DIOCESE OF WHEELING – CHARLESTON

Audited Financial Statements
June 30, 2020 and 2019

Diocese of Wheeling-Charleston
Table of Contents
June 30, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

Most Reverend Mark E. Brennan
Bishop of the Diocese of Wheeling - Charleston
Diocese of Wheeling - Charleston
Wheeling, West Virginia

We have audited the accompanying financial statements of the Diocese of Wheeling - Charleston, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Most Reverend Mark E. Brennan
Bishop of the Diocese of Wheeling - Charleston
Diocese of Wheeling - Charleston

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Wheeling - Charleston as of June 30, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
December 10, 2020

Diocese of Wheeling-Charleston
Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	$ 998,465	$ 586,139
Investments		
Securities, at fair value	238,564,622	240,043,591
Mineral rights, at fair value	48,293,000	51,559,000
Total investments	286,857,622	291,602,591
Receivables, net of allowances for uncollectible amounts		
Mineral rights	985,411	2,817,701
Investment income	512,442	678,906
Proceeds from sale of securities	-	3,219,613
Promises to give and bequests	98,692	773,431
Accounts	154,853	300,155
Premiums, reimbursements, and assessment	4,125,740	4,161,565
Notes receivable	17,032,288	18,395,036
Prepaid expenses and other	272,608	465,288
Property, buildings, and equipment, net of accumalated depreciation	72,617,246	79,145,430
Interest in net assets of Diocesan Real Estate, Inc	18,901,577	19,387,837
Beneficial Interest in perpetual trusts	986,573	988,168
Total assets	403,543,517	422,521,860
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	2,241,402	1,884,084
Payable for securities purchased	11,500	1,707,790
Catholic Share Appeal grants payable	46,778	306,622
Amounts payable for collections to other organizations	483,692	202,151
Loan payable	1,996,372	-
Promise to give payable	5,000,000	-
Deferred revenue	475,072	529,958
Certificates of deposit payable	27,117,103	26,555,223
Lines of credit payable	32,227,551	39,064,265
Total liabilities	69,599,470	70,250,093
Net Assets		
Without donor restrictions		
Undesignated	258,608,290	271,017,340
Designated- victim outreach	1,188,063	-
Invested in property and equipment	72,617,246	79,145,430
Total without donor restrictions	332,413,599	350,162,770
With donor restrictions	1,530,448	2,108,997
Total net assets	333,944,047	352,271,767
Total liabilities and net assets	$ 403,543,517	$ 422,521,860

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

Diocese of Wheeling-Charleston
Statement of Activities
For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Cathedraticum	$ 306,188	$ -	$ 306,188
Bequests and contributions	379,096	96,574	475,670
Catholic Share Appeal	1,099,402		1,099,402
Use of facilities	1,203,376	-	1,203,376
Insurance premiums	7,378,171	-	7,378,171
Cemetery fees	370,038	-	370,038
Grants from The Bishop's Fund, Inc	-	-	-
Proceeds from dissolved The Bishop's Fund, Inc	5,282,633	-	5,282,633
(Loss) on disposal of assets	(2,009,728)	-	(2,009,728)
(Loss) of Diocesan Real Estate, Inc	(486,260)	-	(486,260)
Other income	430,769	-	430,769
Net assets released from restrictions	673,528	(673,528)	-
Total revenues	14,627,213	(576,954)	14,050,259
Income from investments			
Investment income, net	4,318,197	(1,595)	4,316,602
Mineral rights royalties and lease bonus revenue, ne	13,986,532	-	13,986,532
Unrealized loss on oil and gas properties	(3,266,000)	-	(3,266,000)
Total income from investments	15,038,729	(1,595)	15,037,134
Total revenues and income from investments	29,665,942	(578,549)	29,087,393
Expenses			
Program services expense			
Insurance programs	9,165,412	-	9,165,412
Parish and school deposit and loan program	1,537,783	-	1,537,783
Pastoral centers	3,295,221	-	3,295,221
Parish and school subsidies	5,921,362	-	5,921,362
Parish Catholic Share Appeal grants	919,972	-	919,972
Vocations and seminarians	1,124,310	-	1,124,310
Catholic Charities subsidy	1,016,407	-	1,016,407
Evangilization and education	2,895,330	-	2,895,330
Communications and technology	1,698,739	-	1,698,739
Mt Calvary Cemetery	738,437	-	738,437
Outside entity support	1,263,723	-	1,263,723
Wheeling University	8,005,000	-	8,005,000
Total program services expenses	37,581,696	-	37,581,696
Supporting services expense			
Management and general	5,193,521	-	5,193,521
Mineral management	2,130,878	-	2,130,878
Diocesan properties	1,332,695	-	1,332,695
Investigations, suits, and related	746,462	-	746,462
Fundraising and development	429,861	-	429,861
Total supporting services expenses	9,833,417	-	9,833,417
Total expenses	47,415,113	-	47,415,113
Change in net assets	(17,749,171)	(578,549)	(18,327,720)
Net Assets, June 30, 2018	350,162,770	2,108,997	352,271,767
Net Assets, June 30, 2019	$ 332,413,599	$ 1,530,448	$ 333,944,047

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

Diocese of Wheeling-Charleston
Statement of Activities
For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Cathedraticum	$ 591,817	$ -	$ 591,817
Bequests and contributions	188,602	602,860	791,462
Catholic Share Appeal	2,621,601		2,621,601
Use of facilities	1,629,180	-	1,629,180
Insurance premiums	7,411,275	-	7,411,275
Cemetery fees	505,054	-	505,054
Grants from The Bishop's Fund, Inc	400,000	-	400,000
Gain on disposal of assets	43,355	-	43,355
(Loss) of Diocesan Real Estate, Inc	(473,958)		(473,958)
Other income	1,019,536	-	1,019,536
Net assets released from restrictions	472,545	(472,545)	-
Total revenues	14,409,007	130,315	14,539,322
Income from investments			
Investment income, net	13,792,656	3,938	13,796,594
Mineral rights royalties and lease bonus revenue, ne	17,912,028	-	17,912,028
Unrealized loss on oil and gas proven reserves	(6,399,000)	-	(6,399,000)
Total income from investments	25,305,684	3,938	25,309,622
Total revenues and income from investments	39,714,691	134,253	39,848,944
Expenses			
Program services expense			
Insurance programs	9,458,851	-	9,458,851
Parish and school deposit and loan program	2,856,137	-	2,856,137
Pastoral centers	3,813,416	-	3,813,416
Parish and school subsidies	5,326,316	-	5,326,316
Parish Catholic Share Appeal grants	1,901,244	-	1,901,244
Vocations and seminarians	1,003,815	-	1,003,815
Catholic Charities subsidy	1,397,190	-	1,397,190
Evangilization and education	3,139,167	-	3,139,167
Communications and technology	1,814,055	-	1,814,055
Mt Calvary Cemetery	736,098	-	736,098
Outside entity support	443,230	-	443,230
Wheeling University	1,125,000	-	1,125,000
Total program services expenses	33,014,519	-	33,014,519
Supporting services expense			
Management and general	5,982,453	-	5,982,453
Mineral management	1,785,852	-	1,785,852
Diocesan properties	1,853,696	-	1,853,696
Investigations, suits, and related	1,488,229	-	1,488,229
Fundraising and development	491,788	-	491,788
Total supporting services expenses	11,602,018	-	11,602,018
Total expenses	44,616,537	-	44,616,537
Change in net assets	(4,901,846)	134,253	(4,767,593)
Net Assets, June 30, 2018	355,064,616	1,974,744	357,039,360
Net Assets, June 30, 2019	$ 350,162,770	$ 2,108,997	$ 352,271,767

