Report of Independent Auditors and
Consolidated Financial Statements

The Roman Catholic Diocese of Oakland, Central Services Administration

December 31, 2020 and 2019

MOSSADAMS

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Report of Independent Auditors

To the Most Reverend Michael Barber
The Roman Catholic Diocese of Oakland, Central Services Administration

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Roman Catholic Diocese of Oakland, Central Services Administration, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Roman Catholic Diocese of Oakland, Central Services Administration, as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
June 28, 2021

Consolidated Financial Statements

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 10,250,931	$ 19,813,668
Investments	101,472,651	93,581,232
Receivables, net	14,561,075	13,554,658
Prepaid expenses and deposits	2,483,520	2,436,210
Loans to parishes, schools, institutions, and seminarians, net	17,073,421	17,352,972
Note receivable – related party	46,098,384	45,405,252
Note receivable	-	98,826
Assets held in trust for others	1,468,455	1,445,696
Land held for sale	-	58,710
Property and equipment, net	10,092,555	11,271,475
Total assets	$ 203,500,992	$ 205,018,699
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,689,999	$ 1,993,977
Agency funds	947,167	965,914
Deferred revenue	4,243,178	4,447,653
Deposits payable	65,218,863	64,532,036
Note payable – related party	6,167,687	13,937,107
Notes payable	58,131,759	60,537,321
Fair value of interest rate swaps, net	5,685,309	3,347,800
Assets held in trust for others	1,468,455	1,445,696
Investments held for others	24,810,244	22,865,009
Post-retirement employment benefits liability	11,094,000	10,267,000
Liability for pension benefits	8,516,000	8,505,000
Total liabilities	188,972,661	192,844,513
NET ASSETS		
Without donor restrictions	9,918,315	8,856,917
With donor restrictions		
Purpose restricted	3,126,896	1,834,149
Endowment	1,483,120	1,483,120
Total with donor restrictions	4,610,016	3,317,269
Total net assets	14,528,331	12,174,186
Total liabilities and net assets	$ 203,500,992	$ 205,018,699

See accompanying notes.

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Parish assessments	$ 6,565,660	$ -	$ 6,565,660	$ 6,374,418	$ -	$ 6,374,418
Bishop's Annual Appeal	2,200,929	-	2,200,929	2,377,419	-	2,377,419
Gifts, grants, and bequests	3,973,488	1,252,691	5,226,179	3,337,630	407,646	3,745,276
Dividends and interest	979,280	28,990	1,008,270	1,250,716	34,567	1,285,283
Ministerial department revenue	560,941	-	560,941	1,106,743	-	1,106,743
Catholic Voice	486,473	-	486,473	1,262,134	-	1,262,134
Cemetery rent	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Interest income on deposit and loan fund	273,210	-	273,210	291,654	-	291,654
Insurance revenue, net	1,667,599	-	1,667,599	2,145,567	-	2,145,567
Other income	262,230	-	262,230	258,345	-	258,345
Net assets released from restrictions	157,594	(157,594)	-	2,355,875	(2,355,875)	-
Total revenues	19,127,404	1,124,087	20,251,491	22,760,501	(1,913,662)	20,846,839
EXPENSES						
Central Services						
Pastoral Life	1,208,298	-	1,208,298	1,802,943	-	1,802,943
Resources	2,109,927	-	2,109,927	2,857,610	-	2,857,610
Canon Law	414,612	-	414,612	489,995	-	489,995
Office of the Chancellor	1,391,561	-	1,391,561	2,133,933	-	2,133,933
Communications	217,568	-	217,568	323,785	-	323,785
Office of the Bishop	695,560	-	695,560	866,613	-	866,613
Mission Advancement	993,979	-	993,979	1,050,760	-	1,050,760
Catholic Voice	895,036	-	895,036	1,205,667	-	1,205,667
Parishes, Schools/Diocesan General						
Interest expense on deposit and loan fund	642,289	-	642,289	616,821	-	616,821
School subsidies	163,145	-	163,145	664,406	-	664,406
Parish subsidies	77,794	-	77,794	104,400	-	104,400
Capital grants	408,058	-	408,058	33,152	-	33,152
Clergy retirement	2,017,444	-	2,017,444	2,039,702	-	2,039,702
Clergy retirement - actuarial change in valuation of expected benefit obligations	163,000	-	163,000	551,000	-	551,000
Unassigned clergy	687,880	-	687,880	617,795	-	617,795
Legal expenses	2,079,571	-	2,079,571	906,571	-	906,571
Professional fees	904,412	-	904,412	738,758	-	738,758
Provision for uncollectible receivables and loans	194,515	-	194,515	816,926	-	816,926
Grants for CYO gyms renovations and repairs	8,471	-	8,471	1,991,529	-	1,991,529
Other contributions	116,370	-	116,370	297,896	-	297,896
Overhead	3,379,028	-	3,379,028	4,615,113	-	4,615,113
Total expenses	18,768,518	-	18,768,518	24,725,375	-	24,725,375
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)	358,886	1,124,087	1,482,973	(1,964,874)	(1,913,662)	(3,878,536)
OTHER INCOME (LOSS)						
Gain on sale of land, property, and equipment	442,523	-	442,523	3,754,004	-	3,754,004
Interest income on notes from related parties	789,332	-	789,332	804,339	-	804,339
Bonds and other financing interest expense	(2,607,577)	-	(2,607,577)	(4,118,772)	-	(4,118,772)
Unrealized loss on interest rate swaps, net	(2,337,509)	-	(2,337,509)	(3,347,800)	-	(3,347,800)
Investment income	5,090,743	168,660	5,259,403	7,830,880	310,366	8,141,246
Total other income (loss)	1,377,512	168,660	1,546,172	4,922,651	310,366	5,233,017
CHANGE IN NET ASSETS BEFORE IMPACT OF PENSION-RELATED CHANGES	1,736,398	1,292,747	3,029,145	2,957,777	(1,603,296)	1,354,481
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(675,000)	-	(675,000)	(1,669,000)	-	(1,669,000)
CHANGE IN NET ASSETS	1,061,398	1,292,747	2,354,145	1,288,777	(1,603,296)	(314,519)
NET ASSETS, beginning of year	8,856,917	3,317,269	12,174,186	7,568,140	4,920,565	12,488,705
NET ASSETS, end of year	$ 9,918,315	$ 4,610,016	$ 14,528,331	$ 8,856,917	$ 3,317,269	$ 12,174,186

