



February 28, 2019

Dear Friends,

In recent months, you have likely heard me pledge increased transparency on behalf of the Diocese of Scranton. As a part of those efforts, I am pleased to present the audited financial statements of the Administrative Offices and the Diocese of Scranton for the 2017-2018 fiscal year.

The following statements reflect improvement in our overall financial health. I am responsible for ensuring your financial contributions to the Church are used to make an impact in the way you intended. Each time I review our finances, I find myself incredibly humbled and grateful for your kindness and for the strong sense of community we have created within our Diocese.

Each year, your contributions help us make an impact on the individuals in our communities who most need our support. We offer assistance to those facing poverty and hardship through services such as food pantries, youth service programs and community outreach, emergency shelter programs, permanent housing services and more. And, we are always looking for ways to serve our elderly population.

Catholic education has long been one of our core offerings. We aim to prepare faith-filled leaders and life-long learners and last year, we educated nearly 5,000 students in one of our 20 Catholic Schools and more than 17,000 children in parish-based programs.

With your ongoing support, we can continue to improve the way we educate our students. This year, we installed new leadership within the Catholic education system to better serve our students and future leaders. This was a critical move as we are working to reshape Catholic education through a new and innovative organizational model. We believe this model will strengthen the system, while supporting the long-term financial sustainability for the schools.

Our ongoing efforts to serve our mission, though, are secondary to what was a very dark year for the Diocese of Scranton as we navigated and fully complied with the Pennsylvania Grand Jury investigation. As it pertains to the financials of the Diocese, the pages that follow outline legal expenses related to the investigation, as well as our ongoing efforts to review and improve our child protection protocols, and to promote healing for survivors.

These efforts to promote healing and recovery are a priority and will be reflected in our budget moving forward. We are hopeful, though, that legal expenditures will continue to diminish as we shift our focus to healing and compensation of survivors. I want to assure you that compensation for survivors of abuse will be funded by existing Diocesan assets and available reserves. We will sell assets and borrow money as necessary. While every dollar of the diocese represents someone's generous gift, I believe it is important to emphasize that money collected in parishes and from the Diocesan Annual Appeal will not go towards the funding of this program. The Diocese is also not financially responsible for legal fees to defend a priest accused of sexual abuse.

Amidst a challenging year, the Diocese of Scranton took meaningful steps forward. I am grateful for your continued generosity. Support of your parishes and our Diocesan Annual Appeal enable us to fulfill our mission of service to our brothers and sisters in the greater Scranton region. We could not achieve this without our community, and we are exceptionally grateful.

May God continue to bless you and your families.

Sincerely yours in Christ,

+ Joseph C. Bambera

Most Reverend Joseph C. Bambera, D.D., J.C.L.

Bishop of Scranton

ROMAN CATHOLIC DIOCESE OF SCRANTON
DIOCESAN ADMINISTRATIVE OFFICES

2017-2018 FISCAL REPORT HIGHLIGHTS

- As in previous years, the financial statements of the Diocesan Administrative Offices of the Diocese of Scranton have been independently audited. The report of the independent auditor, McGrail Merkel Quinn & Associates, P.C., Certified Public Accountants, present fairly the financial position and the related statements of activities and cash flows of the diocese as of June 30, 2018 and 2017.
- The financial statements include activities related to the Diocesan Administrative Offices, not activities related to Catholic Social Services and the Diocesan School System. These organizations are separately audited. The statements also do not include parish activities.
- There was an excess of revenues over expenses relating to operations in the amount of \$2,000,000 in the 2017-2018 year when compared to the previous fiscal year. The following items contributed to this increase:
 - Donations increased by \$2,400,000
 - There was an increase of \$850,000 in gains realized on the sale of investments
 - Medical insurance premiums increased \$600,000
- Total operating expenses in the amount of \$32,500,000 were consistent with the prior year operating expenses.
- Net assets increased by \$3,600,000. This can be attributed to an excess of revenues over expenses in the amount of \$2,500,000 and a positive change in net unrealized gains and losses on investments in the amount of \$1,500,000.
- On the balance sheet contributions receivable increased \$1,100,000. This amount represents pledges received related the interior renovations for Saint Peter's Cathedral.
- Legal fees related to the Pennsylvania Grand Jury investigation related to sexual misconduct in the Diocese of Scranton were \$991,337 in the fiscal year ended June 30, 2017 and \$496,563 in the fiscal year ended June 30, 2018. These amounts are included within the audit report with legal and professional fees, listed under the Self Insurance program.
- In the 2017-2018 fiscal period, audits were successfully conducted on all four school systems. The audit reports issued by the independent auditors all contained clean opinions. These audits were made possible by the complete consolidation of the accounting for all school accounts by the schools' business office in the 2015-2016 year.

- The Diocesan Finance Office increased the number of parish internal control reviews which will result in all parishes having on-site reviews at least once every three years. These reviews are intended to evaluate internal controls established by parishes in an effort to safeguard parish assets. Reports related to the reviews are provided to Pastors to review with Parish Finance Councils, with the purpose of developing corrective plans when controls are deemed weak.
- A grant writer was hired in an effort to aggressively seek out grants for use by Diocesan Schools, Catholic Social Services and other Diocesan entities.
- The Diocese remains vigilant regarding its finances including all funds entrusted to it. All hires are carefully scrutinized for need and where possible replacements are very often made by consolidating and streamlining positions. Thoughtful, careful budgets are prepared for all Diocesan entities, which are consistently monitored throughout the year.
- To view the full financial report, please visit www.dioceseofscranton.org.

Robert J. Miller
Chief Financial Officer

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

INDEX

PAGE

2-3	Independent Auditor's Report
4-5	Statements of Financial Position
6-7	Statements of Activities
8-9	Statements of Cash Flows
10-29	Notes to Financial Statements

SUPPLEMENTARY INFORMATION

30	<u>Schedule 1</u>	Program Revenues
31-33	<u>Schedule 2</u>	Pastoral Expenses
34	<u>Schedule 3</u>	Educational Expenses
35	<u>Schedule 4</u>	Community and Social Service Expenses
36-37	<u>Schedule 5</u>	Administrative Expenses



McGrail Merkel Quinn & Associates, P.C.
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Independent Auditor's Report

Most Reverend Joseph C. Bambera, D.D., J.C.L.
Bishop of Scranton
Diocese of Scranton
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Diocesan Administrative Offices of the Diocese of Scranton 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.



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Most Reverend Joseph C. Bambera, D.D., J.C.L.
Bishop of Scranton
Diocese of Scranton

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 Diocesan Administrative Offices of the Diocese of Scranton 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules 1 to 5 is presented for purposes of additional analysis and is 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 audits 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.