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

Diocese of Wheeling-Chareleston
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Insurance programs	Parish and school deposit and loan program	Pastoral centers	Parish and school subsidies	Parish Catholic Share Appeal Grants	Vocations and seminarians	Catholic Charities subsidy	Evangilization and education	Communications and technologies	Mt Calvary Cemetery	Outside entity support	Wheeling University	Total Program Expenses	Management and general	Mineral management	Diocesan properties	Investigations, Suits, and related	Fundraising and development	Total Expenses
Salaries, wages, and reimbursed wages	-	-	1,173,555	856,649	-	60,488	-	1,168,747	609,932	243,572	-	-	4,112,943	2,375,613	-	82,893	-	213,871	6,785,320
Employee Benefits	-	-	382,026	325,251	-	10,675	-	320,158	170,943	88,181	-	-	1,297,234	851,914	-	-	-	48,040	2,197,188
Parish and school capital project subsidies	-	-	-	1,061,568	-	-	-	-	-	-	-	-	1,061,568	-	-	-	-	-	1,061,568
Grants, donations, and direct subsidies	-	-	-	2,227,761	919,972	429,770	1,016,407	5,419	-	8,996	1,263,723	7,005,000	12,877,048	-	-	70	-	-	12,877,118
Maintenance, grounds, and utilities	-	-	589,349	156,165	-	7,759	-	151,147	48,951	124,034	-	-	1,077,405	278,523	-	341,640	-	11,370	1,708,938
Information technology and office	-	-	77,320	99,003	-	2,567	-	86,344	433,770	15,666	-	-	714,670	333,085	-	39,930	0	81,349	1,169,034
Media and publication productions/purchases	-	-	334	179	-	5,767	-	53,705	263,167	172	-	-	323,324	2,396	-			52,479	378,199
Food and household	-	-	197,005	5,995	-	2,744	-	45,589		3,302	-	-	254,635	17,730	-	33,049	-	-	305,414
Travel and meals	-	-	20,442	22	-	18,890	-	100,240	4,114	12,323	-	-	156,031	101,332	-	199	1,850	1,024	260,436
Depreciation	-	-	850,444	1,112,386	-	7,929	-	565,959	105,791	155,934	-	-	2,798,443	476,076	-	633,473	-	11,497	3,919,489
Bad debt	939,241	632,215	19,095	-	-	-	-	-	3,136	5,593	-	1,000,000	2,599,280	118,896	-	9,766	-	-	2,727,942
Interest	-	905,568	-	-	-	-	-	-	-	-	-	-	905,568	132,576	-	-	-	-	1,038,144
Conferences, seminars, events, and meetings	-	-	10,184	7,806	-	50,699	-	279,990	3,800	598	-	-	353,077	50,376	-	-	0	4,271	407,724
Seminarian tuition, room/board, and benefits	-	-	-	-	-	501,245	-	-	-	-	-	-	501,245	-	-	-	-	-	501,245
Dues and subscriptions	-	-	1,908	2,116	-	1,263	-	43,404	1,946	244	-	-	50,881	47,586	-	832	-	1,455	100,754
Professional fees	93,150	-	-	39,406	-	21,166	-	25,667	16,352	-	-	-	195,741	384,466	561,161	1,500	701,925	-	1,844,793
Advertising and promotion	-	-	1,572	1,300	-	2,155	-	12,011	35,937	955	-	-	53,930	5,642	-	-	-	285	59,857
Monuments, markers, lettering, and related	-	-	-	-	-	-	-	-	-	74,741	-	-	74,741	-	-	-	-	-	74,741
Insurance claims and premiums	7,658,922	-	105,681	25,640	-	-	-	16,235	1,010	3,426	-	-	7,810,914	11,666	-	102,771	-	-	7,925,351
Administrative fees	471,795	-	-	-	-	-	-	-	-	-	-	-	471,795	-	-	-	-	-	471,795
Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,500	-	30,500
Diocesan use of Pastoral Centers	-	-	(135,568)	-	-	-	-	-	-	-	-	-	(135,568)	-	-	-	-	-	(135,568)
Taxes	2,304	-	-	-	-	-	-	-	-	-	-	-	2,304	-	1,569,717	84,739	-	-	1,656,760
Other	-	-	1,874	115	-	1,193	-	20,715	(110)	700	-	-	24,487	5,644	-	1,833	12,187	4,220	48,371
Total expenses by function	9,165,412	1,537,783	3,295,221	5,921,362	919,972	1,124,310	1,016,407	2,895,330	1,698,739	738,437	1,263,723	8,005,000	37,581,696	5,193,521	2,130,878	1,332,695	746,462	429,861	47,415,113

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

Diocese of Wheeling-Chareleston
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Insurance programs	Parish and school deposit and loan program	Pastoral centers	Parish and school subsidies	Parish Catholic Share Appeal Grants	Vocations and seminarians	Catholic Charities subsidy	Evangilization and education	Communications and technologies	Mt Calvary Cemetery	Outside entity support	Wheeling University	Total Program Expenses	Management and general	Mineral management	Diocesan properties	Investigations, Suits, and related	Fundraising and development	Total Expenses
Salaries, wages, and reimbursed wages	-	-	1,220,803	385,282	-	62,738	-	1,332,445	580,437	249,945	-	-	3,831,650	2,389,458	-	96,381	-	225,154	6,542,643
Employee Benefits	-	-	394,995	373,154	-	10,537	-	371,659	197,178	83,568	-	-	1,431,091	1,069,254	-	-	-	57,187	2,557,532
Parish and school capital project subsidies	-	-	-	1,516,406	-	-	-	-	-	-	-	-	1,516,406	-	-	-	-	-	1,516,406
Grants, donations, and direct subsidies	-	-	-	1,553,488	1,901,244	-	1,397,190	30,061	-	10,501	443,230	-	5,335,714	-	-	35	-	-	5,335,749
Maintenance, grounds, and utilities	-	-	656,133	204,813	-	4,549	-	167,436	60,530	103,942	-	-	1,197,403	333,076	-	512,491	-	18,195	2,061,165
Information technology and office	-	-	84,012	66,113	-	3,642	-	89,780	409,227	8,610	-	-	661,384	321,390	-	46,395	3,600	97,992	1,130,761
Media and publication productions/purchases	-	-	940	50	-	817	-	27,680	328,802	19	-	-	358,308	5,854	-			53,718	417,880
Food and household	-	-	349,558	4,760	-	-	-	52,707		3,744	-	-	410,769	22,177	-	50,487	-		483,433
Travel and meals	-	-	51,794	1,055	-	74,058	-	115,053	8,354	18,618	-	-	268,932	198,962	-	759	3,370	7,148	479,171
Depreciation	-	-	891,987	1,118,817	-	3,554	-	560,564	94,471	151,096	-	-	2,820,489	524,994	-	934,249	-	14,218	4,293,950
Bad debt	883,400	1,906,447	219	-	-	-	-	-	1,294	(18,967)	-	1,125,000	3,897,393	332,384	-	-	-	(877)	4,228,900
Interest	-	949,690	-	-	-	-	-	-	-	-	-	-	949,690	177,566	-	-	-	-	1,127,256
Conferences, seminars, events, and meetings	-	-	54,064	1,065	-	154,780	-	302,110	11,995	1,098	-	-	525,112	79,777	-	287	3,429	8,745	617,350
Seminarian tuition, room/board, and benefits	-	-	-	-	-	683,085	-	-	-	-	-	-	683,085	-	-	-	-	-	683,085
Dues and subscriptions	-	-	4,224	1,613	-	1,701	-	46,613	4,138	679	-	-	58,968	62,712	-	233	-	1,610	123,523
Professional fees	-	-	124,987	70,788	-	500	-	2,459	22,074	1,611	-	-	222,419	378,771	530,196	2,320	1,238,310	-	2,372,016
Advertising and promotion	-	-	1,317	-	-	-	-	13,996	94,527	1,334	-	-	111,174	3,167	-	-	-	257	114,598
Monuments, markers, lettering, and related	-	-	-	-	-	-	-	-	-	100,834	-	-	100,834	-	-	-	-	-	100,834
Insurance claims and premiums	8,467,525	-	98,714	23,763	-	-	-	15,715	1,022	3,549	-	-	8,610,288	18,315	-	94,434	-	-	8,723,037
Administrative fees	104,468	-	-	-	-	-	-	-	-	-	-	-	104,468	-	-	-	-	-	104,468
Settlements	962	-	-	-	-	-	-	-	-	15,000	-	-	15,962	-	-	6,000	237,500	-	259,462
Diocesan use of Pastoral Centers	-	-	(126,686)	-	-	-	-	-	-	-	-	-	(126,686)	-	-	-	-	-	(126,686)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,255,656	107,212	-	-	1,362,868
Other	2,496	-	6,355	5,149	-	3,854	-	10,889	6	917	-	-	29,666	64,596	-	2,413	2,020	8,441	107,136
Total expenses by function	9,458,851	2,856,137	3,813,416	5,326,316	1,901,244	1,003,815	1,397,190	3,139,167	1,814,055	736,098	443,230	1,125,000	33,014,519	5,982,453	1,785,852	1,853,696	1,488,229	491,788	44,616,537