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services									Supporting Services			
	Pastoral Life	Resources	Canon Law	Office of the Chancellor	Communications	Office of the Bishop	Catholic Voice	Parishes, Schools, and Diocesan General	Program Services Subtotal	Management and General	Development	Supporting Services Subtotal	**Total**
Salaries and wages	$ 364,744	$ 597,582	$ 288,816	$ 803,917	$ -	$ 447,075	$ 287,845	$ -	$ 2,789,979	$ 675,863	$ 629,219	$ 1,305,082	$ 4,095,061
Employee benefits and payroll taxes	174,351	179,586	111,155	192,370	-	138,826	48,988	-	845,276	189,212	151,341	340,553	1,185,829
Occupancy, facilities use, and properties expenses	-	53,362	-	127,196	-	28,264	163,694	-	372,516	3,118,965	-	3,118,965	3,491,481
School subsidies	-	-	-	-	-	-	-	163,145	163,145	-	-	-	163,145
Independent contractors and consulting	9,600	287,144	5,950	194,493	215,558	24,628	46,165	-	783,538	27,061	13,032	40,093	823,631
Professional fees	-	-	-	-	-	-	-	-	-	904,412	-	904,412	904,412
Seminarian tuition, room and board, and health benefits	603,900	-	-	-	-	-	-	-	603,900	-	-	-	603,900
Interest expense on deposit and loan fund	-	-	-	-	-	-	-	642,289	642,289	-	-	-	642,289
Legal expenses	-	-	-	-	-	-	4,302	-	4,302	2,079,571	-	2,079,571	2,083,873
Provision for uncollectible receivables and loans	-	-	-	-	-	-	84,430	-	84,430	(194,515)	-	(194,515)	(110,085)
Unassigned clergy	-	-	-	-	-	-	-	687,880	687,880	-	-	-	687,880
Travel, meetings, continuing education, and staff development	33,663	1,884	-	14,369	-	9,082	187	-	59,185	1,216	2,227	3,443	62,628
Printing	2,335	3,534	2,884	8,344	-	6,105	92,678	-	115,880	7,892	72,135	80,027	195,907
Miscellaneous	-	-	-	-	-	-	2,578	-	2,578	118,098	6,347	124,445	127,023
Other contributions	-	-	-	-	-	-	-	-	-	124,841	-	124,841	124,841
Postage and delivery	697	1,761	1,880	2,201	-	1,014	151,749	-	159,302	8,872	43,622	52,494	211,796
USCCB and CCC assessments	-	-	-	-	-	-	-	-	-	234,495	-	234,495	234,495
Office supplies	262	10,970	2,273	1,100	690	1,727	-	-	17,022	30,862	506	31,368	48,390
Program expenses (ministry)	9,133	-	944	34,249	-	31,661	-	-	75,987	-	-	-	75,987
Counseling for abuse victims and priests	-	-	-	-	-	-	-	-	-	89,619	-	89,619	89,619
Depreciation	-	-	-	-	-	-	-	-	-	117,292	-	117,292	117,292
Bank and credit card service fees	-	-	-	1,151	-	-	1,154	-	2,305	58,743	36,691	95,434	97,739
Parish subsidies	-	-	-	-	-	-	-	77,794	77,794	-	-	-	77,794
Capital grants	-	-	-	-	-	-	-	408,058	408,058	-	-	-	408,058
Auto and mileage expenses	4,061	1,786	-	2,299	-	2,709	-	-	10,855	176	-	176	11,031
Telephone	1,323	12,071	-	6,892	-	2,710	-	-	22,996	4,648	317	4,965	27,961
Advertising and recruitment	1,380	9,470	-	-	-	788	6,835	-	18,473	-	-	-	18,473
Capital projects		-	-	-	-	-	-	-	-	25,275	-	25,275	25,275
Dues and subscriptions	2,849	9,264	710	2,980	1,320	971	4,431	-	22,525	1,282	38,542	39,824	62,349
Clergy retirement	-	-	-	-	-	-	-	2,017,444	2,017,444	-	-	-	2,017,444
Clergy retirement - actuarial change in valuation of expected benefit obligations	-	-	-	-	-	-	-	163,000	163,000	-	-	-	163,000
Total expenses	$ 1,208,298	$ 1,168,414	$ 414,612	$ 1,391,561	$ 217,568	$ 695,560	$ 895,036	$ 4,159,610	$ 10,150,659	$ 7,623,880	$ 993,979	$ 8,617,859	$ 18,768,518

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services									Supporting Services			
	Pastoral Life	Resources	Canon Law	Office of the Chancellor	Communications	Office of the Bishop	Catholic Voice	Parishes, Schools, and Diocesan General	Program Services Subtotal	Management and General	Development	Supporting Services Subtotal	**Total**
Salaries and wages	$ 579,234	$ 848,156	$ 333,983	$ 1,082,993	$ 208	$ 462,165	$ 463,920	$ -	$ 3,770,659	$ 841,786	$ 532,587	$ 1,374,373	$ 5,145,032
Employee benefits and payroll taxes	255,252	247,301	119,245	268,049	-	154,028	73,889	-	1,117,764	222,474	123,764	346,238	1,464,002
Occupancy, facilities use, and properties expenses	-	146,011	-	125,850	-	36,760	150,392	-	459,013	3,760,886	-	3,760,886	4,219,899
School subsidies	-	-	-	-	-	-	-	664,406	664,406	-	-	-	664,406
Independent contractors and consulting	20,668	348,729	12,717	412,955	308,511	107,852	73,665	-	1,285,097	50,365	108,395	158,760	1,443,857
Professional fees	-	-	-	-	-	-	-	-	-	738,758	-	738,758	738,758
Seminarian tuition, room and board, and health benefits	744,158	-	-	-	-	-	-	-	744,158	-	-	-	744,158
Interest expense on deposit and loan fund	-	-	-	-	-	-	-	616,821	616,821	-	-	-	616,821
Legal expenses	-	-	-	-	-	-	1,670	-	1,670	906,571	-	906,571	908,241
Provision for uncollectible receivables and loans	-	-	-	-	-	-	-	-	-	816,926	-	816,926	816,926
Unassigned clergy	-	-	-	-	-	-	-	617,795	617,795	-	-	-	617,795
Travel, meetings, continuing education, and staff development	140,527	16,245	1,433	56,242	-	33,487	617	-	248,551	12,811	13,500	26,311	274,862
Printing	12,619	4,147	1,365	27,451	48	19,658	178,305	-	243,593	11,145	103,384	114,529	358,122
Miscellaneous	-	-	-	2,087	-	-	1,289	-	3,376	116,146	455	116,601	119,977
In-kind contributions for CYO gyms renovations and repairs	-	-	-	-	-	-	-	-	-	1,991,529	-	1,991,529	1,991,529
Other contributions	-	-	-	-	-	-	20,000	-	20,000	297,896	-	297,896	317,896
Postage and delivery	1,584	3,469	3,191	4,821	-	2,780	236,756	-	252,601	4,687	31,437	36,124	288,725
Seismic repairs	-	-	-	-	-	-	-	-	-	8,163	-	8,163	8,163
USCCB and CCC assessments	-	-	-	-	-	-	-	-	-	275,807	-	275,807	275,807
Office supplies	1,002	28,497	2,619	11,501	2,419	3,700	320	-	50,058	142,232	7,254	149,486	199,544
Program expenses (ministry)	27,503	-	9,075	108,092	-	27,541	-	-	172,211	-	-	-	172,211
Counseling for abuse victims and priests	-	-	-	-	-	-	-	-	-	78,692	-	78,692	78,692
Depreciation	-	-	-	-	-	-	-	-	-	116,804	-	116,804	116,804
Bank and credit card service fees	-	-	-	2,957	-	-	1,834	-	4,791	64,837	18,943	83,780	88,571
Parish subsidies	-	-	-	-	-	-	-	104,400	104,400	-	-	-	104,400
Capital grants	-	-	-	-	-	-	-	33,152	33,152	-	-	-	33,152
Bond issuance cost amortization	-	-	-	-	-	-	-	-	-	26,419	-	26,419	26,419
Auto and mileage expenses	12,683	5,085	5,100	12,622	-	13,146	-	-	48,636	4,767	950	5,717	54,353
Telephone	2,071	12,468	-	13,042	-	2,301	-	-	29,882	2,610	178	2,788	32,670
Advertising and recruitment	1,794	8,875	-	-	-	922	962	-	12,553	-	13,831	13,831	26,384
Capital projects		-	-	-	-	-	-	-	-	55,767	-	55,767	55,767
Dues and subscriptions	3,848	5,912	1,267	5,271	12,599	2,273	2,048	-	33,218	1,430	96,082	97,512	130,730
Clergy retirement	-	-	-	-	-	-	-	2,039,702	2,039,702	-	-	-	2,039,702
Clergy retirement - actuarial change in valuation of expected benefit obligations	-	-	-	-	-	-	-	551,000	551,000	-	-	-	551,000
Total expenses	$ 1,802,943	$ 1,674,895	$ 489,995	$ 2,133,933	$ 323,785	$ 866,613	$ 1,205,667	$ 4,627,276	$ 13,125,107	$ 10,549,508	$ 1,050,760	$ 11,600,268	$ 24,725,375