*Mc Nail, Merkel, Quinn
& Associates, P.C.*

Scranton, Pennsylvania
January 3, 2019

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 8,072,513	\$ 6,175,488
Certificates of deposit	2,183,000	4,460,000
Accounts receivable, less allowance for doubtful accounts of \$3,276,964 in 2018 and \$3,009,579 in 2017	4,378,333	3,777,533
Accrued interest receivable	83,331	104,005
Contributions receivable	1,171,014	69,285
Due from Catholic Cemeteries	161,444	75,038
Prepaid expense	509,503	686,203
Cash subject to program restrictions	5,291,485	5,327,584
Notes and loans receivable	3,518,184	3,678,968
Investments	60,344,777	58,672,278
Land, buildings and equipment, net	6,372,854	6,598,244
Other assets	366,425	563,975
	<u>\$ 92,452,863</u>	<u>\$ 90,188,601</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF FINANCIAL POSITION - CONTINUED

JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 753,035	\$ 719,919
Custodial funds payable	508,684	683,262
Accrued interest expense	205,273	149,684
Contributions payable	2,258,178	2,200,972
Scholarships payable	844,918	849,296
Liability for pension benefits	9,641,262	11,003,576
Accrued claim expense	2,003,342	2,095,087
Accrued postretirement benefit obligation	10,131,682	11,052,447
Loan payable	3,518,184	3,678,968
Due to Diocese of Scranton Institute	23,093,504	22,404,334
Funds on deposit		
Catholic Cemeteries Perpetual Care and other funds	17,931,914	17,413,932
Other Diocesan organizations Perpetual Care	12,590,054	12,550,163
Total liabilities	<u>83,480,030</u>	<u>84,801,640</u>
Net assets		
Unrestricted	1,446,572	(2,164,023)
Temporarily restricted (Note 6)	4,446,567	4,478,287
Permanently restricted (Note 7)	3,079,694	3,072,697
Total net assets	<u>8,972,833</u>	<u>5,386,961</u>
Total liabilities and net assets	<u>\$ 92,452,863</u>	<u>\$ 90,188,601</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Parish assessments								
Diocesan	\$ 4,506,163	\$ -	\$ -	\$ 4,506,163	\$ 4,433,197	\$ -	\$ -	\$ 4,433,197
Clergy Care and Wellness	952,575	-	-	952,575	927,323	-	-	927,323
Intra-Diocesan billings								
Self-insurance premiums - General	3,907,331	-	-	3,907,331	3,853,622	-	-	3,853,622
Self-insurance premiums - Medical	9,247,045	-	-	9,247,045	8,647,547	-	-	8,647,547
Clergy benefit programs	2,433,088	-	-	2,433,088	2,624,106	-	-	2,624,106
Diocesan Program Revenues -								
<u>Schedule I</u>	693,222	-	-	693,222	454,669	-	-	454,669
Diocesan Annual Appeal	-	4,750,437	-	4,750,437	-	4,806,527	-	4,806,527
Special collections	-	26,173	-	26,173	-	42,967	-	42,967
Donations and bequests	2,623,359	152,698	-	2,776,057	145,915	187,753	-	333,668
Scholarship Foundation contributions	-	770,914	-	770,914	-	1,170,847	-	1,170,847
Custodial receipts								
National collections	-	1,444,752	-	1,444,752	-	1,026,632	-	1,026,632
Unemployment	379,457	-	-	379,457	376,772	-	-	376,772
Called to Holiness transfers	4,644	-	-	4,644	92,655	-	-	92,655
Propagation collections	282,439	-	-	282,439	384,795	-	-	384,795
Other revenue	118,970	-	-	118,970	212,673	-	-	212,673
Investment income	1,287,654	109,396	6,997	1,404,047	1,125,446	111,677	7,677	1,244,800
Net realized gain on sale of								
investments	1,285,428	-	-	1,285,428	438,970	-	-	438,970
Net realized gain on sale of property	-	-	-	-	1,952,404	-	-	1,952,404
Net assets released from								
restrictions (Note 6):								
Satisfaction of program								
restrictions	7,286,090	(7,286,090)	-	-	7,494,374	(7,494,374)	-	-
 Total revenues, gains and other support	 \$ 35,007,465	 \$ (31,720)	 \$ 6,997	 \$ 34,982,742	 \$ 33,164,468	 \$ (147,971)	 \$ 7,677	 \$ 33,024,174

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF ACTIVITIES - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total revenues, gains and other support - carried forward	\$ 35,007,465	\$ (31,720)	\$ 6,997	\$ 34,982,742	\$ 33,164,468	\$ (147,971)	\$ 7,677	\$ 33,024,174
Expenses								
Pastoral - <u>Schedule 2</u>	7,638,342	-	-	7,638,342	7,903,724	-	-	7,903,724
Educational - <u>Schedule 3</u>	2,846,563	-	-	2,846,563	3,534,452	-	-	3,534,452
Community and Social Service - <u>Schedule 4</u>	4,384,026	-	-	4,384,026	3,738,189	-	-	3,738,189
Administrative - <u>Schedule 5</u>	15,401,400	-	-	15,401,400	15,613,437	-	-	15,613,437
Called to Holiness transfers	4,960	-	-	4,960	197,151	-	-	197,151
Custodial disbursements								
National collections	1,444,752	-	-	1,444,752	1,026,632	-	-	1,026,632
Unemployment	149,936	-	-	149,936	93,105	-	-	93,105
Interest expense	644,770	-	-	644,770	482,266	-	-	482,266
Total expenses	32,514,749	-	-	32,514,749	32,588,956	-	-	32,588,956
Excess of revenues over expenses	2,492,716	(31,720)	6,997	2,467,993	575,512	(147,971)	7,677	435,218
Other changes								
Provision for bad debt	(526,863)	-	-	(526,863)	(224,431)	-	-	(224,431)
Pension-related changes other than net periodic pension cost	2,130,654	-	-	2,130,654	2,841,930	-	-	2,841,930
Transfer to lay pension plan	(1,972,948)	-	-	(1,972,948)	(3,734,604)	-	-	(3,734,604)
Change in net unrealized gains and losses on investments	1,487,036	-	-	1,487,036	2,496,033	-	-	2,496,033
Increase (decrease) in net assets	3,610,595	(31,720)	6,997	3,585,872	1,954,440	(147,971)	7,677	1,814,146
Net assets, beginning	(2,164,023)	4,478,287	3,072,697	5,386,961	(4,118,463)	4,626,258	3,065,020	3,572,815
Net assets, ending	\$ 1,446,572	\$ 4,446,567	\$ 3,079,694	\$ 8,972,833	\$ (2,164,023)	\$ 4,478,287	\$ 3,072,697	\$ 5,386,961

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating activities		
Increase in net assets	\$ 3,585,872	\$ 1,814,146
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	(1,285,428)	(438,970)
Net unrealized gain on investments	(1,487,036)	(2,496,033)
Net realized gain on sale of property	-	(1,952,404)
Amortization on investments	2,062	54,107
Depreciation expense	372,590	381,049
Provision for bad debt	526,863	224,431
Increase in accounts receivable	(1,127,663)	(1,347,744)
Decrease in accrued interest receivable	20,674	2,276
Increase in contributions receivable	(1,101,729)	(23,962)
(Increase) decrease in due from Catholic Cemeteries	(86,406)	511,414
Decrease (increase) in prepaid expense	176,700	(173,209)
Decrease (increase) in other assets	197,550	(183,058)
Increase (decrease) in accounts payable	33,116	(61,343)
(Decrease) increase in custodial funds payable	(174,578)	73,822
Increase (decrease) in accrued interest expense	55,589	(5,345)
Increase in contributions and scholarships payable	52,828	1,234,933
Decrease in liability for pension benefits	(1,362,314)	(2,038,306)
(Decrease) increase in accrued claim expense	(91,745)	207,507
Decrease in accrued postretirement benefit obligation	(920,765)	(759,565)
Increase in due to Diocese of Scranton Institute	689,170	77,770
Contributions and interest restricted for long-term investment	(6,997)	(7,677)
Net cash used in operating activities	<u>(1,931,647)</u>	<u>(4,906,161)</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES
OF THE DIOCESE OF SCRANTON
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Investing activities		
Change in temporarily restricted cash	\$ 36,099	\$ 423,366
Change in permanently restricted cash	(6,997)	(7,677)
Purchase of fixed assets	(147,200)	(345,441)
Proceeds from sale of property	-	3,139,597
Principal collected-loans receivable	160,784	155,973
Purchase of investments	(29,575,152)	(40,458,846)
Proceeds from sale of investments	<u>32,957,052</u>	<u>42,106,464</u>
Net cash provided by investing activities	<u>3,424,586</u>	<u>5,013,436</u>
Financing activities		
Proceeds from interest and contributions restricted for:		
Investment in endowment	6,997	7,677
Principal payments on loan	(160,784)	(155,973)
Funds on deposit		
Additions	578,414	288,374
Withdrawals	<u>(20,541)</u>	<u>-</u>
Net cash provided by financing activities	<u>404,086</u>	<u>140,078</u>
Net increase in cash	1,897,025	247,353
Cash and equivalents, beginning	<u>6,175,488</u>	<u>5,928,135</u>
Cash and equivalents, ending	<u>\$ 8,072,513</u>	<u>\$ 6,175,488</u>

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements are limited to reporting financial transactions of the Diocesan Administrative Offices of the Diocese of Scranton (the Diocese). Other organizations, which are owned and operated by the Diocese of Scranton and maintained separately from the Administrative Offices, are not reported on in these financial statements, including Little Flower Manor, Catholic Schools, Catholic Youth Center, Catholic Social Services, Diocese of Scranton Institute and other Diocesan service organizations. These statements also exclude the financial transactions of the parishes and the Diocesan and parish cemeteries.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles; the more significant of which are described below.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Public Support and Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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. Contributions with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings that are available to be distributed are recorded as temporarily restricted support.