Diocese of Wheeling-Charleston
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Dividends and interest received	$ 3,126,366	$ 3,372,464
Cash received from mineral rights	15,818,822	17,269,154
Cash received from others	9,558,908	9,572,751
Cash received from Catholic Share Appeal	1,409,959	2,621,601
Mineral management fees paid	(2,130,878)	(1,785,852)
Interest paid	(1,083,134)	(1,127,256)
Payments for salaries, benefits, and reimbursed wages	(9,047,716)	(9,131,563)
Cash paid to vendors and others	(22,934,259)	(25,500,075)
Net cash (used) by operating activities	(5,281,932)	(4,708,776)
Cash Flows from Investing Activities:		
Amounts loaned	(1,273,036)	(1,610,806)
Principal amounts received on notes receivable	2,003,569	2,573,210
Proceeds from the sale of investments	95,618,856	56,993,907
Purchases of investments	(85,975,636)	(56,686,985)
Investment in Diocesan Real Estate, Inc	-	-
Deposits received from parishes/schools for CD's	4,996,144	6,870,832
Withdrawals by parishes/schools from CD's	(4,434,264)	(8,024,557)
Purchase/improvement of property, buildings, and equipment	(762,438)	(1,974,249)
Proceeds from property, buildings, and equipment	1,361,405	339,709
Net cash provided (used) by investing activities	11,534,600	(1,518,939)
Cash Flows from Financing Activities:		
Loan payable draw	1,996,372	-
Line of credit draws	30,204,166	33,499,167
Line of credit principal repayments	(38,040,880)	(27,603,650)
Net cash provided (used) by financing activities	(5,840,342)	5,895,517
Net increase (decrease) in cash and cash equivalents	412,326	(332,198)
Cash and cash equivalents, beginning of year	586,139	918,337
Cash and cash equivalents, end of year	$ 998,465	$ 586,139
Non-cash Financing Activities:		
Investments received from dissolved Bishop's Fund	$ 5,282,633	$ -
Non-cash Financing Activities:		
Loss on guarantee	$ (1,000,000)	$ (1,125,000)

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

1. Nature of the Organization

The Diocese of Wheeling-Charleston (the Diocese) was originally established in 1850 by His Holiness, Pope Pius IX. It encompasses the entire state of West Virginia. The Diocese is committed to advancing the mission of Jesus Christ and to supporting the Diocesan Bishop in his ministry.

These statements exclude the financial position and transactions of the parishes and missions, schools, cemeteries (except for Mount Calvary Cemetery), day care centers, Catholic Charities West Virginia, homes for the aged and for dependent children, convents and residences of priests, brothers, and sisters, and parish educational foundations and trusts. These affiliates maintain separate accounts and carry on their own services and programs.

All property of the Diocese is titled in the name of the Bishop and his successors in office under the laws of the State of West Virginia. Unless initially purchased or constructed by the Diocese, the land, buildings, and equipment at the parishes, missions, schools, and rectories, etc. are not included in these financial statements.

The Diocese receives support from a variety of sources, including bequests and donations, fees for use of facilities, and investment income, including royalties from mineral rights. The major revenue, support, and expense categories are as follows:

Revenue –

Cathedraticum – On an annual basis, assessments are made by the Diocese on the parishes at a rate of 3% of parish collections and other assessable revenue.

Use of Facilities – Use of facilities income represents fees charged at the pastoral centers as well as lease revenue on other Diocesan properties.

Insurance Premiums – Health, property, auto, liability, and workers' compensation coverage for schools, parishes, and other Catholic entities is provided by or through the Diocese. The Diocese bills these entities for the premiums for the respective coverages provided.

Cemetery Fees – Cemetery fees include all fees charged for various services at Mount Calvary Cemetery.

Program and supporting expenses –

Insurance programs – Insurance programs expense represents the costs of property, auto, liability, and workers' compensation coverage for parishes, schools, and other Catholic entities in the Diocese. In addition, it represents health insurance costs for parishes, schools, and other Catholic entities as well as costs, if any, in excess of the premiums charged to respective Diocesan offices and locations.

Parish and school deposit and loan program - Parish and school deposit and loan program expense represents the interest expense paid on the deposits held and for parishes and schools.

Pastoral Centers – Pastoral centers expense represents the costs of operating Mary Help of Christians, Priest Field, and John XXIII Pastoral Centers located throughout the state. It also includes the cost of operating the farm located next to Mary Help of Christians Pastoral Center.

1. Nature of the Organization (Continued)

Program and supporting expenses –

Parish and school subsidies – Parish and school subsidies expense represents the subsidies provided to various parishes (including missions, chapels, and parish cemeteries) and schools within the Diocese to cover operational shortages or improvement projects. Parishes also receive grants from the annual Catholic Sharing Appeal.

Parish Catholic Share Appeal grants - Parish Catholic Share Appeal grants represent amounts granted to parishes from the annual campaign held by the Diocese.

Vocations and seminarians – Vocations and seminarians expenses includes the costs of seeking vocations and educating seminarians. It also includes expenses for the Diaconate program and priest and religious continuing education, retreats, and pilgrimages.