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,354,145	$ (314,519)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(5,259,403)	(8,141,246)
Change in allowance for doubtful accounts	(172,634)	(36,068)
Amortization of bond issuance costs	-	26,419
Change in fair value of interest rate swaps, net	2,337,509	3,347,800
Depreciation	117,292	116,804
Gain on sale of land, property, and equipment	(442,523)	(3,754,004)
Amortization of discount on bonds payable	-	80,297
Loss on change in pension assumptions	2,332,000	2,712,000
Gain due to pension remeasurement	(515,000)	(1,477,000)
Changes in operating assets and liabilities:		
Receivables	(972,578)	2,640,035
Prepaid expenses and deposits	(47,310)	(47,918)
Accounts payable and accrued liabilities	696,022	(449,666)
Deferred revenue	(204,475)	(108,528)
Post-retirement employee benefits liability	827,000	1,287,000
Liability for pension benefits	(1,806,000)	(302,000)
Net cash used in operating activities	(755,955)	(4,420,594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted cash and cash equivalents	-	4,841,282
Purchases of investments	(4,118,094)	(17,728,071)
Proceeds from sales of investments	1,486,078	4,049,785
Change in investments held for others	1,945,235	2,924,000
Loans made to parishes, schools, institutions, and seminarians	(538,563)	(3,197,018)
Payments received on loans made to parishes, schools, institutions, and seminarians	956,909	1,419,518
Loans made to related party	(789,332)	(645,198)
Loan payments received from related party	96,200	20,395,763
Loan payments received from unrelated party	98,826	191,552
Purchases of land, property, and equipment	-	(48,233)
Proceeds from sale of land, property, and equipment	1,562,861	6,450,484
Change in agency funds	(18,747)	101,405
Deposits made to deposits payable	11,427,998	16,170,994
Withdrawals from deposits payable	(10,741,171)	(12,198,230)
Net cash provided by investing activities	1,368,200	22,728,033
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	-	(26,700,000)
Proceeds from note payable – related party	341,615	348,810
Payments on note payable – related party	(8,111,035)	(521,782)
Proceeds from notes payable	2,468,293	17,877,973
Payments on notes payable	(4,873,855)	(3,366,117)
Net cash used in financing activities	(10,174,982)	(12,361,116)
NET CHANGE IN CASH, AND CASH EQUIVALENTS	(9,562,737)	5,946,323
CASH AND CASH EQUIVALENTS, beginning of year	19,813,668	13,867,345
CASH AND CASH EQUIVALENTS, end of year	$ 10,250,931	$ 19,813,668

See accompanying notes.

	2020	2019
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION		
Interest paid	$ 3,262,333	$ 5,462,235
Income taxes paid	$ -	$ 2,230

NOTE 1 – ORGANIZATION

The Roman Catholic Bishop of Oakland, a California corporation sole ("RCBO"), was incorporated on May 2, 1962, and together with (i) Adventus, (ii) The Roman Catholic Welfare Corporation of Oakland, (iii) The Roman Catholic Cemeteries of the Diocese of Oakland, (iv) Christ the Light Cathedral Corporation and Catholic Cathedral Corporation of the East Bay, (v) Catholic Charities of the Diocese of Oakland, (vi) Oakland Society for the Propagation of the Faith, (vii) Catholic Church Support Services, (viii) Catholic Foundation for the Diocese of Oakland, (ix) Lumen Christi Academies of the Roman Catholic Diocese of Oakland, and (x) various activities, institutions, and unincorporated associations (including parishes and schools) operates as the Roman Catholic Diocese of Oakland in Alameda and Contra Costa Counties (the "Diocese").

The Chancery is the part of RCBO that provides administrative services and programmatic and financial support to those Diocesan entities, institutions, and associations identified above, each of which operate independently and account for their operations separately.

These consolidated financial statements include the Chancery, Adventus, and Furrer Properties, Inc., a California corporation wholly-owned by RCBO. Collectively, activities of these entities and their operations are known as the Central Services Administration. All intercompany balances and transactions have been eliminated.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to not-for-profit organizations. Accordingly, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Description of net assets – Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions consists of resources of the Central Services Administration that have not been restricted by a donor. The major sources of revenue are parish assessments, the Bishop's Annual Appeal, investment income, and cemetery rent. Contributions received with donor restrictions met in the same reporting period (e.g., the Bishop's Annual Appeal) are recognized as increases in net assets without donor restrictions. There were no net assets without donor restrictions designated by management as of December 31, 2020 and 2019.

With donor restrictions is defined as the portion of net assets that have a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised and scheduled to be received more than one year in the future, are recorded at fair value and classified as with donor restrictions until the funds are received, and are discounted at a risk free rate of return in effect at the time the contribution is received. Net assets consisting of the initial fair value of the gifts where the donor has specified the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes, are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor-restricted endowment funds is classified as with donor restrictions until appropriated for use based on the Central Services Administration's spending policy. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Tax-exempt status – Entities of the Central Services Administration, except Furrer Properties, Inc., have been granted tax-exempt status by the Internal Revenue Service, except to the extent of unrelated business taxable income as defined under Internal Revenue Code Sections 511 through 515 and the California Franchise Tax Board under Sections 501(c)(3) and 23701d. Accordingly, no tax provision has been recorded for the tax-exempt entities in the consolidated financial statements. The Central Services Administration, inclusive of the Chancery of the Roman Catholic Bishop of Oakland and Adventus, are exempt from preparing and filing Forms 990 and 199. Catholic Voice (a division of the Central Services Administration) is subject to filing a Form 990-T. Furrer Properties, Inc., is required to file Forms 1120 and 100. The Central Services Administration had no unrecognized tax benefits at either December 31, 2020 or 2019, and had no uncertain tax positions. The Central Services Administration is required to report unrelated business income, if any.

Use of estimates – In preparing the consolidated financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional expense allocations – Expenses are allocated among program services, management and general, and development based on management's estimate of time spent on these functions by specific employees and the remaining costs are charged directly to the appropriate functional category.

Fair value measurements – 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

Net asset value – The fair value of investments in investment companies (limited partnerships) have a value of their capital account or net asset value ("NAV") calculated in accordance, or in a manner consistent, with GAAP. As a practical expedient, the Central Services Administration is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. The Central Services Administration's investments in certain hedge funds in the alternative investment portfolio are generally valued based on the most current NAV received. These investments are not required to be assigned a level in the hierarchy, but rather reported as using NAV.

Cash equivalents – The Central Services Administration considers all highly liquid debt instruments purchased with a maturity of three months or less and not held by an investment manager to be cash equivalents. The cash and cash equivalents balances held in financial institutions at December 31, 2020 and 2019, exceeded federal depository insurance coverage. The Central Services Administration has not experienced any credit losses in such accounts. Cash held in money market accounts for investment purposes is included in investments.

Investments – Investments are reported at fair value. Marketable securities include investments held for others in the amount of $24,810,244 and $22,865,009 as of December 31, 2020 and 2019, respectively.

Income from gains and losses are shown net of external and direct internal expenses on investments. For endowment and similar funds, income from investment gains and losses are reported as follows:

- Increases or decreases in net assets with donor restrictions if the terms of the gift or the Central Services Administration's interpretation of relevant state law requires they be added to the principal of a net asset with donor restrictions

- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income

- Increases or decreases in net assets without donor restrictions in all other cases

Receivables – Receivables consist of various trade and miscellaneous receivables. Trade receivables include amounts billed to the parishes and other Diocesan institutions for health, general liability, and workers' compensation insurance. In addition, annual parish assessments are a component of these receivables. Receivables are reported at face value, which approximates fair value, and are not subject to interest. Payments received from Diocesan institutions are generally applied to the balances identified by the accompanying remittance advices first, unless prior agreement has been reached with the institution.

Loans to parishes, schools, institutions, and seminarians – These loans represent credit extended to related entities. Credit is extended based upon evaluation of the borrowing entity's financial condition and other factors. Collateral is not generally required. Loans are reported at face value, which approximates fair value. Loans receivable typically have no stated maturity dates and may be due either on demand or in accordance with scheduled payments. Loans are generally not considered past due or delinquent, as the Bishop has various means available to collect on any loan extended and reserves the right to convert any loan, including interest accrued, to a contribution.

