

***Central Administrative Offices  
of the Diocese of Buffalo  
(Debtor in Possession)***

*Financial Statements as of and for the years ended  
August 31, 2025 and 2024  
With Independent Auditor's Report*

**CENTRAL ADMINISTRATIVE OFFICES  
OF THE DIOCESE OF BUFFALO  
(Debtor in Possession)**

**TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-19

## INDEPENDENT AUDITOR'S REPORT

February 16, 2026

To the Audit Committee of the  
Central Administrative Offices of the Diocese of Buffalo:

### **Opinion**

We have audited the accompanying financial statements of Central Administrative Offices of the Diocese of Buffalo ("the CAO") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Administrative Offices of the Diocese of Buffalo as of August 31, 2025 and 2024, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CAO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Substantial Doubt about the Organization's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming the CAO will continue as a going concern. As discussed in Note 2, the CAO has been the subject of material claims associated with alleged inappropriate conduct on the part of its employees. As a result of the significant number and dollar value of claims, the CAO believes that these conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CAO's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CAO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CAO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Bonadio & Co., LLP*

**CENTRAL ADMINISTRATIVE OFFICES OF THE DIOCESE OF BUFFALO**  
**(Debtor in Possession)**

**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,501,462	\$ 5,823,238
Accounts receivable, net of allowance for credit losses of \$2,819,877 and \$1,809,768 at 2025 and 2024, respectively	1,699,001	1,556,503
Pledges receivable, net	195,493	281,256
Property held for sale	<u>1,489,453</u>	<u>1,696,529</u>
Total current assets	12,885,409	9,357,526
INVESTMENTS	32,421,624	31,018,824
PROPERTY, BUILDINGS AND EQUIPMENT, net	4,456,117	4,782,060
OTHER ASSETS	<u>376,848</u>	<u>241,400</u>
Total assets	<u>\$ 50,139,998</u>	<u>\$ 45,399,810</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,111,526	\$ 3,613,953
Provision for potential uninsured losses	8,750,000	10,600,000
Provision for misconduct claims	30,000,000	1,369,008
Asset retirement obligation	1,604,164	1,531,247
Liability for split-interest agreements	<u>8,732</u>	<u>77,615</u>
Total liabilities	<u>44,474,422</u>	<u>17,191,823</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	3,204,503	25,427,349
Designated for elementary education	<u>1,606,709</u>	<u>1,606,709</u>
	4,811,212	27,034,058
With donor restrictions	<u>854,364</u>	<u>1,173,929</u>
Total net assets	<u>5,665,576</u>	<u>28,207,987</u>
Total net assets and liabilities	<u>\$ 50,139,998</u>	<u>\$ 45,399,810</u>

The accompanying notes are an integral part of these statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE DIOCESE OF BUFFALO**  
**(Debtor in Possession)**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years ending August 31, 2025 and 2024**

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE:</b>						
Parish assessments	\$ 10,342,827	\$ -	\$ 10,342,827	\$ 10,905,815	\$ -	\$ 10,905,815
Fund for the Faith	971,980	195,493	1,167,473	1,070,362	281,256	1,351,618
Insurance premiums	8,724,889	-	8,724,889	9,186,567	-	9,186,567
Ministry support	2,384,759	-	2,384,759	2,902,108	-	2,902,108
Retirement home reimbursement	566,161	-	566,161	371,162	-	371,162
Program support	275,000	-	275,000	272,500	-	272,500
Charitable gift annuities	104,167	-	104,167	155,054	-	155,054
Bequests and other contributions	568,331	-	568,331	1,232,405	-	1,232,405
Investment income	1,636,662	-	1,636,662	2,171,431	92,136	2,263,567
Gain on sale of property, buildings and equipment	4,555,702	-	4,555,702	-	-	-
Religious sales	390,960	-	390,960	1,195,943	-	1,195,943
Catholic Partnership Health Plan	382,955	-	382,955	1,697,854	-	1,697,854
Net assets released from donor restrictions	515,058	(515,058)	-	301,085	(301,085)	-
<b>Total revenue</b>	<b>31,419,451</b>	<b>(319,565)</b>	<b>31,099,886</b>	<b>31,462,286</b>	<b>72,307</b>	<b>31,534,593</b>
<b>EXPENSES:</b>						
Salaries and wages	5,820,375	-	5,820,375	6,443,946	-	6,443,946
Fringe benefits	1,780,208	-	1,780,208	2,125,905	-	2,125,905
Professional and legal fees	4,010,494	-	4,010,494	3,540,266	-	3,540,266
Insurance management and program	7,240,483	-	7,240,483	8,771,944	-	8,771,944
Formation and deaconate program	360,401	-	360,401	512,252	-	512,252
Retirement homes	433,457	-	433,457	434,786	-	434,786
Retired priests program	427,329	-	427,329	659,926	-	659,926
Legacy pension plan	450,493	-	450,493	414,052	-	414,052
Operating costs	2,204,180	-	2,204,180	3,865,468	-	3,865,468
Relocation costs	340,841	-	340,841	38,991	-	38,991
Catholic Partnership Health Plan	549,462	-	549,462	2,271,919	-	2,271,919
Split interest agreements	342,969	-	342,969	62,918	-	62,918
Depreciation	780,240	-	780,240	780,743	-	780,743
<b>Total expenses</b>	<b>24,740,932</b>	<b>-</b>	<b>24,740,932</b>	<b>29,923,116</b>	<b>-</b>	<b>29,923,116</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>6,678,519</b>	<b>(319,565)</b>	<b>6,358,954</b>	<b>1,539,170</b>	<b>72,307</b>	<b>1,611,477</b>
CHANGE IN PROVISION FOR MISCONDUCT CLAIMS	(28,901,365)	-	(28,901,365)	-	-	-
CHANGE IN PROVISION FOR FACILITY RESTRUCTURING	-	-	-	330,000	-	330,000
<b>CHANGE IN NET ASSETS</b>	<b>(22,222,846)</b>	<b>(319,565)</b>	<b>(22,542,411)</b>	<b>1,869,170</b>	<b>72,307</b>	<b>1,941,477</b>
<b>NET ASSETS - beginning of year</b>	<b>27,034,058</b>	<b>1,173,929</b>	<b>28,207,987</b>	<b>25,164,888</b>	<b>1,101,622</b>	<b>26,266,510</b>
<b>NET ASSETS - end of year</b>	<b>\$ 4,811,212</b>	<b>\$ 854,364</b>	<b>\$ 5,665,576</b>	<b>\$ 27,034,058</b>	<b>\$ 1,173,929</b>	<b>\$ 28,207,987</b>