Catholic Charities subsidy– The Diocese provides Catholic Charities of West Virginia (Catholic Charities), Inc. with a subsidy to cover various administrative and operating expenses. It also provides some in-kind rent for use of Diocesan-owned properties.

Evangelization and *education*– Evangelization and Education expense includes the costs of the central administration of Catholic Schools, Worship & Sacraments, Faith Formation, Marriage & Family, Youth Ministry, Campus Ministry programs at a number of colleges/universities in the state, Camp Bosco, Prison Ministry, Hispanic Ministry, Social Ministries, and Ecumenism.

Communications and technology – Communications and technology expense includes the cost of televised masses, the *Catholic Spirit* publication, website services, public information, advertising, and computer services.

Mt Calvary Cemetery- Mt Calvary consists of the costs to operate and maintain the Diocesan cemetery.

Outside Entity Support- Outside entity support consists of donations and sponsorships of other Catholic and non-Catholic not-for-profit entities, exclusive of Diocesan parishes and schools, Catholic Charities, and Wheeling University (University). These include but are not limited to St John-St Vincent Home for Children, programs (i.e. School Based Health), and funds within the West Virginia Catholic Foundation.

Wheeling University- Wheeling University (University) consists of support to the University via an anticipated loss on the guarantee on debt of the University. See Note 18.

Management and general – Management and general expense represents the expenses associated with administration offices of the Diocese. The expenses include, but are not limited to, Bishop's Office, Vicar General, Vicar for Clergy, Finance, Human Resources, Buildings & Properties, Chancellor, Archives, Safe Environment, Purchasing, and the Tribunal.

Mineral management – Mineral management expense include legal, management, and other professional fees as well as property taxes for mineral rights.

Diocesan Properties – Property expense includes the maintenance and upkeep of various Diocesan-owned properties throughout the state not utilized in the various programs and support services. It does not include any costs for parish and school buildings paid by the Diocese. These costs are included in parish and school subsidies.

2. Summary of Significant Accounting Policies

Investigations, suits, and related - Investigations, suits, and related includes amounts for the former Bishop's investigation, the Attorney General's suit, the Wheeling Hospital investigation, other specific lawsuits, and related.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements and accounts of the Diocese are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Accounting Standards Codification (ASC) 958-205.

Cash and Cash Equivalents

Cash and cash equivalents reflected on the statements of cash flows consist of cash on hand, on-deposit in checking, and short-term deposits with original maturities of three months or less. It does not include cash on deposit, if any, with fund managers within the investments.

Investments

Investments reflected on the statements of financial position are recorded at fair value. See Notes 5 and 6 for fair value and investment disclosures.

Investment income from interest is reflected on the accrual basis, while dividends are recorded on the ex-dividend date. Gains and losses on security transactions are reflected on a trade date basis. Investments are originally recorded on the trade date at cost.

Mineral rights royalties and lease bonus revenue receivable

Mineral rights revenue consists of largely of oil royalties as well as lease bonuses. Royalties are recorded for the Diocese's share of production through the respective dates of financial position. Lease bonuses are recorded for leases that have been fully executed as of the respective financial position date for which the lease bonus has yet to be received.

Proceeds from sale of securities receivable

Security sales are accounted for as of trade date. Proceeds from sale of securities receivable represent an asset for investment securities sold at or before the respective dates of financial position which are not settled and received until after year end.

2. Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Premiums, assessments, and reimbursements receivable

Premiums, assessments, and reimbursements receivable represent receivables for various insurance premiums which include property/liability, health, and workers compensation. The receivable also consists of the Cathedraticum assessment, priests' payroll, and other fees or expenses paid up front by the Diocese, to be reimbursed by parishes, schools, and other related entities.

Allowances

Allowances for receivables are recorded to reflect receivables at net realizable value. The allowance is determined by the entities' ability to pay as well as by any anticipated forgiveness of notes and other receivables. Allowances for uncollectible accounts are as follows:

	2020	2019
Promises to give and bequests	$ -	$ 17,123
Accounts	80,017	52,194
Premiums, reimbursements, and assessment	7,679,151	6,638,340
Notes receivable	38,389,082	36,787,010

Property, buildings, and Other Equipment

Fixed assets are recorded at cost, when purchased, or at fair value at the date of gift, when donated. The policy of the Diocese is to capitalize all assets or groups of assets, acquired or donated at cost or fair market value in excess of $5,000, with an estimated useful life of at least three years. Works of art, historical treasures, and similar items are not capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected. The cost of maintenance and repairs is charged to expense as incurred.

Construction projects and costs of improvements to facilities owned by related parishes, schools, etc. and paid for by the Diocese are recorded as subsidy expenses and not additions to real estate.

The Diocese uses the straight-line method to calculate depreciation over the estimated useful lives of assets, which range from three to ten years for automobiles and other equipment, and ten to forty years for real estate and real estate improvements.

2. Summary of Significant Accounting Policies (Continued)

Interest in Net Assets of Diocesan Real Estate, Inc.

In the event of dissolution, the Diocese has an interest in the net assets of Diocesan Real Estate, Inc (DRE) non-profit corporation under 501(c)(3). The Diocese's interest in the net assets of this entity are recorded at the Diocese's initial contribution plus its share of subsequent changes in net assets. The loss from DRE is reflected separately in the statements of activities.

Beneficial Interests in Perpetual Trusts

The Diocese is an irrevocable beneficiary of a couple perpetual trusts held and administered by a local financial institution. Perpetual trusts provide for the distribution of the net income of the trusts to the Diocese; however, the Diocese will never receive the assets of the trusts. The Diocese has neither possession nor control over the assets of the trusts. At the date the Diocese receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in perpetual trusts is recorded in the statements of financial position at the fair value based on the underlying assets of the trust. Thereafter, beneficial interests in perpetual trusts reported at fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Payable for securities purchased

Security purchases are accounted for as of trade date. Payable for securities purchased represent liabilities for investment securities purchased at or before the respective dates of financial position which are not settled and paid until after year end.

Promises to give payable

Unconditional promises to give payable are recognized as expenses or losses in the period the promise was made and as liabilities. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Deferred Revenue

Deferred revenue represents prepayments for future services at the Diocesan cemetery, future events at pastoral centers, and future lease periods for leased properties.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

2. Summary of Significant Accounting Policies (Continued)

Net Assets (continued)

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Revenue and Support

Substantially all contributions received are a direct result of fundraising efforts. All contributions are considered to be without donor restrictions at the time received unless specifically restricted by the donor.

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Diocese. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Diocese does not believe they are required to provide additional goods or services to the client. Cathedraticum, Use of Facilities, Mineral Rights Royalties, and Insurance Premiums revenues are recognized over time, within the fiscal year, as the underlying services are rendered. Cemetery Fees and Lease Bonus revenues are recognized at both a point in time and over time depending on the underlying nature of the revenue producing activity.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Income Taxes

The Diocese, a §501(c)(3) under Internal Revenue Code, is exempt from taxation as organizations under the federal group exemption granted from year to year by the United States Internal Revenue Service to the United States Conference of Catholic Bishops. The Diocese is listed in the *Official Catholic Directory*. Accordingly, no income tax accounts are reflected in these financial statements.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. Summary of Significant Accounting Policies (Continued)

Estimates

The presentation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Diocese's reported historical revenue.