Interest accrues on loans receivable daily in accordance with the interest rates applicable to the loans. The average annual interest rate on loans in 2020 and 2019 was 1.39% and 1.49%, respectively.

Allowance for doubtful accounts – The Central Services Administration provides an allowance for both loans and other receivables management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties or fluctuation in offertory), a specific reserve is recorded. For all other organizations, the Central Services Administration recognizes reserves for bad debts based on historical collection experience. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in an organization's ability to meet its financial obligations), the Central Services Administration's estimates of the recoverability of amounts due may change in the near term.

Assets held in trust for others – The Central Services Administration serves as the trustee of a charitable remainder trust for which it is not the remainder beneficiary. A related entity, Christ the Light Cathedral Corporation, is the remainder beneficiary. For this trust, the assets are recorded in the consolidated statements of financial position at fair value; a corresponding liability for the same amount is also recorded in the consolidated statements of financial position. The underlying composition of the assets held in trust for others include marketable securities classified within Level 1 and Level 2 of the valuation hierarchy. Investments measured and held at NAV per share under the existing practical expedient in Accounting Standards Codification ("ASC") 820 are not classified as Level 1, 2, or 3 investments in the fair value hierarchy table.

Property and equipment – Purchased plant assets are recorded at cost and donated plant assets are recorded at approximate fair value at the time of receipt. Depreciation expense is recorded on the straight-line basis for all plant assets over the estimated useful lives ranging from 5 to 50 years. The Central Services Administration's policy is to capitalize plant assets that have a cost or donated value in excess of $2,000.

Agency funds – The Central Services Administration holds various assets received from parishes, schools, and institutions in an agency capacity. These assets represent collections taken up by the various institutions and not yet remitted to the ultimate recipient beneficiaries, gifts of stock received for the benefit of Diocesan entities but not yet sold and/or the proceeds not yet disbursed to the designated institution, and bequests held and administered for Diocesan entities.

Deferred revenue – Deferred revenue consists of amounts received and/or billed in advance for health and package insurance premiums from parishes, schools, and other institutions.

Deposits payable – The Central Services Administration provides a means for the various parishes, schools, and other institutions located within the Diocese to maintain deposits with the Central Services Administration and to borrow against these deposits. These deposits are classified as a liability and are held in the Central Services Administration marketable securities pooled investments accounts. The average annual interest rate paid on deposits was 1% in both 2020 and 2019.

Investments held for others – The endowment pool was established for participating parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests in equities, fixed income securities, and alternative investments. The pool is operated under the total return concept, which allocates income/(loss) to each participant based upon the total return earned in invested funds, including realized and unrealized gains and losses, and taking investment management fees into account.

Revenue recognition – Contributions are comprised of revenue from the Bishop's Annual Appeal, gifts, grants, and bequests. Contributions are considered to be without donor restriction unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as contributions with donor restrictions. The Central Services Administration recognizes all unconditional contributions and promises to give in the period notified. Unconditional promises to give expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using the risk-free rate applicable to the years in which the promises were received. Conditional promises to give or intentions to give are not recorded in the consolidated financial statements until the conditions are substantially met.

Parish assessments represent a service fee charged to the parishes of the Diocese for the various administrative, financial, and programmatic support services provided to them by the Chancery staff. This fee is assessed as a percentage of the clearly defined and calculated net assessable income of each parish. Parish assessments are recognized as revenue ratably over the year when billed.

Insurance revenue is received from other Diocesan institutions for which the Diocese acts as an agent providing health, property and earthquake, general liability, workers' compensation, and unemployment insurance. Revenue is recognized in the period in which the insurance coverage is provided and is in effect.

Catholic Voice revenue is primarily from parish subscription assessments and advertising. Advertising revenue is recognized when the publication carrying the advertisement is published. Parish subscription assessments are recognized on a monthly basis when billed.

Interest rate swap agreements – The fair value of interest rate swaps is accrued as market rates change. The change in fair value of the derivatives during the year, if material, is recognized within other income or loss in the consolidated statements of activities.

Concentrations of risk – The World Health Organization declared the novel coronavirus a public health emergency. The Central Services Administration's operations are concentrated in California, which has restricted gatherings and implemented shelter-in-place restrictions. The Central Services Administration continues normal operations while closely monitoring employees and visitors to office locations. The Central Services Administration will continue to monitor the situation closely, but given the uncertainty about the situation, management can't estimate the impact to the consolidated financial statements.

Recent accounting pronouncements – In 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurements (Topic 820)*, which modifies the disclosure requirements for Fair Value Measurement, including cost and benefits. Management adopted ASU 2018-13 for the year ended December 31, 2020, however, the adoption did not have a significant impact to the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services. The ASU has a five-step approach that includes identifying the contract or contracts, identifying the performance obligations, determining the transfer price, allocating the transaction price, and recognizing revenue. The ASU also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of the consolidated financial statements understand the nature, amount, timing, and uncertainty of revenue and the related cash flows. Management adopted ASU 2014-09 for the year ended December 31, 2020, however, the adoption did not have a significant effect on the consolidated financial statements.

Reclassifications – Certain 2019 amounts have been reclassified to conform with the 2020 presentation. These reclassifications had no effect on net assets or changes in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the date of the consolidated statement of financial position, are comprised of the following:

	December 31,	
	2020	2019
Financial assets		
Cash and cash equivalents	$ 10,250,931	$ 19,813,668
Investments	101,472,651	93,581,232
Receivables, net	14,561,075	13,554,658
Loans to parishes, schools, institutions, and seminarians, net	17,073,421	17,352,972
Note receivable – related party	46,098,384	45,405,252
Note receivable	-	98,826
Assets held in trust for others	1,468,455	1,445,696
Financial assets at December 31	190,924,917	191,252,304
Less financial assets unavailable for general expenditure within one year:		
Loans to parishes, schools, institutions, and seminarians, net	(17,073,421)	(17,352,972)
Note receivable – related party	(46,098,384)	(45,405,252)
Assets held in trust for others	(1,468,455)	(1,445,696)
Agency funds	(947,167)	(965,914)
Investments held for others	(24,810,244)	(22,865,009)
Investments committed as collateral for bank note payable	(40,242,884)	(36,988,311)
Perpetual and term endowments	(1,483,120)	(1,483,120)
Financial assets available to meet cash needs for general expenditures within one year	$ 58,801,242	$ 64,746,030

The Central Services Administration's policy is to structure its financial assets to be available to cover the following in order of priority: current operations (including its deposits and loans fund activities), planned future operations, unanticipated expenses, sudden shortfalls in revenues, and capital assets.

NOTE 4 – INVESTMENTS

Investments at December 31 are as follows:

	2020	2019
Separately managed account – global equity	$ 22,462,204	$ 23,906,243
Corporate equity securities	20,885,014	16,628,216
Corporate debt securities	12,137,859	10,219,624
Mortgage pools and asset – backed securities	10,501,028	8,960,805
Hedge funds	10,166,807	8,912,010
Separately managed account – international equity	9,019,153	7,758,364
U.S. government debt securities	5,920,228	7,597,632
Mutual funds – international equity	5,710,756	4,989,766
Cash and money market funds	2,865,482	2,957,995
Municipal debt securities	746,072	637,394
Mutual funds – equity	439,776	824,999
Private equity	618,272	188,184
	$ 101,472,651	$ 93,581,232

NOTE 5 – RECEIVABLES

Receivables at December 31 are as follows:

	2020	2019
Receivables, net		
Insurance and miscellaneous receivables	$ 16,584,409	$ 16,033,244
Assessments receivable	3,172,773	2,751,360
Less allowance for doubtful accounts	(5,196,107)	(5,229,946)
Total	$ 14,561,075	$ 13,554,658
Loans to parishes, schools, institutions, and seminarians, net		
Loans receivable	$ 19,594,178	$ 21,066,694
Less allowance for loan losses	(2,520,757)	(3,713,722)
Total	$ 17,073,421	$ 17,352,972
Changes in allowance for doubtful accounts and loan losses:		
Beginning balance	$ 8,943,668	$ 8,979,736
Provision for uncollectible receivables and loans	(172,634)	351,122
Write offs	(1,054,170)	(387,190)
Ending balance	$ 7,716,864	$ 8,943,668

