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UKRANIAN CATHOLIC EPARCHY OF ST. JOSAPHAT

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ukrainian Catholic Eparchy of St. Josaphat

We have audited the accompanying financial statements of the Ukrainian Catholic Eparchy of St. Josaphat (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ukrainian Catholic Eparchy of St. Josaphat as of December 31, 2019, and 2018, 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.

Simic CPA Company

Parma, Ohio
May 1, 2020

Ukrainian Catholic Eparchy of St. Josaphat
Statement of Financial Position
December 31, 2019 and 2018

	<u>Year 2019</u>	<u>Year 2018</u>
ASSETS		
Cash and Cash Equivalents	\$224,180	\$239,572
Board Designated Retirement Fund	\$1,091,556	\$1,079,129
Fidelity Investments	\$70,288	\$45,118
TOTAL ASSETS	<u><u>\$1,386,024</u></u>	<u><u>\$1,363,819</u></u>
 LIABILITIES		
Long-Term Liabilities		
McKees Rocks	\$50,000	\$50,000
Board Designated Retirement Obligations	\$1,091,556	\$1,079,129
Total Long-Term Liabilities	\$1,141,556	\$1,129,129
TOTAL LIABILITIES	\$1,141,556	\$1,129,129
NET ASSETS	\$244,468	\$234,690
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,386,024</u></u>	<u><u>\$1,363,819</u></u>

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

Ukrainian Catholic Eparchy of St. Josaphat
Statement of Activities
for year ending December 31, 2019

	Without Donor Restrictions	Total
Revenues, Gains, and Other Support		
Donations for Others	\$55,236	\$55,236
Donations from Private Donors	\$49,842	\$49,842
Dues and Donations from Affiliated Parishes	\$495,556	\$495,556
Grants	\$362,230	\$362,230
Interest Revenue	\$678	\$678
Other Revenue	\$36,272	\$36,272
Sale of Real Estate	\$73,901	\$73,901
Total Revenue	\$1,073,715	\$1,073,715
Expenses for Program Services		
Bishop's Residence Expenses	\$11,498	\$11,498
Clergy Conference, Retreats and Cantors	\$44,441	\$44,441
Compensation and Benefits – Retired Bishop	\$33,919	\$33,919
Compensation and Benefits – PMO	\$36,960	\$36,960
Compensation and Benefits – Chancery	\$35,765	\$35,765
Donations to Others	\$128,136	\$128,136
Dues and Assessments	\$20,368	\$20,368
Health Insurance and Medical Expenses	\$130,083	\$130,083
Insurance – Property	\$254,382	\$254,382
Mission Support	\$8,888	\$8,888
Office Supplies, Postage, Fees, and Equipment	\$60,549	\$60,549
Priest Support	\$32,752	\$32,752
Professional Fees	\$15,485	\$15,485
Seminary Books, Supplies and Miscellaneous	\$39,676	\$39,676
Stewardship Expenses	\$102,317	\$102,317
Travel and Meetings	\$29,009	\$29,009
Utilities and Phone	\$2,832	\$2,832
Widow's Support	-\$297	-\$297
Youth and Family Life Ministry	\$23,238	\$23,238
Child Protection Office	\$61,256	\$61,256
Total Expenses	\$1,071,257	\$1,071,257
Increase or Decrease (-) from Operations	\$2,458	\$2,458
Overall Increase or Decrease (-) in Assets	\$2,458	\$2,458

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

Ukrainian Catholic Eparchy of St. Josaphat
Statement of Activities
for year ending December 31, 2018

	Without Donor Restrictions	Total
Revenues, Gains, and Other Support		
Donations for Others	\$22,033	\$22,033
Donations from Private Donors	\$78,494	\$78,494
Dues and Donations from Affiliated Parishes	\$467,540	\$467,540
Grants	\$311,438	\$311,438
Interest Revenue	\$1,009	\$1,009
Other Revenue	\$6,723	\$6,723
Total Revenue	<u>\$887,237</u>	<u>\$887,237</u>
Expenses for Program Services		
Bishop's Residence Expenses	\$12,795	\$12,795
Clergy Conference, Retreats and Cantors	\$25,254	\$25,254
Compensation and Benefits – Retired Bishop	\$22,443	\$22,443
Compensation and Benefits – PMO	\$36,754	\$36,754
Compensation and Benefits – Chancery	\$41,198	\$41,198
Donations to Others	\$78,999	\$78,999
Dues and Assessments	\$22,088	\$22,088
Health Insurance and Medical Expenses	\$144,086	\$144,086
Insurance – Property	\$273,199	\$273,199
Mission Support	\$15,601	\$15,601
Office Supplies, Postage, Fees, and Equipment	\$42,662	\$42,662
Priest Support	\$27,560	\$27,560
Professional Fees	\$5,776	\$5,776
Seminary Books, Supplies and Miscellaneous	\$42,971	\$42,971
Stewardship Expenses	\$88,929	\$88,929
Travel and Meetings	\$19,233	\$19,233
Utilities and Phone	\$2,665	\$2,665
Widow's Support	\$6,859	\$6,859
Youth and Family Life Ministry	\$14,518	\$14,518
Child Protection Office	\$6,893	\$6,893
Total Expenses	<u>\$930,483</u>	<u>\$930,483</u>
Increase or Decrease (-) from Operations	<u>-\$43,246.00</u>	<u>-\$43,246.00</u>
Overall Increase or Decrease (-) in Assets	<u>-\$43,246.00</u>	<u>-\$43,246.00</u>