Additionally, ASU 2018-08 was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

Recently Issued Accounting Pronouncements

In February, 2016, the FASB issued ASU 2016-02, *Leases.* This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard is effective for fiscal years beginning after December 15, 2021. The Diocese is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

3. Liquidity and Availability

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Diocese has various sources of liquidity at its disposal, including a revolving line of credit (see note 17), draws from investments (not subject to donor restriction), cash and cash equivalents, and various revenues, largely oil and gas royalties and lease bonuses. The revolving line of credit is used to manage cash flow in the Diocese in conjunction with monthly investment draws and oil and gas revenues mentioned above.

3. Liquidity and Availability (Continued)

As mentioned above, the investments of the Diocese are not subject to donor restriction and the Diocese's goal is to draw only 5% annually. However, additional amounts are available for general expenditure, if necessary.

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

	2020	2019
Cash and cash equivalents	$ 998,465	$ 586,139
Mineral rights receivable	985,411	2,817,701
Investment income receivable	512,442	678,906
Proceeds from sale of securities	-	3,219,613
Promises to give and bequests	98,692	773,431
Accounts receivable	154,853	300,155
Premiums, reimbursements and assessments receivable	4,125,740	4,161,565
Investments-securities	238,564,622	240,043,591
Less: Certificate of deposits payable	(27,117,103)	(26,555,223)
Less: Restricted net assets	(1,530,448)	(2,108,997)
Less: DWC purchase Hospital net asset interest in Sept 2020	(11,282,633)	-
Total assets available	$ 205,510,041	$ 223,916,881

4. Concentration of Credit Risk

As of June 30, 2020 and 2019, the Diocese has accounts with four banks. The Diocese had balances of $67,505 and $56,411 exceeding Federal Deposit Insurance Corporation (FDIC) insurance coverage at June 30, 2020 and 2019, respectively.

At specific dollar levels, checking account balances are "swept" into repurchase agreements, the balances of which are collateralized by bank owned securities, which are not insured by the FDIC. The interest of the Diocese in the securities underlying the repurchase agreements is not perfected and in the event of a bank's insolvency the Diocese may only be able to look to the general assets of the bank and not to the underlying security. On June 30, 2020 and 2019, the Diocese had $263,021 and $1,400,058 in such repurchase agreements.

5. Fair Value and Investments

The Diocese's investments and beneficial interest in perpetual trusts are measured at fair value. Generally accepted accounting principles establish a fair-value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Diocese has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.

Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

5. Fair Value and Investments (Continued)

Level 3 inputs are unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The level of the fair-value hierarchy within which the fair-value measurement in its entirety falls is based on the lowest level input that is significant to the fair-value measurement in its entirety.

Investments recorded at fair value by the Diocese at June 30, 2020 and 2019 are comprised of the following:

	Level (Below)	2020	2019
Equities	1	$ 11,364,189	$ 10,421,028
Mutual funds – equities	1	39,449,742	34,953,036
Mutual funds – fixed income	1	2,878,996	2,202,863
Pooled fund	3	696,749	652,706
Private investment funds - equities	*	101,311,758	108,554,446
Private investment funds - fixed income	*	22,295,367	24,079,557
Government bonds	2	8,332,177	12,070,635
Mortgage backed bonds	2	22,864,507	27,188,775
Corporate bonds	2	18,067,364	15,080,337
Municipal bonds	2	3,814,112	3,400,639
Money markets	1	7,489,661	1,439,569
Total securities		238,564,622	240,043,591
Mineral rights	3	48,293,000	51,559,000
Total investments		$ 286,857,622	$ 291,602,591

* Investments in affiliated and private investment funds valued at Net Asset Value (NAV) as a practical expedient are not required to be included in the fair value hierarchy.

Investment Valuations and Methodologies

Fair-value valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. With the exception of the mineral rights which are valued using the income approach, the Diocese's investments are valued using the market approach. There have been no changes in the methodologies of the Fund's investments between June 30, 2020 and 2019.

Money Markets: Valued at $1 per share.

Equities: Valued at the quoted price in the active market in which the security is traded (major exchanges).

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Diocese are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds of the Diocese are actively traded. The mutual funds include domestic and foreign funds.

5. Fair Value and Investments (Continued)

Government, Mortgage backed, Corporate, and Municipal Bonds: Valued at quoted prices, where available. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services.

Mineral rights: Valued based on discounted cash flows derived from proven reserve estimates considered in relation to futures prices.

Pooled fund: Represents an investment in the Catholic Umbrella Pool, a self-insured fund for certain dioceses of the Roman Catholic Church in Northern America. The Catholic Umbrella Pool provides excess liability coverage to its membership. The value is based on the Diocese's share of the pool in relation to the performance of the pool's investments and operations.

Level 3 Investments

Under Level 3, the owner of an asset must determine the valuation based on their own assumptions about what market participants would take into account in determining the fair value of the asset, using the best information available. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table presents a roll-forward for June 30, 2020 and 2019 of the Diocese's fair value measurement using significant unobservable inputs on Level 3 investments.

	Mineral rights	Pooled fund
Balance, July 1, 2018	$ 57,958,000	689,512
Unrealized gain/(loss)	(6,399,000)	(51,410)
Purchases and reinvestments	-	14,604
Balance, July 1, 2019	51,559,000	652,706
Unrealized gain/(loss)	(3,266,000)	(10,357)
Purchases and reinvestments	-	54,400
Balance, June 30, 2020	$ 48,293,000	$ 696,749

Private Investment Funds

Private investment funds represent investment funds managed by bank trust departments and other money managers. The funds use NAV as a practical expedient for fair value. As of June 30, 2020 and 2019, the private investment funds consist of the Kiltearn Global Equity SRI Fund, State Street (SSGA) S&P 500 Screened Index NL CTF (SSGA S&P 500 Fund), the SSGA MSCI ACWI ex USA IMI Screened NL CTF (SSGA ACWI ex US Fund), Two Sigma Active Extension U.S. All Cap Equity Cayman Fund, Ltd. (Two Sigma Fund), Comerica Catholic Values Small Equity Index (Comerica Small Cap Fund), the Colchester Global Bond Fund (Colchester Bond Fund), and the Western Total Return Unconstrained Bond Fund (Western Bond Fund).

5. Fair Value and Investments (Continued)

The Diocese's investments in private investment funds as of June 30, 2020 and 2019 are as follows:

	2020	2019
Private Investment Funds - equities		
Kiltearn Global Equity SRI Fund	$ 9,540,183	$ 11,285,160
SSGA S&P 500 Fund	61,977,797	61,169,050
SSGA ACWI ex US Fund	11,060,986	23,799,476
Two Sigma Fund	12,927,744	12,300,760
Comerica Small Cap Fund	5,805,048	-
Total private investment funds - equities	$ 101,311,758	$ 108,554,446

	2020	2019
Private investment funds – fixed income		
Colchester Bond Fund	$ 11,031,238	$ 11,936,208
Western Bond Fund	11,264,129	12,143,349
Total private investment funds – fixed income	$ 22,295,367	$ 24,079,557

