputs, but do not trade in an active market, and are therefore categorized in Level 2.

	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Certificates of deposit	$ -	$ 156,828	$ -	$ 156,828
Deposits held in the A.C.B.A.	-	339,410	-	339,410
U.I.F.:				
Equity Pool	-	2,750,495	-	2,750,495
Fixed Pool	-	1,228,493	-	1,228,493
Total plan assets	$ -	$ 4,475,226	$ -	$ 4,475,226

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Certificates of deposit	$ -	$ 156,312	$ -	$ 156,312
Deposits held in the A.C.B.A.	-	360,093	-	360,093
U.I.F.:				
Equity Pool	-	3,510,343	-	3,510,343
Fixed Pool	-	879,236	-	879,236
Total plan assets	$ -	$ 4,905,984	$ -	$ 4,905,984

Change in contractually committed net assets for the years ended June 30, 2022 and 2021 is as follows:

	2022	**2021**
Contractually committed net assets, beginning balance	$ 4,905,984	$ 3,730,266
Investment return	(607,663)	949,910
Contributions and new designations	176,905	225,808
Contractually committed net assets, ending balance	$ 4,475,226	$ 4,905,984

The Diocese undertook a study in 2022 to estimate the amount of maintenance that would be incurred in the future to care for the cemeteries, mausolea and columbaria. For the purpose of the calculation, maintenance costs of $175,000 were assumed to escalate at a rate of 3.0% per year, with a discount rate of 6.0%. Commitments for permanent maintenance are substantial and, based upon the assumptions noted above, the present value of future care payouts approximates $5,800,000. No contractually committed net assets were withdrawn for current maintenance costs in 2022, nor is a withdrawal of plan assets planned in 2023.

12. Endowments

The ability of the Diocese to fulfill its mission depends upon, among other things, a healthy financial situation. Income for the current budgeted operations comes from a number of sources including support from the parishes of the Diocese, fees, grants/foundations, fundraising and other donations. In order to strengthen the financial base of the Diocese and to enhance the future capabilities and viability of the Diocese, it is desirable to establish funds functioning as endowment which can hopefully grow and in which the interest would be used in accordance with the needs of the Diocese. These needs may include new programs to serve individuals and families in need, the expansion of current programs, or special capital needs as determined by the Diocese's strategic planning process.

The Diocese's endowments consist of four individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Diocese has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds where explicit donor stipulations exist. As a result of this interpretation, net assets with donor restrictions are classified as (a) the original value of gifts donated to the endowments, (b) the original value of subsequent gifts to the endowments, and (c) accumulations of investment returns to the endowments made in accordance with the direction of the applicable donor gift stipulations at the time the accumulation is added to the fund.

The respective organizations have adopted investment policies that attempt to provide a predictable stream of funding to programs supported by the endowments. The principal of the funds is invested according to the investment policies. Investment income is spent, or reinvested and designated as funds functioning as endowment, in accordance with the direction of the applicable donor gift stipulations.

The respective organizations have not deemed it necessary to adopt formal spending policies apart from spending based on actual expenditure in accordance with the stipulations of the donor.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 is as follows:

	2022 With Donor Restrictions	2021 With Donor Restrictions
Endowment net assets, beginning balance	$ 2,537,866	$ 2,537,204
Investment return	956	662
Appropriation of endowment net assets for expenditure	-	-
Endowment net assets, ending balance	$ 2,538,822	$ 2,537,866

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. There were no such deficiencies at June 30, 2022 or 2021.

13. Self-Insurance - Risk Retention Group and Insurance Pool Participation

The Diocese instituted the Self-Insurance Program effective July 1, 1984. Under the program, all Diocesan buildings, personnel and programs are insured. The coverages provided include, but are not limited to, property, liability, workers' compensation and boilers. Premiums are charged to various entities within the Diocese based upon the specific coverages provided.

On July 1, 2018, an agreement was entered into with The Catholic Relief Insurance Company of America II, a sponsored captive insurance company organized under the laws of Vermont to form a protective captive insurance cell to administer and manage the Diocese of Allentown's self-insurance program. The lines of insurance managed through this cell include automobile liability, property, professional liability, general liability and workers' compensation.

The program manages the Diocese's insurance through a combination of self-insurance retention, participation with other Dioceses in the Catholic Umbrella Pool and purchase of excess insurance coverage above the self-insured levels.

The Diocese has, since 1991, participated in TNCRRG, a Vermont company organized by entities of the Church, operating a risk retention group under the federal Liability Risk Retention Act of 1986. All policyholders are also shareholders of TNCRRG. TNCRRG provides Excess Liability coverage to its policyholders. Coverage is provided for certain liability claims exceeding $750,000. No claims were filed with TNCRRG during 2022 and 2021. The shareholder interest in TNCRRG has been recorded as an investment in the combined financial statements.

The Diocese has, since 1994, been a member participant in the Catholic Umbrella Pool (the Pool), a not-for-profit self-insurance corporation serving certain Roman Catholic archdioceses and dioceses in the United States. The Pool provides excess liability coverage to its policyholders, for certain liability claims exceeding $1,500,000. In May 2009, the formation of a subsidiary, CUP Re, Inc. was approved to operate as a not-for-profit captive insurer. CUP Re was incorporated in December 2009 and was approved to write business January 1, 2010 by the Vermont Dept. of Financial Regulation. CUP Re, Inc. assumes reinsurance on liability exposures of the Catholic Church from the Administrator, The Catholic Mutual Relief Society of America through its subsidiary, the Catholic Relief Insurance Company of America. No claims were filed with the Pool during 2022 and 2021.

The Pool reserves the right to make a capital call from participants in the event that Pool reserves and participant balances are depleted by the level of actual claims and expenses. Management does not anticipate a capital call as of June 30, 2022. To the extent that actual claims reserves and expenses of the Pool do not exceed its income, the Pool allocates such surplus to member participants' fund balances. Annually, the Pool trustees approve distribution to member participants of a portion of their individual fund balances. $81,569 and $79,402 was recognized in 2022 and 2021, respectively, as a reduction of insurance premiums expense to reflect a partial return of the participation fund balance. The participant fund balance in the Pool was $109,079 and $255,710 at June 30, 2022 and 2021, respectively, which could be returned over the next ten years, subject to Pool performance. The balance in the participant fund has not been recorded in the combined financial statements.

14. Concentration of Credit Risk

Cash and restricted and designated deposit balances are deposited in various institutions. These balances may exceed federally insured amounts.

15. Contingent Liabilities

Organizations included herein have been named as a defendant in various civil lawsuits. The lawsuits are being vigorously defended and contested. It is not possible to determine if there will be unfavorable outcomes that would be material to these financial statements.

On August 14, 2018, a statewide grand jury issued its interim report investigating child sex abuse in six Pennsylvania Roman Catholic Dioceses including the Diocese. Among other recommendations, the grand jury called for a civil window law, which would let older victims sue the diocese for the damage inflicted on their lives when they were children. The Pennsylvania Legislature has not enacted this law; however, there is on-going discussion about a Constitutional Amendment that may appear on a statewide ballot.

The Diocese expects that it may make payments associated with the events listed in the preceding paragraphs, but it cannot reasonably estimate the amounts of those payments at this time.