NOTE 6 – NOTE RECEIVABLE – RELATED PARTY

Principal and interest due from a related party at December 31 is as follows:

	2020	2019
Catholic Cathedral Corporation of the East Bay, secured note for a principal sum of up to $75,000,000; interest at 1.75%; unpaid principal and interest due November 1, 2029; includes accrued interest of $993,709 and $300,577, respectively.	$ 46,098,384	$ 45,405,252
	$ 46,098,384	$ 45,405,252

NOTE 7 – LAND HELD FOR SALE

Land held for sale of $58,710 as of December 31, 2019 consists of certain land subject to a purchase and sales agreement with an unrelated development company. Sales proceeds from such land sales are recorded when the development company finalizes a sale of a parcel and remits payment to the Central Services Administration. There was no land held for sale as of December 31, 2020. During the years ended December 31, 2020 and 2019, there were sales amounting to $315,701 and $313,079, respectively, for which the carrying value of the land held was reduced and a gain on the sales was recorded in the consolidated statements of activities.

NOTE 8 – PROPERTY AND EQUIPMENT

Land, buildings, and equipment at December 31 are as follows:

	2020	2019
Central Services Administration buildings and improvements	$ 5,232,452	$ 5,232,452
Furniture and equipment	229,501	229,501
Automobiles	139,334	139,334
Land improvements	47,786	47,786
	5,649,073	5,649,073
Less accumulated depreciation	(2,467,749)	(2,350,457)
	3,181,324	3,298,616
Land	6,911,231	7,972,859
	$ 10,092,555	$ 11,271,475

Total depreciation for the years ended December 31, 2020 and 2019, amounted to $117,292 and $116,804, respectively.

NOTE 9 – NOTES PAYABLE AND INTEREST RATE SWAPS

On February 1, 2017, the Central Services Administration entered into a new $70,000,000 bank credit facility, which effectively refinanced the existing indebtedness of the bonds payable more fully described in Note 11. The guarantors of this new credit facility are the same entities which served as the members of the bond obligated group:

- The Roman Catholic Bishop of Oakland, Central Services Administration
- The Roman Catholic Welfare Corporation of Oakland
- The Roman Catholic Cemeteries of the Diocese of Oakland
- Adventus

The bank credit facility bears interest at LIBOR plus an interest rate spread based on the composition of security (e.g. deposits, investments, and real estate). The interest rate has been partially hedged using two forward-starting interest rate swap agreements for a combined notional amount of $35,000,000, effectively fixing that amount at an interest rate of 4.73% per annum. Payments are due at the end of each quarter commencing December 2019, through and including the maturity date of November 1, 2029.

Notes payable at December 31 are as follows:

	2020	2019
Delayed-draw note to a bank, secured by investments and real property of the obligated group, which converted to a 10-year term loan (with a 25-year amortization schedule) on November 1, 2019; interest payable quarterly during draw period at one-month LIBOR plus an interest rate spread based on the composition of security. Interest rates were 1.85% and 3.39% at December 31, 2020 and 2019, respectively.	$ 57,000,000	$ 59,400,000
Unsecured note payable to an insurance premium financing company; monthly payments of $228,336 including interest at 3.50%; due June 1, 2021.	1,131,759	-
Unsecured note payable to an insurance premium financing company; monthly payments of $229,687 including interest at 3.90%; due June 1, 2020.	-	1,137,321
	$ 58,131,759	$ 60,537,321

Maturities for the notes payable are as follows:

Year Ending December 31,	
2021	$ 3,531,759
2022	2,400,000
2023	2,400,000
2024	2,400,000
2025	2,400,000
Thereafter	45,000,000
	$ 58,131,759

NOTE 10 – NOTE PAYABLE – RELATED PARTY

In February 2015, a note receivable from Roman Catholic Cemeteries of the Diocese of Oakland ("RCC") was paid in full through the liquidation of investments executed as part of the debt reduction and refinancing plan of the Diocese of Oakland. RCC liquidated approximately $20,000,000 in investments, paid off its note to RCBO, and loaned the balance of $13,761,269 to RCBO. The loan is represented by an unsecured note with an interest rate of 2.5% per annum, interest payable semi-annually, and no scheduled maturity date. Accrued interest at December 31, 2020 and 2019, was $167,687 and $175,838, respectively.

NOTE 11 – BONDS PAYABLE

The Central Services Administration entered into a credit facility effective November 13, 2007, for a total amount of $114,700,000. The basic terms of the debt facility were as follows:

- General obligation taxable bonds, stated interest rate of 6.04%
- Obligated group:
  - The Roman Catholic Bishop of Oakland, Central Services Administration
  - The Roman Catholic Welfare Corporation of Oakland
  - The Roman Catholic Cemeteries of the Diocese of Oakland
  - Adventus

The bonds were issued at a discount of $3,420,354, resulting in an effective interest rate of 6.4%. The discount was amortized utilizing the effective interest method. In addition, original bond issuance costs of $1,373,085 were incurred and amortized ratably over the lives of the bonds.

The bonds payable carried various financial reporting requirements for the obligated group. The obligated group provided the bond Trustee combined consolidated financial statements within 180 days of December 31 each year.

In addition, the bond indenture carried collateral requirements. The RCBO and the Roman Catholic Cemeteries of the Diocese of Oakland granted a security interest in certain of their investment accounts to bondholders through U.S. Bank National Association. These Diocesan entities were required to maintain cash and investments in those pledged accounts in an aggregate amount equal to 60% of the then outstanding amount of the bonds.

The required investment balance (i.e., security) was 110% of the amount of cash and investments determined pursuant to the terms above and was maintained each year during the issuance of the bonds.

On February 1, 2017, the Central Services Administration entered into a new $70,000,000 bank credit facility, discussed in Note 9, which effectively refinanced the existing indebtedness of the bonds payable. The guarantors of this new credit facility are the same entities serving as the members of the obligated group.

NOTE 12 – SELF-INSURED RISK RETENTION GROUPS

The Central Services Administration, along with certain other Roman Catholic dioceses and archdioceses in the Western United States, is a member of a captive mutual insurance company, The Ordinary Mutual (“TOM”), which is now in “run-off”. As of November 14, 2011, and by unanimous agreement of its membership, TOM no longer provides liability coverage. On November 15, 2011, the Diocese and three other Roman Catholic dioceses and one archdiocese, all members of TOM previously, formed a new risk retention group known as the Western Catholic Insurance Company (“WCIC”) to secure general liability insurance coverage. Amounts may be assessed periodically by WCIC to maintain minimum capitalization and reserve requirements. No such assessments were outstanding at December 31, 2020 and 2019, and $372,472 was invested in WCIC as the Diocese’s portion of total capitalization required by the Vermont Department of Insurance to adequately fund this risk retention group. As of July 1, 2017, and by unanimous agreement of its membership, WCIC no longer provides liability coverage and it is also now in “run-off”. The Central Services Administration joined The National Catholic Risk Retention Group, Inc. effective July 1, 2017, to secure its general liability insurance coverage.

The Central Services Administration, along with various other religious organizations of the Roman Catholic Church, is a trustor and participates in a multi-employer health plan, Religious Trust Agreement (“RETA”). Premiums paid to RETA are for medical coverage. Under certain circumstances, amounts may be assessed by RETA to maintain minimum reserves in the trust fund. At December 31, 2020 and 2019, the RETA had not assessed any assessments nor were any assessments pending.

NOTE 13 – LAY EMPLOYEES’ PENSION PLAN

The Central Services Administration has a noncontributory money purchase pension plan (defined contribution) for all lay employees in the Diocese (including parishes, schools, and cemeteries) who have completed six months of continuous employment at 25 hours or more per week. Annual contributions to the plan for eligible cemeteries employees were 6% of eligible compensation for 2020 and 2019. Annual contributions to the plan were 8% of eligible compensation for all other lay employees in 2020 and 2019. Benefits vest incrementally after three years of service and are fully vested after five years of service. Total contributions for the Central Services Administration’s employees for the years ended December 31, 2020 and 2019, were $274,544 and $324,534, respectively.