Investment Strategies – Private Investment Funds

Kiltearn Global Equity SRI Fund	Obtain long-term growth primarily by investing in a diversified portfolio of global securities in a manner consistent with the guidelines for ethical investing developed by the United States Conference of Catholic Bishops, while also incorporating additional policies pursued by other socially responsible investors.
SSGA S&P 500 Fund	Seek performance of the S&P 500 over the long term while investing in securities which meet certain social or environmental criteria.
SSGA ACWI ex USA Fund	Seek performance of the MSCI ACWI ex USA IMI Index over the long term while investing in securities which meet certain social or environmental criteria.
Two Sigma Fund	Using a master-feeder fund structure, the fund seeks to achieve its objective by investing all or substantially all of its assets in the master fund, The Two Sigma Active Extension US All Cap Equity Portfolio, LLC. Achieve dollar-denominated returns that are highly correlated to, and in excess of, the Russell 3000 Total Return Index by combining multiple hedged and leveraged model-driven investment strategies with Two Sigma Investments, LLC proprietary risk management and execution techniques.
Comerica Small Cap Fund	The fund seeks to replicate the S&P 600 Index while applying a Catholic Values screening overlay.
Colchester Bond Fund	Achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities and the preservation and enhancement of principal.
Western Bond Fund	The fund seeks to maximize long-term total return, consistent with prudent investment management. Under normal market conditions, the fund's dollar-weighted average duration is expected to range between 3 and 8 years. Additionally, the Fund expects to maintain a dollar-weighted average credit quality of portfolio holdings of at least BBB or its equivalent. The Fund will endeavor to be diversified among the major market sectors subject certain limits as a percentage of total net assets.

6. Redemption Restrictions Related to Investments

SSGA S&P 500 Fund and SSGA ACWI ex USA Fund	Permitted daily with 2 days' notice.
Kiltearn Global Equity SRI Fund	Permitted on a monthly basis on the last/first business day and requires written notification of at least 6 business days. Kiltearn has a minimum redemption amount of $500,000.
Two Sigma Fund	Permitted on a monthly basis on the last calendar day and requires written notification of at least 30 calendar days.
Colchester Bond Fund	Permitted on a monthly basis on the last business day and 15th calendar day (or succeeding business day) and requires written notification of at least 5 business days.
Western Bond Fund and Comerica Small Cap Fund	Permitted daily and Western Bond Fund will take notice up to 2:00pm EST on trade date.

7. Investment Policies and Objectives

The Diocese's investments consist of assets without donor restriction. The managed investments represent accounts managed by various external investment managers selected and monitored by an investment advisor, the Diocesan Finance Council, and the Bishop. These investments are made within the parameters of the Diocese's investment policy statement.

Return Objective and Risk Parameters

The Diocese has adopted an Investment Policy Statement which applies to all investments except for the mineral rights and the pooled fund. The objective of the Diocese's investments is to provide for religious, educational, and administrative works of the Diocese as carried out by parishes, missions, schools, the Chancery, and agencies, while preserving the purchasing power of the investments over the long term. The Diocese expects its investments to attain an average annual real total return (net of investment management fees) between 5%-6% over the long term. It is recognized that this real return objective is a very long-term average expectation, and that there will be periods of time during which the performance of the investments falls short of this target, sometimes by a large amount. An additional objective is to increase its long-term purchasing power after spending, which would require a total annual rate of return to exceed inflation plus spending, and to prudently diversify the overall risk of the investments, as to mitigate the magnitude of intermediate-term investment losses that could jeopardize the Diocese's long-term mission.

The investments have a long-term asset allocation policy consisting of 55-75% (target 65%) equity, 20-50% (target 35%) fixed income, and 0-20% (target 0%) cash equivalents.

In addition, the Diocese may elect to add explicit constraints/exposures to socially responsible investments. Investment decisions and selections are to be considered in light of the teachings consistent with the religious and morals of the Roman Catholic Church, as well as the principles and mission of the Diocese. The Diocese elects to exclude investments in companies whose products or performance are morally or socially inconsistent with those principles.

8. Notes Receivable

Strategies Employed for Achieving Objectives

The return objective (5%-6% over the long term) will be achieved by dividing the investments into three segments: a return enhancement (equity) segment, a core capital segment (fixed income) segment, and a liquidity (cash) segment. These segments will allow for differing investment styles and the diversifications of assets. Decisions concerning diversification of assets among the multiple asset classes (i.e. domestic equity, international equity, cash, etc.) will be the responsibility of the Diocese.

The Diocese supports the activities and capital needs of various schools, parishes, and other related parties through secured and unsecured, low interest loans. Although the Diocese offers certain related entities interest free loans, many non-term loans bear an interest rate of 5.5%. Interest income is recognized on an accrual basis on these loans. At each month-end, unpaid interest is added to the principal balance. Interest-free loans are normally provided to those schools, parishes, and other related entities who are struggling financially.

Effective July 1, 2020, the interest rate on non-term loans changed from a fixed rate of 5.5% to a variable rate determined using the 3-month Treasury Rate plus 1 percent changed semi-annually on January 1st and July 1st of each year.

Loans outstanding were $53,296,370 and $54,057,046 as of June 30, 2020 and 2019, respectively. Included in these loans outstanding are term loans in which the Diocese is carrying a corresponding Line of Credit. The term loans and the line of credit are described in Note 17. No interest income or expense is recognized on these term loans as the indebted related entity pays and records the interest expense.

9. Promises to Give and Bequests Receivables and Catholic Sharing Appeal Grants Payable

The Diocese holds an annual campaign called the Catholic Sharing Appeal (CSA). The collection period for CSA pledges is less than one year, and, as such, the receivable has not been discounted. Pledges made during the CSA are recorded as unconditional promises to give receivables, net of an estimate of uncollectability.

Frequently, the Diocese contributes portions of these pledges to parishes and other related entities. The pledges are valued according to the terms of the pledge and an estimate of the likelihood of eventual payment to the respective parishes or other related entity.

10. Property, buildings, and equipment

The Diocese's property, buildings, and equipment and related accumulated depreciation as of June 30, 2020 and 2019, are as follows:

	2020	2019
Property, buildings, and equipment		
Land	$ 11,575,432	$ 11,285,833
Land improvements	5,322,057	4,984,488
Buildings	121,955,189	126,876,186
Vehicles and equipment	1,435,300	1,865,486
Construction in progress	754,853	705,514
Leasehold improvements	-	697,106
Total properties, buildings, and equipment	$ 141,042,831	$ 146,414,613

10. Property, buildings, and equipment (Continued)

	2020	2019
Accumulated depreciation		
Land improvements	3,334,521	2,996,200
Buildings	63,936,714	62,670,648
Vehicles and equipment	1,154,350	1,391,221
Leasehold improvements	-	211,114
Total accumulated depreciation	$ 68,425,585	$ 67,269,183
Property, buildings, and equipment, net	$ 72,617,246	$ 79,145,430

11. Interest in Net Assets of Diocesan Real Estate, Inc.

In 2017, the Diocese transferred assets to fund DRE, a non-profit corporation formed under 501(c)(3) of the Internal Revenue Code. DRE was created and formed to purchase substantially all the land and real estate of the University, therefore providing the University with the means to redeem its outstanding debt.

The charitable purpose of DRE is to directly support, promote, and contribute to the interests of the Diocese and Wheeling Hospital. All funds and assets are to be held, managed, and applied exclusively for the charitable purpose.

Upon dissolution, 60% of the residual assets of DRE are to be distributed to the Diocese. The Diocese's initial and future transfers of assets have been and will be adjusted annually based on the proportionate change in the net assets of DRE. The following represents the current year activity for the Diocese's interest in DRE.