Accounts Receivable

Accounts receivable consists of assessments billed to parishes and other Diocesan organizations for insurance, priests' pension and health insurance and Diocesan programs and operations. Based on management's evaluation of collectibility, the Diocese has established an allowance for uncollectible accounts.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported in the Statements of Activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost less accumulated depreciation. Donations of land, buildings or equipment are recorded at estimated fair value and are included in support unless restricted to a specific purpose. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of assets.

Long-Lived Assets

The Diocese reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

Contributions Payable

Contributions made and unconditional promises to make future contributions to other organizations are recognized when made or the promise conveyed. Contributions payable over more than one year are recorded at their discounted present value. Changes in discounts are recognized over the period of the promise as adjustments to contributions expense.

Excess of Revenues Over Expenses

The Statements of Activities include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include provision for bad debt, unrealized gains and losses on investments and transfers of assets to and from affiliates for other than goods and services.

Self-Insurance Programs

Diocesan organizations, including the Diocesan Administrative Offices, parishes and other institutions, are included in a combined plan for property, workers compensation and comprehensive liability insurance. Losses above a specific amount are insured with commercial insurance companies but losses below that amount are self-insured by the Diocese. The Diocese has a standby letter of credit in the amount of \$2,800,000 to provide security for future workers' compensation claim payments. The Diocese records as a liability amounts determined by its insurance administrator as the estimated liability for claims filed for insured losses under the program. The actual liability paid may be in excess of or less than the amounts provided. Refer to Note 10 for additional information.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Defined Benefit Plans

The Diocese recognizes the overfunded or underfunded status of its defined benefit plans as an asset or liability in its statement of financial position and recognizes changes in that funded status in the year in which the changes occur through other changes in net assets. Refer to Note 9.

Funds on Deposit

The funds on deposit are Catholic Cemeteries and other Diocesan organizations perpetual care funds. Interest rates range from 1.25% to 3.0%. The funds are invested in separate trust accounts at Merrill Lynch.

Advertising

All advertising costs are expensed as incurred. For the years ended June 30, 2018 and 2017, advertising expense amounted to \$55,650 and \$70,298, respectively.

Cash Flows

For the purpose of the Statements of Cash Flows, the Diocese considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in interest-bearing demand accounts and trust accounts at banks. Cash and cash equivalents for the purposes of the Statements of Cash Flows exclude temporarily and permanently restricted cash and cash equivalents.

During the years ended June 30, 2018 and 2017, the Diocese paid interest in the amounts of \$589,181 and \$487,611, respectively.

Income Tax Status

The Diocese is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated the Diocese's tax positions and concluded that the Diocese had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Diocese is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2014.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU No. 2014-09 is effective for the Diocese for fiscal 2020. Early application is permitted for fiscal years beginning after December 15, 2016. The Diocese is assessing the impact this new standard will have on its financial statements.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Recent Accounting Pronouncements - (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Diocese for fiscal 2019, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Diocese is assessing the impact this standard will have on its financial statements.

Reclassifications

Certain items on the prior year's financial statements have been reclassified to conform to the current year's format.

Subsequent Events

The Diocese has evaluated subsequent events through January 3, 2019, the date the financial statements were available to be issued.

Note 2 - Cash and Equivalents

Cash and equivalents at June 30, 2018, consisted of the following:

FNCB Bank	\$ 7,201,593
Community Bank	485,567
Citibank self-insurance checking	(64,210)
PNC Bank	3,634,485
Fidelity Deposit and Discount Bank – Self-insurance	755,977
Mid Penn Bank	132,043
KeyBank	23,677
Merrill Lynch	3,386,211
Fidelity Deposit and Discount Bank trust account	40,290
Petty cash	3,141
Less: Restricted cash	<u>(7,526,261)</u>
Total cash and equivalents	<u>\$ 8,072,513</u>

Note 3 - Contributions Receivable

Contributions receivable, net, consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Contributions receivable in:		
Less than one year	\$ 613,163	\$ 69,285
One year to five years	<u>557,851</u>	<u>-</u>
Total contributions receivable, net	<u>\$ 1,171,014</u>	<u>\$ 69,285</u>

Contributions receivable at June 30, 2018 includes unconditional promises to give for the St. Peter's Cathedral interior renovations and Diocesan Annual Appeal collections received after year end. The balance at June 30, 2017 consists of the Diocesan Annual Appeal collections received after year end.

Note 4- Investments

Investments at June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>		<u>2017</u>	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Unrestricted				
U.S. Obligations	\$ 9,091,043	\$ 8,939,334	\$ 12,410,754	\$ 12,382,731
Corporate Bonds	7,473,367	7,304,397	6,901,640	6,926,206
Corporate Equities	29,757,214	36,691,642	26,418,369	31,515,759
Mutual Funds	4,466,460	4,329,710	4,878,856	4,774,885
	<u>50,788,084</u>	<u>57,265,083</u>	<u>50,609,619</u>	<u>55,599,581</u>
Permanently restricted				
Cash	<u>3,079,694</u>	<u>3,079,694</u>	<u>3,072,697</u>	<u>3,072,697</u>
Total investments	<u>\$ 53,867,778</u>	<u>\$ 60,344,777</u>	<u>\$ 53,682,316</u>	<u>\$ 58,672,278</u>

As of June 30, 2018 and 2017, the above investments were deposited with Merrill Lynch and Fidelity Deposit and Discount Bank.

Unrestricted investment income and gains and losses consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Income</u>		
Interest and dividends	<u>\$ 1,287,654</u>	<u>\$ 1,125,446</u>
Net realized gains on investment transactions	<u>\$ 1,285,428</u>	<u>\$ 438,970</u>
<u>Other Changes in Net Assets</u>		
Net unrealized gains on investments	<u>\$ 1,487,036</u>	<u>\$ 2,496,033</u>

Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017	Depreciable Lives
Land, buildings and improvements	\$ 9,977,878	\$ 9,917,681	20-40 Years
Equipment	3,590,904	3,531,944	3-10 Years
	13,568,782	13,449,625	
Less: Accumulated depreciation	7,195,928	6,851,381	
Total	<u>\$ 6,372,854</u>	<u>\$ 6,598,244</u>	

Depreciation expense amounted to \$372,590 and \$381,049 for the years ended June 30, 2018 and 2017.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets, as of June 30, 2018 and 2017, are available for the following purposes:

	Net Assets	
	2018	2017
Saint Pius X Seminary/St. John Vianney	\$ 1,464,744	\$ 1,342,072
Villa St. Joseph	236,907	249,733
Diocese of Scranton Scholarship Foundation	88,119	78,664
Msgr. Paul F. Terracciano Tuition Trust Fund	5,763	5,290
Reverend Niebrzydowski Tuition Fund	12,803	12,683
Msgr. Jordan Tuition Fund	19,778	19,594
Christie D. Shull Fund	2,453,993	2,446,288
Stanley F. Abramek Fund	-	125,709
Campaign for Human Development Program	6,192	19,178
Restricted for program and educational expenditures	158,268	179,076
Total temporarily restricted net assets	<u>\$ 4,446,567</u>	<u>\$ 4,478,287</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	Net Assets	
	2018	2017
Diocesan Annual Appeal Program costs	\$ 4,742,005	\$ 4,804,543
Campaign for Human Development Program costs	19,178	20,916
National Collections - collections remitted	1,444,752	1,026,632
Beatrice M. Eck Endowment Fund Scholarship	41,000	52,000
Villa St. Joseph Capital improvements	47,636	10,023
Seminary/St. John Vianney Fund improvements	18,303	70,212
Diocese of Scranton Scholarship Foundation Scholarships and program costs	973,216	1,510,048
Total restrictions released	<u>\$ 7,286,090</u>	<u>\$ 7,494,374</u>

Note 7 - Permanently Restricted Net Assets

Permanently restricted net assets, as of June 30, 2018 and 2017, are restricted to the following:

	<u>Net Assets</u>	
	<u>2018</u>	<u>2017</u>
<u>Permanent Endowment Funds</u>		
<u>Reverend Charles J. O'Donnell Scholarship Fund</u> The income derived from invested funds is to be distributed for Mass stipends and seminarian training. Any remaining income is to be reinvested and become part of the principal.	\$ 106,365	\$ 106,365
<u>Msgr. Paul F. Terracciano Tuition Trust Fund</u> The income derived from invested funds is to be distributed for tuition to students attending Diocesan schools.	45,000	45,000
<u>Beatrice M. Eck Endowment Fund</u> 85% of the income derived from invested funds is to be distributed for Catholic education in Lycoming County.	2,715,512	2,708,515
<u>Fanucci Trust Fund</u> The income derived from invested funds is to be distributed for Priest educational or career development including continuing education or Priestly formation.	<u>212,817</u>	<u>212,817</u>
Total permanently restricted net assets	<u>\$ 3,079,694</u>	<u>\$ 3,072,697</u>

Note 8 - Contributions Payable

Contributions payable amounted to \$2,258,178 and \$2,200,972 at June 30, 2018 and 2017, respectively. The balance of the payable at June 30, 2018 will be paid out within the next fiscal year.

Note 9 - Retirement Plans

Priests' Pension Plan

There is a defined benefit pension plan in effect for all incardinated priests in good standing or priests in good standing permanently assigned to the Diocese. The entire cost of the Plan is paid by the parish or institution to which each eligible priest is assigned. The Plan is administered by the Bishop with advisory and consulting services available to him from a Retirement Board.

Note 9 - Retirement Plans - (Continued)

The Diocesan funding policy is to contribute annually amounts determined by actuarial estimates. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Lay Employee Pension Plan

There is a defined benefit pension plan for the lay employees of the Diocesan Administrative Offices. Prior to June 30, 2009, the cost of the Plan was paid jointly by the Diocesan offices and the employees. The employee contribution was 3% of base salary each year and the employer contribution rate was 7%. In May, 2008, the decision was made to freeze the pension plan as of June 30, 2009. After that date, no further benefits will accrue in the plan.

Postretirement Medical Benefits

The Diocese provides certain health care benefits for all retired priests. The Diocese's share of the estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expense over the priests' service periods to the dates they are fully eligible for benefits.

	Pension Benefits		Postretirement Medical Benefits	
	2018	2017	2018	2017
Obligations and funded status at June 30:				
Fair value of plan assets	\$ 13,883,744	\$ 13,518,367	\$ -	\$ -
Projected benefit obligations	23,525,006	24,521,943	10,131,682	11,052,447
Funded status at end of years	\$ (9,641,262)	\$(11,003,576)	\$(10,131,682)	\$(11,052,447)
Amounts recognized in the Statements of Financial Position consist of:				
Liability for benefits	\$ (9,641,262)	\$(11,003,576)	\$(10,131,682)	\$(11,052,447)
Net amount recognized	\$ (9,641,262)	\$(11,003,576)	\$(10,131,682)	\$(11,052,447)

The accumulated benefit obligation for both defined benefit pension plans was \$23,525,006 and \$24,521,943 at June 30, 2018 and 2017, respectively. Both plans had accumulated benefit obligations in excess of plan assets at June 30, 2018 and 2017.

Note 9 - Retirement Plans - (Continued)

Other Changes and Plan Assets and Benefit Obligations Recognized in Pension-related Changes Other Than Net Periodic Pension Cost:

	Pension Benefits		Postretirement Medical Benefits	
	2018	2017	2018	2017
Net (gain) loss	\$ (595,977)	\$ (1,263,940)	\$ 128,241	\$ 50,205
Prior service cost	(97,004)	(97,004)	-	(47,179)
Change in assumptions	(533,096)	(573,334)	(1,032,818)	(910,678)
	<u>(1,226,077)</u>	<u>(1,934,278)</u>	<u>(904,577)</u>	<u>(907,652)</u>
Net periodic benefit cost	<u>1,087,347</u>	<u>1,307,903</u>	<u>(16,188)</u>	<u>148,087</u>
Total	<u>\$ (138,730)</u>	<u>\$ (626,375)</u>	<u>\$ (920,765)</u>	<u>\$ (759,565)</u>

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$540,179 and \$97,004, respectively. The estimated net gain and prior service cost for the other defined benefit postretirement plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year are \$211,295 and \$0, respectively.

	Pension Benefits		Postretirement Medical Benefits	
	2018	2017	2018	2017
<u>Assumptions</u>				
Weighted-average assumptions used in computing ending obligations:				
Discount rate	4.50%	4.25%	4.50%	4.25%
Rate of compensation increase	N/A	N/A	-	-
Weighted-average assumptions used in computing net cost:				
Discount rate	4.50%	4.25%	4.50%	4.25%
Expected long-term return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	N/A	N/A	-	-

The expected long-term return on plan assets was determined using average historical returns of the Diocese's plan assets.

Note 9 - Retirement Plans - (Continued)

Assumed health care cost trend rates at June 30:

	<u>2018</u>	<u>2017</u>
Health care cost trend rate assumed for next year	5.50%	5.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2021	2018

Plan Assets

The assets of the Plans are deposited in separate Merrill Lynch trust accounts for the Diocese of Scranton's lay and priest pension plans.

In determining fair value for pension plan assets, the Diocese uses various methods including market, income and cost approaches. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

Level I – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level II – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level III – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level III valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks, Corporate bonds, U.S. Government and Agencies obligations, and Money Markets: Valued at the closing price reported on the active market on which the individual securities are traded.

Note 9 - Retirement Plans - (Continued)

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2018 and 2017.

Assets:	June 30, 2018			Total
	Level I	Level II	Level III	
U.S. Obligations	\$ 1,350,099	\$ -	\$ -	\$ 1,350,099
Corporate bonds	1,045,611	-	-	1,045,611
Common stocks	10,120,883	-	-	10,120,883
Money markets	1,367,151	-	-	1,367,151
	<u>\$ 13,883,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,883,744</u>

Assets:	June 30, 2017			Total
	Level I	Level II	Level III	
U.S. Obligations	\$ 1,609,878	\$ -	\$ -	\$ 1,609,878
Corporate bonds	661,227	-	-	661,227
Common stocks	8,521,956	-	-	8,521,956
Money markets	2,725,306	-	-	2,725,306
	<u>\$ 13,518,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,518,367</u>

The Diocese's pension plan weighted-average asset allocations at June 30, 2018 and 2017, by asset category, are as follows:

	Pension Benefits	
	2018	2017
Equity securities	73.00%	63.00%
Debt securities	17.00%	17.00%
Other	10.00%	20.00%
Total	<u>100.00%</u>	<u>100.00%</u>

The Diocese's investment policies and strategies include:

- 1) The Diocese, in keeping with Canon Law and Catholic philosophy, excludes investments in companies whose products or performances are inconsistent with Catholic teaching.
- 2) Bonds must be rated "A" or better and maturities are limited to a maximum of ten years. Purchases of preferred stock are not permitted.
- 3) The asset allocation policy is 60% for equities and 40% for cash and fixed income.