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

Ukrainian Catholic Eparchy of St. Josaphat
Statement of Cash Flows
For Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash flow from operations	\$	2,458
Net cash provided by operating activities	\$	2,458

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Fidelity account	\$	7,320
Net cash provided by financing activities	\$	7,320

NET INCREASE OR DECREASE (-) IN CASH AND CASH EQUIVALENTS	\$	9,778
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CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	\$	284,690
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CASH AND CASH EQUIVALENTS END OF YEAR	\$	<u>294,468</u>
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The accompanying notes are an integral part of the financial statements.

Ukrainian Catholic Eparchy of St. Josaphat

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operation

The Ukrainian Catholic Eparchy of St. Josaphat is a not-for-profit organization devoted to the preservation and teaching of the Ukrainian Catholic faith and culture. A major portion of its funding is from individual contributions and fees collected from member groups.

Basis of Accounting

The 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").

Use of Estimates

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

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Ukrainian Catholic Eparchy of St. Josaphat reports gifts of cash and other assets. The Foundation receives contributions primarily from individuals. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished,

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Credit Risks

The Foundation's credit risks primarily relate to cash and cash equivalents and investments. The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000. The Foundation has not experienced any such losses and management believes the Foundation is not exposed to significant credit risk pertaining to cash.

The Foundation maintains investments in uninsured brokerage accounts which are subject to fluctuations in the securities markets.

Cash and Cash Equivalents

For financial statement purposes, the Ukrainian Catholic Eparchy of St. Josaphat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Purchased investments are carried at their fair market values in the statement of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. There were no donor-imposed restrictions of a perpetual nature at December 31, 2019. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Since the organization's program is to provide supporting/administrative services for the local Ukrainian Catholic churches, the supporting services are also classified as program services. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Income Taxes

The Ukrainian Catholic Eparchy of St. Josaphat is a not-for-profit organization and is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly no provision for income taxes is included in the financial statements.

Board Designated Retirement Fund

The Ukrainian Catholic Sacerdotal Society (of the Eparchy of Parma) is the retirement fund of the priests of the Ukrainian Catholic Eparchy of St. Josaphat. Any priest (including bishops) who served in the Eparchy for a period of ten or more years, and have made monthly payments into the fund, either by the parish(es) they serve or have served or personally, in the case of a leave of absence, is eligible to receive a monthly subsistence payment beginning at the age of seventy. A priest may receive it earlier in the case of a disability. The monies for the payments come from current payments from the parishes, and when needed,

from the fund itself. The formula for determining the payments is this: base amount (currently \$ 750) times the years of service divided by 35. The money in the fund can only be used for the payment of retired priests. In 2019, there were twelve retired priests/bishops receiving a total of \$ 106,644.00. The assets of the fund are invested as Certificates of Deposit with Cleveland Selfreliance Credit Union and in an investment fund (the Mission Diocese Fund) sponsored by Catholic Extension Society. In calendar year 2019, the interest on the Certificates of Deposits with Cleveland Selfreliance Credit Union was \$ 9,265.84.

Long-Term Liabilities

The Eparchy have interest-free loan from McKees Rocks (\$ 50,000) which is a related Catholic institution. Loan is payable on demand.

Exclusion of Real Estate and Furnishings of Parishes and Other Institutions

These statements exclude the financial position and transactions of the parishes and missions, homes for the elderly, and residences of priests, brothers and sisters in the Eparchy. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the administrative offices of the Eparchy, maintains separate accounts and carries its own services and programs. In the event of the dissolution of one of these entities, the Eparchy may or may not be the beneficiary of remaining net assets. Most of the real property, buildings and furnishings used by parishes and missions in the Eparchy is titled in the name of the Eparchy or the Bishop and his successors in office. For financial accounting, however, the real property, buildings and furnishings at the parishes and missions are not included in these financial statements because most of those assets are not considered to be at the unlimited disposal of the Eparchy and because it would be very difficult to estimate their realistic fair market value.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting and Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the effect

that implementation of the new standard will have on its financial position, results of operations, and cash flows.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements.

Date of Management's Review

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through May 1, 2020, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

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, are comprised of the following:

Cash	\$1,315,736
Investments	<u>70,288</u>
Total financial assets	\$1,386,024
Less: Board Designated Retirement Obligations	<u>(1,091,556)</u>
Total	<u>\$ 294,468</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Normal operating expenses per month are, on average, approximately \$89,271.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the Foundation has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

Investments in fixed income corporate and municipal bonds, and U.S. treasury notes are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified as Level 2.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31:

	<u>December 31, 2019</u>	
	Level 1	Total
Fidelity Investments	\$70,288.00	\$70,288.00

	<u>December 31, 2018</u>	
	Level 1	Total
Fidelity Investments	\$45,118.00	\$45,118.00

NOTE 4 – BOARD DESIGNATED NET ASSETS

Net assets were Board designated for the following purposes as of December 31:

	2019	2018
Board Designated Ret. Obligations	\$1,091,556.00	\$1,079,129.00