	2020	2019
Interest in net assets of DRE, July 1	19,387,837	19,861,795
Contributions	-	-
Diocese's share of DRE's net assets	(486,260)	(473,958)
Interest in net assets of DRE, June 30	$ 18,901,577	$ 19,387,837

See footnote 28 Subsequent Events related to DRE.

12. Beneficial Interest in Perpetual Trusts

The beneficial interest in perpetual trusts consists of interests in trusts, whereby the Diocese and Mount Calvary Cemetery have the irrevocable right to receive the income from the trusts' assets in perpetuity. The trusts are held and managed by a local financial institution and have been recorded at the fair value of the underlying assets. The valuation falls into the Level 3 category of the fair value hierarchy. The beneficial interests and changes in the value of the beneficial interests are recorded as net assets with donor restriction in the statements of financial position and activities, respectively.

12. Beneficial Interest in Perpetual Trusts (Continued)

The following represents the rollforward of changes in fair value of the beneficial interests, which are Level 3 assets, for the years ended June 30, 2020 and 2019:

	Beneficial Interests
Balance, July 1, 2018	$ 984,230
Change in fair value	3,938
Balance, July 1, 2019	988,168
Change in fair value	(1,595)
Balance, June 30, 2020	$ 986,573

13. Self-Insurance Program and Claims Payable

The Diocese maintains a self-insurance program for health care, which is administered by a third-party administrator. In addition to offering coverage to Diocesan employees, the program also provides coverage for parishes, schools, and related Catholic entities. The coverage consists of medical and prescription coverage though a number of plan offerings with varying levels of premiums, deductibles, co-pays, and co-insurance. The Diocese has stop loss coverage for specific and aggregate claims in excess of $225,000 which increased from $175,000 effective July 1, 2019. The liability for claims payable and incurred but not reported is estimated using subsequent claim projections as well as historical claims experience. The estimated liability for claims payable and incurred but not reported totals $670,990 and $517,510, respectively, as of June 30, 2020 and 2019 and is included in accounts payable and accrued liabilities in the statements of financial position.

14. Loan Payable

In response to COVID-19, on April 4, 2020, the Diocese received a loan from Wesbanco in the amount of $1,996,372 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Diocese has accounted for its PPP Loan in accordance with Accounting Standards Codification 470, Debt and reports the outstanding balance as a liability as of June 30, 2020.

15. Promise to Give Payable

In January 2020, the Diocese pledged $5 million to Wheeling University payable over 5 years. The payments of the pledge by fiscal year is as follows:

Years Ending June 30:	
2021	$ 2,500,000
2022	1,000,000
2023	500,000
2024	500,000
2025	500,000
	$ 5,000,000

16. Certificates of Deposit Payable

The Diocese receives excess cash from parishes, schools, and other related organizations for safekeeping and investment purposes.

Interest is paid on these deposits at the rate of 3.5%. Interest expense amounted to $905,568 and $949,690 for years ended June 30, 2020 and 2019, respectively.

Effective July 1, 2020, the interest rate on deposits changed from a fixed rate of 3.5% to a variable rate determined using the 3-month Treasury Rate plus 1 percent changed semi-annually on January 1st and July 1st of each year.

17. Line of Credit and Compensating Balances

The Diocese has a revolving credit line with a limit of $15,000,000. The outstanding credit balance on this line as of June 30, 2020 and 2019 was $1,972,717 and $8,084,946, respectively. The interest rate as of June 30, 2020 and 2019 was 2.91% and 3.79%, respectively. The interest expense for the revolving line of credit amounted to $132,576 and $177,566 for the years ended June 30, 2020 and 2019, respectively.

The Diocese also has a term line of credit with a limit of $40,000,000. Each advance under this second line of credit is automatically converted to a term loan to be amortized over a period of twenty-five years. The outstanding credit balance on this line was $28,129,835 and $29,854,319 as of June 30, 2020 and 2019, respectively, all of which has been loaned to seventeen parishes and six schools (see Note 8). The rates on these loans range from 2.86% to 5.787%. The maturity dates on these loans at June 30, 2020, are as follows:

Years Ending June 30:	
2021	$ 1,638,995
2022	1,705,149
2023	1,754,148
2024	1,827,552
2025	1,904,095
2026 – 2030	9,686,197
2031 – 2035	6,407,866
2036 – 2040	2,943,164
2041 – 2043	262,669
	$ 28,129,835

17. Line of Credit and Compensating Balances (Continued)

The Diocese is required to maintain securities in accounts at the trust department of the lending institution with a market value equal to at least 100% of the principal indebtedness outstanding. As of June 30, 2020 and 2019, the Diocese has at least the required total of investments pledged as collateral.

The interest expense for amounts loaned to parishes under the second line of credit (20 or 25-year term loans) is paid and recorded by the parishes.

18. Guarantee of Indebtedness of Related Entities

As of June 30, 2020 and 2019, the Diocese is contingently liable as guarantor for $3.5 million of a line of credit for the University, which represents one half of the $7 million total of their line of credit. The balance on the line of credit as of June 30, 2020 and 2019 is $4,250,000 and $2,250,000, respectively, of which the Diocese's guarantee total is $2,125,000 and $1,125,000, respectively. The line of credit has an interest rate of 3.50% and 5.75% as of June 30, 2020 and 2019, respectively. See subsequent event footnote for change subsequent to year end in guarantee of University line of credit.

The Diocese anticipates the University not being able to repay the outstanding balance on the line of credit. As a result, the Diocese has recorded a liability for its share of the balance as of June 30, 2020.

As of June 30, 2020 and 2019, the Diocese is contingently liable as guarantor for the credit card accounts of fourteen and nine parishes/schools, respectively, with a total cumulative credit limit of $55,500 and $24,000, respectively. As of June 30, 2020 and 2019, the cumulative outstanding balances total $9,045 and $11,303, respectively. No loss is anticipated or has been recorded on this guarantee.

19. Net Assets with Donor Restrictions and Designations

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to expenditure for specified purpose:		
School curriculum	$ 172,159	$ 174,815
Teacher continuing education	-	4,667
Tuition assistance	43,340	92,739
Education technology	19,549	19,549
Marriage and family	80,934	85,866
Prison ministry	17,144	17,144
Schools outreach	5,858	7,753
Faith and formation	106,785	115,243
Music ministry	-	193
Women's conference	-	480
Staff continuing education	4,628	4,628
Religious continuing education	228	4,628
Promises to give, the proceeds which have been restricted by donors, but which are unavailable for expenditure until received		
Seminarian education	2,896	5,433
Education and ministry	-	137,613
	$ 453,521	$ 670,751

19. Net Assets with Donor Restrictions and Designations (Continued)

Subject to the passage of time:				
Bequests/promises to give, that are not restricted by donors, but which are unavailable for expenditure until received	$	83,000	$	62,625
	$	83,000	$	62,625

Not subject to spending policy or appropriation:		2020		2019
Beneficial interest in perpetual trusts	$	986,573	$	988,168
Royalties and bequest receivable for trust for the education of priests which will be set up in WVCF when received		7,354		387,453
	$	993,927	$	1,375,621
Total net assets with donor restrictions	$	1,530,448		2,108,997

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30, 2020 and 2019:

		2020		2019
Subject to expenditure for specified purpose:				
School curriculum	$	2,656	$	14,100
Teacher continuing education		4,667		17,423
Tuition assistance		49,398		47,298
Marriage and family		4,932		1,666
Youth ministry training		-		14,645
Ministry expenses		-		119,394
Safe environment		-		9,013
Pastoral services		-		223,685
Schools outreach		5,219		1,676
Faith and formation		8,458		9,839
Music ministry		194		4,223
Women's Conference		480		-
Religious continuing education		4,400		-
Promises to give, the proceeds which have been restricted by donors but which are unavailable for expenditure until received				
Seminarian education		5,433		9,583
Education and ministry		137,613		-
Bequests/promises to give, that are not restricted by donors, but which are unavailable for expenditure until received		62,625		-
Royalties and bequest receivable for trust for the education of priests contributed to WVCF and set up in Raad Fund		387,453		-
Total Net Assets Released from Restriction	$	673,528	$	472,545

19. Net Assets with Donor Restrictions and Designations (Continued)

During fiscal year 2020, the Diocese designated the proceeds which totaled $1,200,000 from the sale of 52 Elmwood Place, Wheeling WV for the sole purpose of pastoral outreach for victims of sexual abuse. The designated net assets for pastoral outreach total $1,188,063 as of June 30, 2020. See the subsequent event footnote for the establishment of a separate account.