Note 9 - Retirement Plans - (Continued)

Cash Flows

Contributions

Diocesan contributions:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2017 (actual)	\$1,411,931	\$ -
2018 (actual)	1,223,584	-
2019 (estimated)	1,000,000	-

There are no participant contributions after June 30, 2009.

Benefit Payments

Benefit payments:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2017	\$1,817,279	\$457,223
2018	1,911,300	475,296

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2019	\$ 2,025,940	\$ 467,334
2020	1,973,347	478,970
2021	1,924,220	490,657
2022	1,910,416	517,449
2023	1,875,339	536,185
Years 2024-2028	8,796,325	2,957,337

403(b) Plan

On July 1, 2009, the Diocese established a 403(b) Plan for employees. The Diocese contributes 2% of gross earnings to all employees and also matches employee deferral contributions up to 4%. For the years ended June 30, 2018 and 2017, the Diocese contributed \$161,282 and \$167,879 respectively, to the 403(b) Plan for the employees of the Administrative Offices.

Note 10 - Self-Insurance Program

General

Under the terms of the general insurance plan, individual claims above a specific amount (\$500,000 for property claims, \$250,000 for liability claims, and \$500,000 for workers compensation claims in 2018 and 2017) are insured with commercial insurance companies. Prior to July 1, 1993, an aggregate loss fund (\$1,250,000 for 1993) was also in place to limit claim expenses for the Diocese to that amount for the claim year. For the years ended June 30, 1994 and thereafter, the loss fund protection was eliminated to reduce excess commercial insurance premium expense.

Medical

As of July 1, 2005, the Diocese instituted a self-insurance medical plan. Under the terms of the plan, there is insurance coverage for individual claims exceeding \$185,000 with a maximum annual reimbursement of \$1,815,000.

Note 11 - Loan Payable

In December, 2004, the Diocese entered into a loan agreement with the Monroe County Industrial Development Authority (the Authority) to provide funding for a construction project at Notre Dame Junior Senior High School (the School). The Authority issued a revenue note in the amount of \$7,500,000 and subsequently sold the note to PNC Bank, NA. The proceeds were then loaned to the Diocese, and the Diocese agreed to pay all amounts due by the Authority under the note to the Bank. The note called for monthly payments of \$35,531, including principal and interest of 3.88%, until December, 2014, at which time the note was refinanced. The note was refinanced with the Authority in the amount of \$4,048,000 and was subsequently sold to FNCB Bank. The note calls for payments of \$22,539, including principal and interest of 3.00%, until January 2025. The Bank has a security interest in the property, and the Diocese is subject to various covenants; refer to the agreements for details. As disclosed in Note 1 to the financial statements, the School is an organization not reported on in these financial statements. Therefore, a loan receivable from the School has been recorded in the Statement of Financial Position in the same amount as the Loan Payable. The balance at June 30, 2018 and 2017 amounted to \$3,518,184 and \$3,678,968, respectively.

Note 12 - Diocesan Annual Appeal

The Diocesan Annual Appeal is a Diocesan program started as a means of supporting the charitable, educational and pastoral services of the Diocese. Campaigns for the years ended June 30, 2018 and 2017 had budget goals of \$5,000,000, respectively, which would be used to finance various Diocesan programs.

Based on the terms of the Appeal, each parish was assigned a "Parish Goal", which represented its portion of the overall Diocesan goal. Parishes shared in the success of the campaign to the extent that they received seventy-five percent of the funds which were raised in excess of their goal.

Note 12 - Diocesan Annual Appeal - (Continued)

Funds raised by the 2017 Diocesan Annual Appeal totaled \$4,994,718. The Diocese returned to parishes \$244,281 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2017 campaign. Also, contributions receivable of \$79,223 were recorded at their net realizable value in connection with the 2017 campaign; these contributions were collected within one year.

Funds raised by the 2016 Diocesan Annual Appeal totaled \$5,055,657. The Diocese returned to parishes \$249,130 representing seventy-five percent of the funds raised in excess of the individual parish goals for the 2016 campaign. Also, contributions receivable of \$69,285 were recorded at their net realizable value in connection with the 2016 campaign; these contributions were collected within one year.

Appeal contributions were committed to the following Diocesan programs and expenditures were made accordingly:

	2018		2017	
	Budgeted	Actual	Budgeted	Actual
Direct aid to schools and Religious Education Grants	\$ 850,000	\$ 806,141	\$ 850,000	\$ 816,772
Communication and Evangelization	850,000	806,141	850,000	816,772
Social services	600,000	569,041	600,000	576,545
Clergy formation, education and Retirement	1,200,000	1 138,081	1,200,000	1,153,091
Parish Ministries	1,100,000	1,043,241	1,100,000	1,057,000
Campaign Cost	400,000	379,360	400,000	384,363
	<u>\$ 5,000,000</u>	<u>\$4,742,005</u>	<u>\$ 5,000,000</u>	<u>\$4,804,543</u>

Interest income earned on Appeal funds amounted to \$12,783 and \$7,233 for the years ended June 30, 2018 and 2017.

Note 13 - Called to Holiness

Parish Restructuring

Called to Holiness is the consolidation of parishes within the Diocese. Through this consolidation, whenever an ethnic parish closes and has net assets, part of the net assets will be given to the territorial parish which has assumed care of the former members of the closed parish. The part of the net assets not passed on, approximately 42%, will be retained by the Diocese to cover the net liabilities of closed ethnic parishes which become the responsibility of the Diocese. During the years ended June 30, 2018 and 2017, the Diocese received assets in the amount of \$4,644 and \$92,655, respectively, and made transfers and debt reductions in the amount of \$4,960 and \$197,151, respectively.

Note 14 - Cash Subject to Program Restrictions

Cash subject to program restrictions consists of the cash held to meet the requirements of temporarily restricted net assets.

Note 15 - Contingencies

Related Party Loans

The Diocese has agreed to guarantee repayment of principal and interest on the following bank loans of Diocesan organizations:

	<u>Balance at June 30, 2018</u>
Little Flower Manor	\$ 1,324,774

The Diocese had guaranteed the bank loans of Catholic Social Services of the Diocese of Scranton, Inc. In June, 2018, the loan agreements were amended to include the Diocese as a borrower. There is a \$1,000,000 line of credit with interest at the Daily LIBOR rate plus 3.13% (5.22% at June 30, 2018). Borrowings amounted to \$630,866 at June 30, 2018. There is also a term loan payable in monthly installments of \$24,866 including principal and interest at the Daily LIBOR rate plus 1.50%. The balance outstanding at June 30, 2018 amounted to \$4,097,391. The loans are secured by real estate and are subject to financial performance covenants. Catholic Social Services is paying all amounts due and has recorded the total amounts outstanding as liabilities on its financial statements.

Litigation

The Diocese has several claims and pending legal proceedings that generally involve personal liability and employment issues. In the opinion of management and outside legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Diocese's financial position, results of operations or cash flows.