The accompanying notes are an integral part of these statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE DIOCESE OF BUFFALO**  
**(Debtor in Possession)**

**STATEMENTS OF CASH FLOWS**  
**Years ending August 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (22,542,411)	\$ 1,941,477
Adjustments to reconcile change in net assets to net cash flow from operations:		
Provision for uncollectible accounts	1,010,109	(188,709)
Asset retirement obligation	72,917	72,917
Unrealized loss (gain) on investments	234,289	(127,073)
Realized investment gains on investments	-	(2,943,576)
Gain on sale of property, buildings and equipment	(4,555,702)	-
Depreciation	707,323	707,826
Changes in assets and liabilities:		
Accounts receivable	(1,152,607)	(70,200)
Pledges receivable	85,763	63,174
Other assets	(135,448)	161,617
Accounts payable and accrued expenses	497,573	1,270,274
Provision for facility restructuring costs	-	(330,000)
Provision for potential uninsured losses	(1,850,000)	(369,900)
Provision for misconduct claims	28,630,992	260,373
Liability for split interest agreements	(68,883)	(13,546)
	<u>933,915</u>	<u>434,654</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, buildings and equipment	4,555,702	-
Purchases of property, buildings, and equipment	(174,304)	(170,053)
Proceeds from sale of investments	-	23,171,916
Purchases of investments	(1,637,089)	(22,999,039)
	<u>2,744,309</u>	<u>2,824</u>
NET CASH FLOW FROM INVESTING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,678,224	437,478
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,823,238</u>	<u>5,385,760</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,501,462</u>	<u>\$ 5,823,238</u>

The accompanying notes are an integral part of these statements.

**CENTRAL ADMINISTRATIVE OFFICES  
OF THE DIOCESE OF BUFFALO  
(Debtor in Possession)**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations and Basis of Presentation*** – The Diocese of Buffalo, N.Y. (the “Diocese”) was established in 1847 to serve the Catholic community in Western New York. The Diocese includes the Central Administrative Office (“the CAO”) unit which consists of the Bishop’s office and supporting staff, who minister to parishes and other institutions in the eight counties of Western New York State. The CAO does not include the assets, liabilities, or activities of individual parishes, various agencies such as secondary and elementary schools, cemeteries or social services agencies.

***Basis of Accounting*** – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Cash and Cash Equivalents*** – The CAO considers all highly liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents. Cash is held in bank demand deposit accounts which may, at times, exceed federally insured limits. The CAO believes it is not exposed to any significant credit risk with respect to cash and cash equivalents and has not experienced any losses in such accounts. Included in cash and cash equivalents are amounts related to the sale of Christ the King Seminary (the Seminary) in the amount of \$4,158,175 at August 31, 2025. This amount represents sale proceeds from the Seminary campus during the year ending August 31, 2025 and is required to be set aside for use in the CAO’s bankruptcy settlement (see Note 2).