20. Related Party Transactions

Based upon the relationship between the Bishop and other entities of the Catholic Church in West Virginia, such as parishes, schools, cemeteries, and many service organizations, numerous related party transactions occur. These transactions generally entail the following types of activities:

- Unsecured, low interest or interest free loans to support activities and capital needs (see Note 8,17).
- Monies held for safekeeping and investment purposes in the form of certificates of deposit payable (see Note 16).
- Cathedraticum fees received from parishes.
- Insurance premiums for various types of insurance coverage.
- Subsidies provided for operating assistance or other special projects.
- Catholic Sharing Appeal grants (see Note 9).

The Bishop's Fund, Inc. (Bishop's Fund) – The Bishop's Fund is non-profit corporation under 501(c)(3) and a related party with the Diocese. The Bishop's Fund's primary mission is to support the Roman Catholic Bishop of the Diocese of Wheeling-Charleston in his efforts to provide for the pastoral care of the Diocese, for the Canonical administration of the faith, and for the health, education, and charitable care of the people of the Diocese. The Bishop's Fund makes grants to supported organizations that are listed under the Diocese in the current version of the *Official Catholic Directory,* first published in 1817 by P.J. Kennedy & Sons. The Diocese received grants without donor restriction from the Bishop's Fund in 2019 and are reflected as such in statements of activities.

The Bishop's Fund, Inc. filed for dissolution in July 2019 and received the certificate of dissolution from the state of West Virginia dated June 5, 2020. The plan of distribution of assets upon dissolution as required by the articles of incorporation call for the assets to be distributed to the member, the Bishop of the Diocese. With the certificate of dissolution being issued in June and the assets available to be distributed to the Diocese, those investments have been recorded as such in the 2020 statement of financial position.

West Virginia Catholic Foundation (the Foundation)- The Foundation is non-profit under 501(c)(3) and a related party with the Diocese. The Foundation's primary mission is to provide a means for individuals and organizations to contribute to endowments which help to ensure the long-term financial viability of the charitable, religious, and educational institutions of the Diocese. Specifically, the Foundation strives to seek, manage, and administer endowments that benefit parishes, schools, charities, and the Diocese. There are some endowment funds in the Foundation that make annual distributions of 4.5% to the Diocese. In addition, grants can also be made from funds without donor restriction. Distributions and grants from the Foundation to the Diocese total $286,984 and $62,193 for the years ending June 30, 2020 and 2019, respectively, and are included in bequests and contributions in the statements of activities.

During 2020, the Diocese contributed $774,803 to the Foundation to set up a perpetual care endowment for Mt Calvary Cemetery. The amount contributed originated from mineral lease bonus revenue from the Cemetery's land. This contribution is included in outside entity support expenses in the 2020 statement of activities.

21. Risks and Uncertainties

The Diocese has significant investments in equities, mutual funds, common trust funds and money markets. These investments are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

On June 30, 2020 and 2019, the Diocese has no direct investments or commitments to purchase or sell financial instruments or commodities relating to derivative financial instruments. The Diocese does have indirect investments or commitments that arise through positions held by common trust funds in which the Diocese invests. However, the Diocese's risk is limited to the current value of its investment, which is reflected in the statements of financial position.

Also, as noted above, the Diocese holds investments in mineral rights. These mineral rights are oil and gas royalty interests primarily related to Texas oil and gas leases. The current international energy environment enhances the volatility of the oil and gas industry. Changes in this environment could also have a significant impact on both the value of the assets recorded and the oil and gas royalties received.

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Diocese, COVID-19 may impact various parts of its 2021 operations and financial results, including restrictions on the Diocese by the governor, additional costs to the Diocese, investment performance and potential loss of revenue due to reduction in certain revenue streams. Management believes the Diocese is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

22. Litigation

The Diocese is involved in lawsuits, claims, investigations, and proceedings which arise in the ordinary course of business. There are no such matters pending that the Diocese expects to be material in relation to its financial condition or results of operations.

23. Commitments

The Diocese is committed to contracts with remaining balances of $157,240 and $299,000 as of June 30, 2020 and 2019, respectively.

24. Retirement Benefits

The Diocese administers a 403(b) Plan for the benefit of its employees as well as employees and clergy of the churches, schools, and other religious organizations under the general supervision and control of the Diocese. Substantially all employees 21 years of age, whose employers participate in the Plan, are covered.

The Plan is funded through contributions of both employees and employers, with the Diocese being one of the employers. For all its eligible employees, the Diocese contributes 6% of the employee's salary. The contributions to the plan were $474,608 and $494,053 for 2020 and 2019, respectively, for the Diocese.

25. Operating Leases

The Diocese leases copiers and an apartment under operating leases that expire at various dates through September 2023. Future minimum lease payments under these operating leases for each of the succeeding fiscal years are as follows:

Years Ending June 30:		
2021	$	170,135
2022		91,031
2023		2,656
2024		291
	$	264,113

Lease expense incurred under these operating lease agreements amounted to $192,523 and $217,283 for years ended June 30, 2020 and 2019, respectively.

26. Advertising

All advertising costs of the Diocese are expensed when incurred. Advertising costs for the years ended June 30, 2020 and 2019 were $46,166 and $103,197, respectively.

27. Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, which generally include time incurred by employees, usage of copiers and vehicles, and space occupied on a square footage basis.

28. Subsequent Events

In August 2020, the Diocese received $441,000 in restitution from Former Bishop Michael J. Bransfield (Bransfield) which was part of the amends plan established by current Bishop Mark E. Brennan.

In August 2020, the Diocese agreed to increase the amount guaranteed on Wheeling University's line of credit from $3.5 million to $7 million.

In September 2020, the Diocese paid $11,282,633 to Wheeling Hospital (Hospital) in return for the Hospital's share of its interest in the net assets of DRE. $5,282,633 of the total came from the remaining proceeds from the dissolved Bishop's Fund.

In October 2020, the Diocese established a separate account with a local bank for the sole purpose of victim outreach using the remaining designated proceeds of $1,188,063 from the sale of the residence at 52 Elmwood Place, Wheeling, WV as well as the newly designated restitution proceeds of $441,000 received from Former Bishop Bransfield.

Management has evaluated subsequent events through the date that the financial statements were issued, December 10, 2020, and determined that, other than the event described above, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.