In August, 2016, the Diocese was one of six Roman Catholic Dioceses in the Commonwealth of Pennsylvania to be served with a subpoena from the Pennsylvania Attorney General's Office requiring production of documents related to allegations of childhood sexual abuse. The Diocese has provided documentation in response to the subpoena. Findings were reported in August 2018 to support abuse victims. The Diocese is evaluating the impact of the grand jury report outcomes at this time and has announced an Independent Survivors Compensation Program will be created in January 2019. The Fund will be administered by a third party with an independent oversight committee.

Note 16 - Fair Value Measurements

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. In determining fair value, the Diocese uses various methods including market, income and cost approaches. Based on these approaches, the Diocese often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Diocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level I – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level II – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level III – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level III valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks, Corporate bonds, U.S. Government and Agencies obligations and Money Markets: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are 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.

Note 16 - Fair Value Measurements - (Continued)

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2018 and 2017.

Assets:	June 30, 2018			Total
	Level I	Level II	Level III	
U.S. Obligations	\$ 8,939,334	\$ -	\$ -	\$ 8,939,334
Corporate bonds				
Aaa credit rating	-	296,802	-	296,802
Aa1 credit rating	-	436,733	-	436,733
Aa2 credit rating	-	1,148,344	-	1,148,344
Aa3 credit rating	-	49,546	-	49,546
A1 credit rating	-	997,696	-	997,696
A2 credit rating	-	991,814	-	991,814
A3 credit rating	-	1,671,610	-	1,671,610
Baa1 credit rating	-	1,042,523	-	1,042,523
Baa2 credit rating	-	669,329	-	669,329
Total Corporate Bonds	-	7,304,397	-	7,304,397
Equities				
Industrials	3,824,197	-	-	3,824,197
Consumer Discretionary	4,288,601	-	-	4,288,601
Consumer Staples	2,487,702	-	-	2,487,702
Energy	3,085,636	-	-	3,085,636
Financial	5,522,495	-	-	5,522,495
Materials	1,201,793	-	-	1,201,793
Information Technology	8,477,764	-	-	8,477,764
Utilities	1,388,573	-	-	1,388,573
Health Care	3,751,432	-	-	3,751,432
Telecommunication Services	1,510,041	-	-	1,510,041
Real Estate	1,153,408	-	-	1,153,408
Total Equities	36,691,642	-	-	36,691,642
Mutual Funds	4,329,710	-	-	4,329,710
Restricted cash	3,079,694	-	-	3,079,694
	<u>\$ 53,040,380</u>	<u>\$ 7,304,397</u>	<u>\$ -</u>	<u>\$ 60,344,777</u>

Note 16 - Fair Value Measurements - (Continued)

Assets:	June 30, 2017			Total
	Level I	Level II	Level III	
U.S. Obligations	\$ 12,382,731	\$ -	\$ -	\$ 12,382,731
Corporate bonds				
Aaa credit rating	-	324,265	-	324,265
Aa1 credit rating	-	624,705	-	624,705
Aa2 credit rating	-	361,392	-	361,392
Aa3 credit rating	-	339,221	-	339,221
A1 credit rating	-	718,632	-	718,632
A2 credit rating	-	1,346,221	-	1,346,221
A3 credit rating	-	1,330,504	-	1,330,504
Baa1 credit rating	-	1,318,391	-	1,318,391
Baa2 credit rating	-	375,091	-	375,091
Baa3 credit rating	-	187,784	-	187,784
Total Corporate Bonds	-	6,926,206	-	6,926,206
Equities				
Industrials	2,816,421	-	-	2,816,421
Consumer Discretionary	3,503,813	-	-	3,503,813
Consumer Staples	2,859,644	-	-	2,859,644
Energy	2,539,504	-	-	2,539,504
Financial	4,664,547	-	-	4,664,547
Materials	1,211,339	-	-	1,211,339
Information Technology	6,929,059	-	-	6,929,059
Utilities	1,581,645	-	-	1,581,645
Health Care	3,007,839	-	-	3,007,839
Telecommunication Services	1,397,347	-	-	1,397,347
Real Estate	1,004,601	-	-	1,004,601
Total Equities	31,515,759	-	-	31,515,759
Mutual Funds	4,774,885	-	-	4,774,885
Restricted cash	3,072,697	-	-	3,072,697
	<u>\$ 51,746,072</u>	<u>\$ 6,926,206</u>	<u>\$ -</u>	<u>\$ 58,672,278</u>

Note 17 - Endowments

The Diocese's endowment funds consist of approximately 8 individual funds established primarily for student scholarships that are donor-restricted funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by type of fund as of June 30, 2018 and 2017 is as follows:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 2,623,169</u>	<u>\$ 3,079,694</u>	<u>\$5,702,863</u>
	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment Funds	<u>\$ -</u>	<u>\$ 2,730,795</u>	<u>\$ 3,072,697</u>	<u>\$5,803,492</u>

Changes in Endowment Net Assets for the years ended June 30, 2018 and 2017, are as follows:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,730,795	\$ 3,072,697	\$ 5,803,492
Investment return:				
Investment income	-	91,987	6,997	98,984
Total investment return	<u>-</u>	<u>91,987</u>	<u>6,997</u>	<u>98,984</u>
Contributions	-	770,914	-	770,914
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(970,527)</u>	<u>-</u>	<u>(970,527)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,623,169</u>	<u>\$ 3,079,694</u>	<u>\$ 5,702,863</u>

Note 17 - Endowments - (Continued)

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 3,002,814	\$ 3,065,020	\$ 6,067,834
Investment return:				
Investment income	-	91,597	7,677	99,274
Total investment return	-	91,597	7,677	99,274
Contributions	-	1,170,847	-	1,170,847
Appropriation of endowment assets for expenditure	-	(1,534,463)	-	(1,534,463)
Endowment net assets, end of year	\$ -	\$ 2,730,795	\$ 3,072,697	\$ 5,803,492

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The donor-restricted endowment assets earn a fixed rate of return in the Diocesan Deposit Fund.

SUPPLEMENTARY INFORMATION

DIOCESAN ADMINISTRATIVE OFFICES

SCHEDULE 1

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PROGRAM REVENUES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Parish Ministry	\$ 307,370	\$ 169,722
Camp St. Andrew	-	15,768
The Catholic Light	98,207	77,465
Communications Office	229,598	143,076
Matrimonial Tribunal	6,040	5,202
Catholic Schools Office	19,537	13,542
Pastoral Center	32,470	29,894
	<u>\$ 693,222</u>	<u>\$ 454,669</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 2

SCHEDULE OF PASTORAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	Matrimonial Tribunal		Camp St. Andrew		Parish Ministry		Communications Office		The Catholic Light	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits:										
Compensation - clergy and religious	\$ 47,112	\$ 46,174	\$ -	\$ -	\$ 15,704	\$ 15,391	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	1,000	1,000	-	-	450	2,075	-	-	-	-
Salaries and wages - lay persons	126,257	159,939	-	7,800	480,295	483,911	283,825	298,695	157,630	154,865
Benefits - lay persons	77,547	91,185	-	4,295	189,229	182,055	120,187	134,305	77,853	77,454
Total salaries and benefits	<u>251,916</u>	<u>298,298</u>	<u>-</u>	<u>12,095</u>	<u>685,678</u>	<u>683,432</u>	<u>404,012</u>	<u>433,000</u>	<u>235,483</u>	<u>232,319</u>
Supplies, office and program expense	3,958	9,188	-	10	290,333	257,363	15,652	6,302	2,512	2,512
Telephone, postage and printing	9,508	11,923	-	261	37,166	39,343	4,861	4,386	161,478	150,100
Conferences, meetings and travel	1,776	2,714	-	108	73,877	47,745	7,228	8,865	80	-
Legal and professional fees	17,786	21,526	-	-	33,000	21,293	12,937	10,530	43,999	49,071
Advertising	-	-	-	-	350	-	-	-	-	-
Publishing	-	-	-	-	-	-	-	-	103,345	91,472
Dues and subscriptions	1,575	1,793	-	-	3,714	3,829	4,317	5,027	1,277	1,121
Other	-	-	-	1,904	-	-	-	-	11,547	12,554
Insurance	594	-	-	-	53,094	33,550	8,248	8,007	3,934	3,819
Building occupancy and maintenance expense	-	-	-	3,465	-	-	1,160	1,131	-	-
Depreciation expense	932	931	-	3,280	415	549	10,488	22,489	3,394	3,314
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	2,829	-	-	1,676	1,241	-	-
Priests' pension expense	-	-	-	-	-	-	-	-	-	-
Priests' medical expense	-	-	-	-	-	-	-	-	-	-
Priests' postretirement benefit cost	-	-	-	-	-	-	-	-	-	-
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-	-	-
Seminary and clergy education	-	-	-	-	-	-	-	-	-	-
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-	-	-	-	-
Other dues	-	-	-	-	-	-	-	-	-	-
	<u>\$ 288,045</u>	<u>\$ 346,373</u>	<u>\$ -</u>	<u>\$ 23,952</u>	<u>\$ 1,177,627</u>	<u>\$ 1,087,104</u>	<u>\$ 470,579</u>	<u>\$ 500,978</u>	<u>\$ 567,049</u>	<u>\$ 546,282</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PASTORAL EXPENSES - CONTINUED