NOTE 14 – CLERGY RETIREMENT COSTS

Diocesan priests are covered by two Diocesan-sponsored defined benefit retirement plans ("Plans"). The Central Services Administration is required under FASB ASC 715-20-50 to present the difference between assets of the Plans and the Plans' actuarial obligations as an asset or liability of the Central Services Administration, depending on the funding status of the Plans. At December 31, 2020 and 2019, the Plans had combined actuarial obligations in excess of the Plans' assets of $8,516,000 and $8,505,000, respectively, which were reported as a liability of the Central Services Administration.

The Bishop of the Diocese of Oakland is the administrator of the pension trust. The Central Services Administration is ultimately responsible for the payment of the Plan benefits to the participants. The Central Services Administration's parish assessments contribute notably to coverage of the liability and benefits. The following table (based on projected actuarial data) sets forth the Plans' funded status and amounts recognized for the entire Plans as of December 31:

	2020	2019
Benefit obligations at beginning of year	$ 28,535,000	$ 24,311,000
Loss due to remeasurement at beginning of the year	(515,000)	(1,477,000)
Increase (decrease) due to:		
Service cost	826,000	644,000
Interest cost	840,000	916,000
Actual benefit payments	(1,397,000)	(1,283,000)
Administrative expenses	(66,000)	(89,000)
	203,000	188,000
Expected benefit obligations at end of year	28,223,000	23,022,000
Loss during the year due to change in assumptions	2,332,000	2,712,000
Additional liability due to plan amendment for benefit increase	-	2,801,000
Accumulated benefit obligations at end of year	$ 30,555,000	$ 28,535,000
Plan assets at fair value	$ 22,039,000	$ 20,030,000
Unfunded status	$ (8,516,000)	$ (8,505,000)

The components of pension expense are as follows for the years ended December 31:

	2020	2019
Service cost	$ 826,000	$ 644,000
Interest cost	840,000	916,000
Return on plan assets:		
Actual return – gain	(1,638,000)	(2,852,000)
Deferred gain	427,000	1,832,000
	(1,211,000)	(1,020,000)
Amortization:		
Unrecognized prior service cost	698,000	491,000
Unrecognized net loss	17,000	44,000
	715,000	535,000
Net periodic pension expense	$ 1,170,000	$ 1,075,000

The components of net (gain) loss are as follows for the years ended December 31:

	2020	2019
Asset gain during the year:		
Expected fair value at December 31	$ 21,612,000	$ 18,198,000
Plan assets at fair value at December 31	22,039,000	20,030,000
Asset gain	(427,000)	(1,832,000)
Liability loss due to remeasurement at beginning of year	(515,000)	(1,477,000)
Liability loss during the year due to change in assumptions	2,332,000	2,712,000
Net loss (gain) during the year	$ 1,390,000	$ (597,000)

The following are weighted-average assumptions used to determine benefit obligations at December 31:

	2020	2019
Discount rate	2.33%	3.12%
Rate of compensation increase	N/A	N/A
Assumed future annual benefit increases	0.00%	0.00%

The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2020	2019
Discount rate	3.12%	4.13%
Expected long-term return on plan assets	6.00%	6.00%
Assumed future annual benefit increases	0.00%	0.00%

Employer contributions for the years ended December 31, 2020 and 2019, were $1,834,000 and $1,811,000, respectively.

The Central Services Administration's expected long-term return on plan assets assumption is based on a periodic review and modeling of the Plans' asset allocation and liability structure over a long-term period. Expectation of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projection of inflation over the long-term period during which benefits are payable to plan participants.

The Roman Catholic Bishop of Oakland's investment committee has established an asset allocation for investments for the Plans. The asset allocation for the Plans includes highly liquid government bonds, mortgage products, hedge funds, and exchange-traded equities. The fair value, categories, and levels at December 31 are as follows:

Asset Category	Fair Value Measurement	2020	2019
Corporate equity securities	Level 1	$ 5,164,000	$ 4,316,000
Separately managed account – global equity	NAV	4,678,000	4,221,000
Hedge funds	NAV	2,149,000	3,174,000
Mutual funds – equity	Level 1	844,000	1,020,000
Cash and money market funds	Level 1	2,348,000	1,296,000
Corporate debt securities	Level 2	1,789,000	1,701,000
Mortgage pools and asset – backed securities	Level 2	1,798,000	1,924,000
U.S. government debt securities	Level 1	814,000	1,036,000
Separately managed account – international equity	NAV	2,058,000	1,072,000
Municipal debt securities	Level 2	138,000	130,000
Mutual funds – international equity	Level 1	118,000	97,000
Private equity	NAV	141,000	43,000
		$ 22,039,000	$ 20,030,000

Asset Category	2020 Actual Percentage of Plan Assets	2019 Actual Percentage of Plan Assets
Equities	58%	54%
Fixed Income	21%	24%
Alternatives	10%	16%
Cash	11%	6%

Other amounts included in net assets without donor restrictions and subject to future amortization as of December 31 consist of:

	2020	2019
Unrecognized prior service costs	$ 6,135,000	$ 6,833,000
Unrecognized net loss	$ 5,051,000	$ 3,678,000

The following benefit payments, which reflect expected future service over the next ten years, as appropriate, are expected to be paid:

Year Ending December 31	Annual Pension
2021	$ 1,726,000
2022	1,760,000
2023	1,682,000
2024	1,734,000
2025	1,745,000
2026-2030	8,226,000

Although the Central Services Administration is currently exempt from the filing and funding requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”), it has been the Central Services Administration’s practice to make contributions sufficient to fund the benefits provided by the Plans on an actuarially sound basis.

NOTE 15 – CLERGY POST-EMPLOYMENT BENEFITS

In addition to the priests’ pension plans, the Central Services Administration sponsors a post-retirement healthcare plan that provides post-retirement health, dental, and vision benefits to retired diocesan priests not otherwise covered by another plan. Effective January 1, 2011, the plan was changed from a self-insured program to one whose benefits supplement coverage provided by Medicare Part A and Part B via a comprehensive Medicare Supplement Plan F insurance plan (for medical costs beyond Medicare coverage) and Medicare Part D Rx plan (for prescription drug coverage). The premiums for both supplemental components are paid fully by the Central Services Administration; retirees are responsible for only specified plan co-pays. The dental benefit is limited to $1,500 annually. The dental and vision benefits contain inside limits.

The Bishop of the Diocese of Oakland is the administrator of the plan. The Central Services Administration is ultimately responsible for the payment of plan benefits to the participants. The following table (based on projected actuarial data) sets forth the plan's funded status and amounts recognized for the entire plan as of December 31:

	2020	2019
Actuarial present value of benefit obligations		
Accumulated benefit obligation	$ 11,094,000	$ 10,267,000
Projected benefit obligation in excess of plan assets	$ 11,094,000	$ 10,267,000

The discount rate used to determine benefit obligations was 2.55% and 3.15% for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the medical premium cost trend was a 4% annual increase. The prescription drug premium cost trend was graded down from a 7% annual increase to a 4% annual increase over the next 10 years and at a level 4% annual increase thereafter. Dental and vision benefits costs are assumed to increase at 3% per year, while administrative costs are assumed to increase by 3% per year. At December 31, 2019, the medical premium cost trend was a 4.5% annual increase. The prescription drug premium cost trend was graded down from a 5.9% annual increase to a 4.5% annual increase over the next 10 years and at a level 4.5% annual increase thereafter. Dental and vision benefits costs are assumed to increase at 4% per year, while administrative costs are assumed to increase by 3% per year. Benefits expected to be paid by year are expected to be met in full.

NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at December 31:

	2020		
	Purpose Restricted	Endowment	Total
Seminarian fund	$ 614,125	$ 134,964	$ 749,089
SPRED	460,983	-	460,983
Priests retirement facility	600,000	-	600,000
Priests' graduate and sabbatical studies	207,680	748,908	956,588
Assistance to students attending Catholic high schools	197,158	599,248	796,406
Gyms renovation and repairs	1,000,000	-	1,000,000
William Ford CYO Scholarship Fund	33,000	-	33,000
Schools renovations and repairs	13,950	-	13,950
	$ 3,126,896	$ 1,483,120	$ 4,610,016

	2019		
	Purpose Restricted	Endowment	Total
Seminarian fund	$ 556,687	$ 134,964	$ 691,651
SPRED	231,480	-	231,480
Priests retirement facility	600,000	-	600,000
Priests' graduate and sabbatical studies	135,970	748,908	884,878
Assistance to students attending Catholic high schools	251,591	599,248	850,839
Gyms renovations and repairs	8,471	-	8,471
William Ford CYO Scholarship Fund	36,000	-	36,000
Schools renovations and repairs	13,950	-	13,950
	$ 1,834,149	$ 1,483,120	$ 3,317,269

Income from the Central Services Administration's endowment is restricted for the seminarian fund, priests' graduate and sabbatical studies, and financial assistance for Catholic high school education.

Management expects to spend net assets with donor restrictions based on annual operating plans and associated budgets, which incorporate their existence and purpose restrictions. Further, established and to be established spending policies will guide the spending of income from the Central Services Administration endowment.

NOTE 17 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31:

	2020	2019
Seminarian fund	$ 3,122	$ 7,646
SPRED	23,190	62,426
Priests' graduate and sabbatical studies	3,849	2,111
Assistance to students attending Catholic high schools	115,962	2,113
Gyms renovations and repairs	8,471	1,991,529
William Ford CYO Scholarship Fund	3,000	2,000
Schools renovations and repairs	-	288,050
	$ 157,594	$ 2,355,875

NOTE 18 – TRANSACTIONS WITH OTHER DIOCESAN ORGANIZATIONS

The Central Services Administration receives payments from the Roman Catholic Cemeteries of the Diocese of Oakland for use of Diocesan land. The Central Services Administration received $2,000,000 in such payments for each of the years ended December 31, 2020 and 2019.

The Central Services Administration pays the Catholic Cathedral Corporation of the East Bay use fees (i.e., rent) for the use of its office and residential space at the Cathedral Center. Such use fees were $2,088,337 and $2,052,190 for the years ended December 31, 2020 and 2019, respectively.

NOTE 19 – LITIGATION

The Central Services Administration is involved in various lawsuits relating to general liability matters, which include claims of alleged sexual misconduct. The Central Services Administration has established protocols, consistent with the norms of the U.S. Conference of Catholic Bishops, which provide safeguards and policies to mitigate future claims of sexual misconduct.

A change in California law, effective January 1, 2020, provides a three-year period for individuals to file claims for alleged sexual misconduct which heretofore have been barred by applicable statutes of limitations.

There have been numerous claims filed relating to alleged sexual misconduct by certain individuals of the Diocese. Significant uncertainties exist surrounding the financial impact to the Diocese related to such claims. The claims are expected to trigger insurance coverage for periods as early as the 1960s. If claims are not resolved within policy limits, the potential losses to the Diocese could be material. During the year ended December 31, 2020, the Diocese has expenses of approximately $2,000,000 for legal fees, settlement and other costs related to these claims. The Diocese expects it will incur substantial future charges related to its defense of these matters but cannot reasonably estimate the potential costs.

In light of the continuing uncertainties regarding these claims and given a reasonable estimate of the potential cost of these claims cannot be made, no accrual has been made in the consolidated financial statements as of and for the year ended December 31, 2020.

NOTE 20 – FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable securities – Investments in securities with a maturity date greater than 90 days at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as marketable securities. The Central Services Administration generally measures fair value using prices obtained from pricing services. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices and other market information. For fixed income securities not actively traded, the pricing services use alternative methods to determine fair value for the securities, including: quotes for similar fixed-income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors to determine fair value. A review is performed on the security prices received from pricing services, which includes discussion and analysis of the inputs used by the pricing services to value the securities. The underlying securities held in the various portfolios of the Roman Catholic Bishop of Oakland do not require any redemption notice and are not restricted in terms of redemption frequency.

Investments held for others – The carrying amount of this liability, which represents the equity of others in investments reported at fair value in the consolidated statements of financial position, approximates fair value.

Separately managed account – global equity – This investment includes one (1) global equity fund that invest both long and short, primarily in U.S. and non-U.S. equity and debt securities. The investment managers follow the accounting and reporting guidance in FASB Topic 946 *Financial Services—Investment Companies*. The investment manager expects the fund's investments will primarily be long equity securities and equity-like debt instruments. Shares of the fund are redeemable upon 90 days' prior written notice to the fund and may be redeemed as of the end of each subsequent calendar quarter.

Separately managed account – international equity – This investment includes two (2) international equity funds that invests primarily in the publicly traded securities of companies worldwide, with a special focus in Europe and Asia. The investment managers follow the accounting and reporting guidance in FASB Topic 946. Shares of the funds are redeemable upon 90 days' prior written notice to the fund.

Hedge funds – This investment category contains nine (9) investments in hedge funds that hold long and short positions in global public and private equity securities, debt securities, derivatives, and other assets as of December 31, 2020 and 2019. The investment managers follow the accounting and reporting guidance in FASB Topic 946. Shares of the funds are redeemable upon 30-90 days' prior written notice to the respective funds and may be redeemed as of the end of each subsequent calendar month or quarter.

Private equity – This investment includes one (1) private equity fund that invests in niche, noncorrelated assets by targeting sectors that have not yet become mainstream or overcrowded among institutional investors. The investment manager follows the accounting and reporting guidance in FASB Topic 946. The investment is not redeemable. Instead, the nature of the investment in this category is distributions received through the liquidation of the underlying assets in the fund. This investment has an estimated remaining life of ten years.

Nonrecurring fair value measurements relate to the fair value of receivables, deposits payable, and notes payable, for which the carrying value approximates the fair value.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

		Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
As of December 31, 2020:					
Assets					
Investments					
Separately managed account – global equity	$ 22,462,204	$ -	$ -	$ -	$ 22,462,204
Corporate equity securities	20,885,014	20,885,014	-	-	-
Corporate debt securities	12,137,859	-	12,137,859	-	-
Mortgage pools and asset – backed securities	10,501,028	-	10,501,028	-	-
Hedge funds	10,166,807	-	-	-	10,166,807
Separately managed account – international equity	9,019,153	-	-	-	9,019,153
U.S. government debt securities	5,920,228	5,920,228	-	-	-
Mutual funds – international equity	5,710,756	5,710,756	-	-	-
Cash and money market funds	2,865,482	2,865,482	-	-	-
Municipal debt securities	746,072	-	746,072	-	-
Mutual funds – equity	439,776	439,776	-	-	-
Private equity	618,272	-	-	-	618,272
Assets held in trust for others					
Separately managed account – global equity	350,886	-	-	-	350,886
Corporate equity securities	303,607	303,607	-	-	-
Corporate debt securities	124,317	-	124,317	-	-
Mortgage pools and asset – backed securities	107,553	-	107,553	-	-
Hedge funds	158,818	-	-	-	158,818
Separately managed account – international equity	131,524	-	-	-	131,524
U.S. government debt securities	60,636	60,636	-	-	-
Mutual funds – international equity	83,279	83,279	-	-	-
Cash and money market funds	124,123	124,123	-	-	-
Municipal debt securities	7,641	-	7,641	-	-
Mutual funds – equity	6,413	6,413	-	-	-
Private equity	9,658	-	-	-	9,658
Total assets at fair value	$ 102,941,106	$ 36,399,314	$ 23,624,470	$ -	$ 42,917,322
Liabilities					
Assets held in trust for others					
Separately managed account – global equity	$ 350,886	$ -	$ -	$ -	$ 350,886
Corporate equity securities	303,607	303,607	-	-	-
Corporate debt securities	124,317	-	124,317	-	-
Mortgage pools and asset – backed securities	107,553	-	107,553	-	-
Hedge funds	158,818	-	-	-	158,818
Separately managed account – international equity	131,524	-	-	-	131,524
U.S. government debt securities	60,636	60,636	-	-	-
Mutual funds – international equity	83,279	83,279	-	-	-
Cash and money market funds	124,123	124,123	-	-	-
Municipal debt securities	7,641	-	7,641	-	-
Mutual funds – equity	6,413	6,413	-	-	-
Private equity	9,658	-	-	-	9,658
Investments held for others					
Separately managed account – global equity	5,424,947	-	-	-	5,424,947
Corporate equity securities	5,197,558	5,197,558	-	-	-
Corporate debt securities	2,599,926	-	2,599,926	-	-
Mortgage pools and asset – backed securities	2,249,318	-	2,249,318	-	-
Hedge funds	2,455,431	-	-	-	2,455,431
Separately managed account – international equity	2,249,340	-	-	-	2,249,340
U.S. government debt securities	1,268,111	1,268,111	-	-	-
Mutual funds – international equity	1,424,239	1,424,239	-	-	-
Cash and money market funds	1,522,566	1,522,566	-	-	-
Municipal debt securities	159,808	-	159,808	-	-
Mutual funds – equity	109,678	109,678	-	-	-
Private equity	149,322	-	-	-	149,322
Interest rate swaps	5,685,309	-	5,685,309	-	-
Total liabilities at fair value	$ 31,964,008	$ 10,100,210	$ 10,933,872	$ -	$ 10,929,926

		Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	Net Asset Value (NAV)
As of December 31, 2019:					
Assets					
Investments					
Separately managed account – global equity	$ 23,906,243	$ -	$ -	$ -	$ 23,906,243
Corporate equity securities	16,628,216	16,628,216	-	-	-
Corporate debt securities	10,219,624	-	10,219,624	-	-
Mortgage pools and asset – backed securities	8,960,805	-	8,960,805	-	-
Hedge funds	8,912,010	-	-	-	8,912,010
Cash and money market funds	7,758,364	-	-	-	7,758,364
U.S. government debt securities	7,597,632	7,597,632	-	-	-
Mutual funds – international equity	4,989,766	4,989,766	-	-	-
Separately managed account – international equity	2,957,995	2,957,995	-	-	-
Municipal debt securities	824,999	824,999	-	-	-
Mutual funds – equity	637,394	-	637,394	-	-
Private equity	188,184	-	-	-	188,184
Assets held in trust for others					
Separately managed account – global equity	371,447	-	-	-	371,447
Corporate equity securities	269,164	269,164	-	-	-
Corporate debt securities	123,712	-	123,712	-	-
Mortgage pools and asset – backed securities	108,474	-	108,474	-	-
Hedge funds	138,472	-	-	-	138,472
Cash and money market funds	125,818	-	-	-	125,818
U.S. government debt securities	91,972	91,972	-	-	-
Mutual funds – international equity	80,919	80,919	-	-	-
Separately managed account – international equity	111,699	111,699	-	-	-
Municipal debt securities	13,379	13,379	-	-	-
Mutual funds – equity	7,716	-	7,716	-	-
Private equity	2,924	-	-	-	2,924
Total assets at fair value	$ 95,026,928	$ 33,565,741	$ 20,057,725	$ -	$ 41,403,462
Liabilities					
Assets held in trust for others					
Separately managed account – global equity	$ 371,447	$ -	$ -	$ -	$ 371,447
Corporate equity securities	269,164	269,164	-	-	-
Corporate debt securities	123,712	-	123,712	-	-
Mortgage pools and asset – backed securities	108,474	-	108,474	-	-
Hedge funds	138,472	-	-	-	138,472
U.S. government debt securities	125,818	-	-	-	125,818
Cash and money market funds	91,972	91,972	-	-	-
Mutual funds – international equity	80,919	80,919	-	-	-
Separately managed account – international equity	111,699	111,699	-	-	-
Municipal debt securities	13,379	13,379	-	-	-
Mutual funds – equity	7,716	-	7,716	-	-
Private equity	2,924	-	-	-	2,924
Investments held for others					
Separately managed account – global equity	5,739,975	-	-	-	5,739,975
Corporate equity securities	4,076,654	4,076,654	-	-	-
Corporate debt securities	2,202,112	-	2,202,112	-	-
Mortgage pools and asset – backed securities	1,930,864	-	1,930,864	-	-
Hedge funds	2,139,805	-	-	-	2,139,805
Separately managed account - international equity	1,903,947	-	-	-	1,903,947
U.S. government debt securities	1,637,129	1,637,129	-	-	-
Mutual funds – international equity	1,224,517	1,224,517	-	-	-
Cash and money market funds	1,625,018	1,625,018	-	-	-
Municipal debt securities	202,459	202,459	-	-	-
Mutual funds - equity	137,345	-	137,345	-	-
Private equity	45,184	-	-	-	45,184
Interest rate swaps	3,347,800	-	3,347,800	-	-
Total liabilities at fair value	$ 27,658,505	$ 9,332,910	$ 7,858,023	$ -	$ 10,467,572

NOTE 21 – ENDOWMENT

The Central Services Administration follows the guidance of the FASB ASC Topic 958-205, *Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its California Prudent Management of Institutional Funds Act ("CPMIFA"). The Central Services Administration's endowment consists of investments established to support the operations of the Central Services Administration. The endowment includes donor-restricted endowment funds with a corpus in the amount of $1,483,120. The Central Services Administration has interpreted CPMIFA for donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary.

As a result of this interpretation, the Central Services Administration classifies as net assets with donor restrictions:

(a) the original value of gifts donated to the endowment, and
(b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with CPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Central Services Administration and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the organization
7) The investment policies of the Central Services Administration

The endowment net assets are restricted for the seminarian fund, assistance to needy students attending Catholic high schools, and graduate and sabbatical studies for priests.

The Central Services Administration is required to provide information about net assets, defined as endowment, restricted in perpetuity by donors (net assets with donor restrictions). The changes in endowment net assets for the years ended December 31, 2020 and 2019, were as follows:

	With Donor Restrictions
Donor restricted endowment net assets as of January 1, 2019	$ 2,094,305
Adjustment to original contribution	
Accumulated gains	338,962
Appropriation of endowment assets for expenditure	(5,899)
Donor restricted endowment net assets as of December 31, 2019	2,427,368
Adjustment to original contribution	
Accumulated gains	187,011
Appropriation of endowment assets for expenditure	(112,296)
Donor restricted endowment net assets as of December 31, 2020	$ 2,502,083

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or CPMIFA requires the Central Services Administration to retain as a fund of perpetual duration. As of December 31, 2020 and 2019, there were no deficiencies.

Return objectives and risk parameters – The Central Services Administration has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Central Services Administration operations partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds the Central Services Administration must hold in perpetuity. Under this policy, as approved by the Diocesan Finance Council, endowment assets are invested in a manner intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Central Services Administration has adopted a strategy of holding its endowment assets in its investments along with parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests principally across traditional investment asset classes such as marketable domestic and international equity securities and fixed income securities, with a small allocation to alternative investments.

Spending policy and how the investment objectives relate to spending policy – The Central Services Administration's practice is to slowly increase the support to operations with appropriations from the endowed funds when the endowment is growing and slowly reduce the support if the endowment value falls. In establishing this practice, the Central Services Administration considered the long-term expected return on its endowment. Accordingly, over the long term, the Central Services Administration expects the current spending practice to allow its endowment to grow at least at the rate of inflation. This practice is consistent with the Central Services Administration's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are available to be issued. The Central Services Administration recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Central Services Administration's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

The Central Services Administration has evaluated all subsequent events through June 28, 2021, which is the date the consolidated financial statements were available for issuance.

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