SCHEDULE 2

YEARS ENDED JUNE 30, 2018 AND 2017

	Vicar for Priests		Episcopal Vicars		Saint Pius X Seminary		Clergy and Religious	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits:								
Compensation - clergy and religious	\$ 78,092	\$ 76,554	\$ 62,816	\$ 55,138	\$ -	\$ -	\$ 211,836	\$ 243,253
Benefits - clergy and religious	32,109	31,820	1,000	750	-	-	149,582	121,573
Salaries and wages - lay persons	91,850	96,768	-	-	-	41,582	-	-
Benefits - lay persons	19,906	33,379	-	-	-	37,316	-	-
Total salaries and benefits	<u>221,957</u>	<u>238,521</u>	<u>63,816</u>	<u>55,888</u>	<u>-</u>	<u>78,898</u>	<u>361,418</u>	<u>364,826</u>
Supplies, office and program expense	3,730	5,423	-	50	-	117	42,741	38,335
Telephone, postage and printing	10,517	9,441	1,432	1,694	-	1,375	3,829	4,180
Conferences, meetings and travel	16,004	15,594	2,322	2,810	-	167	26,519	19,016
Legal and professional fees	-	300	-	-	-	26,443	36,110	33,247
Advertising	-	-	-	-	-	-	-	-
Publishing	-	-	-	-	-	-	-	-
Dues and subscriptions	226	81	-	-	-	-	-	-
Other	-	-	-	-	-	-	35,400	7,328
Insurance	594	1,154	-	-	-	29,648	3,760	4,228
Building occupancy and maintenance expense	15	-	-	-	-	69,576	49,856	47,580
Depreciation expense	1,237	989	-	-	-	-	4,173	3,129
Miscellaneous	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	44,304	-	-
Priests' pension expense	-	-	-	-	-	-	938,062	1,121,889
Priests' medical expense	-	-	-	-	-	-	561,852	555,738
Priests' postretirement benefit cost	-	-	-	-	-	-	(16,188)	148,087
Clergy medical assistance and maintenance	-	-	-	-	-	-	213,904	205,807
Seminary and clergy education	-	-	-	-	-	-	495,268	320,698
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	-	-
United States Catholic Conference dues	-	-	-	-	-	-	-	-
Other dues	-	-	-	-	-	-	-	-
	<u>\$ 254,280</u>	<u>\$ 271,503</u>	<u>\$ 67,570</u>	<u>\$ 60,442</u>	<u>\$ -</u>	<u>\$ 250,528</u>	<u>\$ 2,756,704</u>	<u>\$ 2,874,088</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE OF PASTORAL EXPENSES - CONTINUED

YEARS ENDED JUNE 30, 2018 AND 2017

SCHEDULE 2

	Diocesan Annual Appeal		Diocesan Properties				Other Programs		Total	
			Facility Operating Costs		Pastoral Center				Pastoral Expenses	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits:										
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,801	\$ 129,648	\$ 572,361	\$ 566,158
Benefits - clergy and religious	-	-	-	-	-	-	57,561	45,406	241,702	202,624
Salaries and wages - lay persons	337,664	329,335	-	-	33,086	27,343	44,224	39,355	1,554,831	1,639,593
Benefits - lay persons	131,842	128,604	-	-	5,945	5,909	14,596	6,564	637,105	701,066
Total salaries and benefits	469,506	457,939	-	-	39,031	33,252	273,182	220,973	3,005,999	3,109,441
Supplies, office and program expense	83,714	100,615	-	-	25,043	25,936	100,709	52,519	568,392	498,370
Telephone, postage and printing	96,998	105,673	-	-	2,153	2,272	6,753	8,640	334,695	339,288
Conferences, meetings and travel	21,916	11,388	-	-	-	-	15,416	12,666	165,138	121,073
Legal and professional fees	213,180	184,006	-	-	-	-	12,099	12,249	369,111	358,665
Advertising	-	65	-	-	-	-	6,787	21,150	7,137	21,215
Publishing	-	-	-	-	-	-	-	-	103,345	91,472
Dues and subscriptions	4,107	1,817	-	-	-	-	1,855	2,111	17,071	15,779
Other	-	-	-	-	-	-	-	-	46,947	21,786
Insurance	594	1,154	50,255	50,906	-	-	594	577	121,667	133,043
Building occupancy and maintenance expense	-	-	79,961	90,148	-	-	2,400	2,400	133,392	214,300
Depreciation expense	1,711	1,870	231,673	225,266	-	-	-	-	254,023	261,817
Miscellaneous	-	167	-	-	-	63	-	-	-	230
Utilities	-	-	-	-	-	-	-	-	1,676	48,374
Priests' pension expense	-	-	-	-	-	-	-	-	938,062	1,121,889
Priests' medical expense	-	-	-	-	-	-	-	-	561,852	555,738
Priests' postretirement benefit cost	-	-	-	-	-	-	-	-	(16,188)	148,087
Clergy medical assistance and maintenance	-	-	-	-	-	-	-	-	213,904	205,807
Seminary and clergy education	-	-	-	-	-	-	-	-	495,268	320,698
Pennsylvania Catholic Conference dues	-	-	-	-	-	-	164,955	165,537	164,955	165,537
United States Catholic Conference dues	-	-	-	-	-	-	76,030	74,927	76,030	74,927
Other dues	-	-	-	-	-	-	75,866	76,188	75,866	76,188
	<u>\$ 891,726</u>	<u>\$ 864,694</u>	<u>\$ 361,889</u>	<u>\$ 366,320</u>	<u>\$ 66,227</u>	<u>\$ 61,523</u>	<u>\$ 736,646</u>	<u>\$ 649,937</u>	<u>\$ 7,638,342</u>	<u>\$ 7,903,724</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 3

SCHEDULE OF EDUCATIONAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Catholic Schools Office</u>		<u>Educational Grants</u>		<u>Total Educational Expenses</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	-	-	-	-	-	-
Salaries and wages - lay persons	305,704	304,839	-	-	305,704	304,839
Benefits - lay persons	120,757	128,818	-	-	120,757	128,818
Total salaries and benefits	<u>426,461</u>	<u>433,657</u>	<u>-</u>	<u>-</u>	<u>426,461</u>	<u>433,657</u>
Supplies, office and program expense	35,787	56,470	-	-	35,787	56,470
Telephone, postage and printing	18,807	28,077	-	-	18,807	28,077
Conferences, meetings and travel	18,332	20,784	-	-	18,332	20,784
Legal and professional fees	6,200	7,995	-	-	6,200	7,995
Advertising	35,704	39,522	-	-	35,704	39,522
Dues and subscriptions	2,008	1,586	-	-	2,008	1,586
Depreciation expense	1,764	1,766	-	-	1,764	1,766
Contributions and program grants	11,311	8,710	338,696	255,893	350,007	264,603
Educational grants:						
Diocesan Catholic Schools	-	-	1,925,899	2,654,415	1,925,899	2,654,415
Catholic University of America	-	-	25,000	25,000	25,000	25,000
Insurance	594	577	-	-	594	577
	<u>\$ 556,968</u>	<u>\$ 599,144</u>	<u>\$ 2,289,595</u>	<u>\$ 2,935,308</u>	<u>\$ 2,846,563</u>	<u>\$ 3,534,452</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 4

SCHEDULE OF COMMUNITY AND SOCIAL SERVICE EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	Villa St. Joseph		Social Service Grants		Propagation of the Faith		Total Community and Social Service Expenses	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits:								
Compensation - clergy and religious	\$ 15,704	\$ 15,391	\$ -	\$ -	\$ 16,984	\$ -	\$ 32,688	\$ 15,391
Benefits - clergy and religious	8,152	7,866	-	-	8,119	-	16,271	7,866
Salaries and wages - lay persons	199,385	185,426	-	-	-	64,281	199,385	249,707
Benefits - lay persons	144,755	157,433	-	-	2,180	27,403	146,935	184,836
Total salaries and benefits	<u>367,996</u>	<u>366,116</u>	<u>-</u>	<u>-</u>	<u>27,283</u>	<u>91,684</u>	<u>395,279</u>	<u>457,800</u>
Supplies, office and program expense	22,889	25,345	-	-	192,658	164,275	215,547	189,620
Telephone, postage and printing	4,112	3,765	-	-	613	2,891	4,725	6,656
Dues and subscriptions	541	541	-	-	50	-	591	541
Food service	216,070	219,356	-	-	-	-	216,070	219,356
Utilities	61,008	67,399	-	-	-	-	61,008	67,399
Building occupancy and maintenance	62,733	58,757	-	-	-	-	62,733	58,757
Depreciation expense	77,101	77,146	-	-	-	-	77,101	77,146
Insurance	31,761	30,800	-	-	-	1,137	31,761	31,937
Conferences, meetings and travel	609	284	-	-	1,789	1,693	2,398	1,977
Social Service Grants:								
Catholic Social Services	-	-	490,377	501,480	-	-	490,377	501,480
Human Development	-	-	-	20,916	-	-	-	20,916
Saint Peter's Cathedral	-	-	162,000	162,000	-	-	162,000	162,000
United Way Campaigns	-	-	21,575	21,125	-	-	21,575	21,125
Commissions for Catholic Missions	-	-	25,000	25,000	-	-	25,000	25,000
Secretariat for Latin America	-	-	10,000	10,000	-	-	10,000	10,000
Contributions	-	-	2,521,066	1,767,931	86,795	118,548	2,607,861	1,886,479
	<u>\$ 844,820</u>	<u>\$ 849,509</u>	<u>\$ 3,230,018</u>	<u>\$ 2,508,452</u>	<u>\$ 309,188</u>	<u>\$ 380,228</u>	<u>\$ 4,384,026</u>	<u>\$ 3,738,189</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 5

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	Chancery Office		Finance Office		Self-Insurance Program - General		Self-Insurance Program - Medical	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries and benefits:								
Compensation - clergy and religious	\$ 82,784	\$ 88,831	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits - clergy and religious	19,251	23,201	-	-	-	-	-	-
Salaries and wages - lay persons	179,612	95,838	330,554	332,605	-	-	-	-
Benefits - lay persons	84,756	60,954	135,135	131,226	-	-	-	-
Total salaries and benefits	366,403	268,824	465,689	463,831	-	-	-	-
Supplies, office and program expense	79,448	82,530	25,179	26,041	-	-	-	-
Telephone, postage and printing	18,466	24,200	8,909	10,135	-	-	-	-
Conferences, meetings and travel	19,116	20,611	4,410	4,311	-	-	-	-
Legal and professional fees	231,759	54,016	112,407	106,525	529,815	1,131,650	-	-
Investment fees	-	-	-	-	-	-	-	-
Advertising	1,675	3,905	-	-	-	-	-	-
Dues and subscriptions	3,426	2,205	990	725	-	-	-	-
Depreciation expense	11,451	12,171	1,275	1,204	-	-	-	-
Miscellaneous	-	-	-	-	687	2,831	-	-
Self-insurance premiums	-	-	-	-	1,571,497	1,554,409	-	-
Claims expense	-	-	-	-	1,019,114	1,579,861	7,904,159	7,346,825
Administrative fees	-	-	-	-	254,280	244,068	1,209,508	1,192,688
Occupancy expense	-	-	-	-	-	-	-	-
Repairs and maintenance expense	-	-	-	-	-	-	-	-
Insurance	5,517	5,356	594	577	-	-	-	-
	<u>\$ 737,261</u>	<u>\$ 473,818</u>	<u>\$ 619,453</u>	<u>\$ 613,349</u>	<u>\$ 3,375,393</u>	<u>\$ 4,512,819</u>	<u>\$ 9,113,667</u>	<u>\$ 8,539,513</u>

The accompanying Notes are an integral part of these Financial Statements.

DIOCESAN ADMINISTRATIVE OFFICES

OF THE DIOCESE OF SCRANTON

SCHEDULE 5

SCHEDULE OF ADMINISTRATIVE EXPENSES - CONTINUED

YEARS ENDED JUNE 30, 2018 AND 2017

	Facilities Manager		Other Administrative Expenses		Total Administrative Expenses	
	2018	2017	2018	2017	2018	2017
Salaries and benefits:						
Compensation - clergy and religious	\$ -	\$ -	\$ -	\$ -	\$ 82,784	\$ 88,831
Benefits - clergy and religious	-	-	-	-	19,251	23,201
Salaries and wages - lay persons	141,569	149,338	566,161	471,905	1,217,896	1,049,686
Benefits - lay persons	68,097	48,604	154,946	135,631	442,934	376,415
Total salaries and benefits	<u>209,666</u>	<u>197,942</u>	<u>721,107</u>	<u>607,536</u>	<u>1,762,865</u>	<u>1,538,133</u>
Supplies, office and program expense	1,207	1,542	32,369	76,134	138,203	186,247
Telephone, postage and printing	2,573	2,473	27,392	29,614	57,340	66,422
Conferences, meetings and travel	3,965	4,254	9,360	6,048	36,851	35,224
Legal and professional fees	9,450	424	38,904	46,825	922,335	1,339,440
Investment fees	-	-	326,714	342,253	326,714	342,253
Advertising	-	-	11,134	5,656	12,809	9,561
Dues and subscriptions	435	435	3,290	3,492	8,141	6,857
Depreciation expense	5,829	5,829	21,147	21,116	39,702	40,320
Miscellaneous	-	-	-	-	687	2,831
Self-insurance premiums	-	-	-	-	1,571,497	1,554,409
Claims expense	-	-	-	-	8,923,273	8,926,686
Administrative fees	-	-	-	-	1,463,788	1,436,756
Occupancy expense	-	-	103,986	94,252	103,986	94,252
Repairs and maintenance expense	-	-	24,921	25,999	24,921	25,999
Insurance	-	-	2,177	2,114	8,288	8,047
	<u>\$ 233,125</u>	<u>\$ 212,899</u>	<u>\$ 1,322,501</u>	<u>\$ 1,261,039</u>	<u>\$ 15,401,400</u>	<u>\$ 15,613,437</u>

The accompanying Notes are an integral part of these Financial Statements.