***Parish Assessments and Accounts Receivable*** – The CAO assesses parishes an annual amount based primarily on historical parish offertory. Assessments are collected for services provided to the parishes for information technology, audit, building and property consultation, Diocesan missions, and other mutually-agreed-upon charges. Assessments are due on a monthly basis, with the balance at fiscal year end representing uncollected amounts. The CAO recognizes assessment revenue in the period in which it satisfies its performance obligations by transferring services to the parishes. The CAO’s performance obligation relative to assessments is a bundled obligation to provide services mutually agreed upon by both parties. Payments for assessments are recognized in the amount to which it expects to be entitled. An allowance for possible uncollectible amounts (credit losses) is maintained for current and prior years’ assessments. The allowance for credit losses is estimated based on review of specific accounts outstanding, the CAO’s historical collection experience, and management’s expectations about current and future economic conditions.

***Property Held for Sale*** – The CAO has made various properties available for sale in connection with its bankruptcy filing (see note 2). The CAO discloses the net book value of the properties being actively marketed for sale on its statements of financial position.

***Investments*** – Investments are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included as a component of general activity unless the income or loss is restricted by donor or law.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Fair Value Measurement*** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the CAO. Unobservable inputs are inputs that reflect the CAO's assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the CAO has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- Level 2 – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

***Investment Risks*** – Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the accompanying financial statements.

***Property, Buildings, and Equipment, net*** – Acquisitions with an initial cost of \$1,000 or more are capitalized at cost when purchased or at fair value at the date of gift when donated. Certain real estate for which no values are available has been recorded at nominal amounts. Depreciation is calculated on the straight-line method based on estimated useful lives of 30 years for buildings, 10 years for building improvements and furniture and fixtures, and 4 years for equipment.

The CAO regularly assesses all of its long-lived assets for impairment and recognizes a loss when the carrying value of an asset exceeds its fair value. The CAO determined that no impairment loss needs to be recognized for applicable assets for the years ended August 31, 2025 and 2024.

***Provision for Potential Uninsured Losses*** – The provision for potential uninsured losses is an estimate of the amount necessary to settle outstanding claims, including claims incurred but not reported, based on the facts in each case and the CAO's experience with similar cases. The estimate is reviewed and updated regularly by management, and any resulting adjustments are reflected in current activities.

***Provision for Misconduct Claims*** - The provision for misconduct claims was established by the CAO and represents the CAO's minimum publicly stated obligation in relation to the settlement of claims under its bankruptcy filing (see Note 2).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Deferred Revenue** – Deferred revenue is recognized when cash advances exceed revenues earned against such advances. Deferred revenue is included in accounts payable and accrued expenses in the accompanying statement of financial position and is disclosed in Note 10.

**Financial Reporting** – The CAO classifies its operations into the following net asset categories:

- **Net Assets Without Donor Restrictions** – Net assets without donor restrictions include operating net assets which are not subject to donor-imposed stipulations and are available to support the CAO’s general operating activities. Net assets without donor restrictions may also include amounts designated by management for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets with donor restrictions represent resources which are limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific action of the CAO. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities and changes in net assets, as ‘released from restrictions.’ Donor-restricted contributions received in the same year in which the restrictions are met are recorded as an increase in support without donor restrictions at the time of receipt.

**Income Taxes** – The CAO is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The CAO has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

**Use of Estimates** – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Leases** – The CAO determines at inception if an arrangement is a lease. The CAO reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed.

The CAO recognizes revenue on a straight-line basis over the lease term.

The CAO elected for all classes of underlying assets to not separate the lease and non-lease components of a contract, and to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components consist of utilities. The single lease component is accounted for under ASC 842.

**Reclassifications** – Certain amounts in the 2024 financial statements have been reclassified to conform to the presentation of the current year’s financial statements. Specific reclassifications include the statement of activities and changes in net assets and moving the functional expense schedule to the footnotes. These reclassifications have no effect on total net assets.

## 2. GOING CONCERN UNCERTAINTY

### **Child Victims Act**

On February 14, 2019, New York State signed into law the Child Victims Act (CVA). This legislation provided the following:

- Extended New York State's statute of limitations for child abuse claims.
- Allowed for criminal charges against abusers of children until their victims turn 28 years of age, vs. the previous law, which provided that right up to age 23.
- Allowed for civil actions against abusers and institutions where they were abused, until their victims turn 55.
- Beginning on August 14, 2019, permits any victim of child abuse to take civil action, regardless of when the abuse occurred.
- During August 2020, New York State extended the window permitting civil action until August 14, 2021.

As a result of the passage of the CVA, through the date that the window permitting civil actions closed, the CAO has been notified of approximately 900 abuse-related claims for alleged inappropriate conduct.

In response to the magnitude of the number of claims, lawsuits, and alleged damages, on February 28, 2020, the CAO filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating as a debtor in possession subject to the control and supervision of the Bankruptcy Court. This filing allowed the CAO to manage the claims adjudication process in an orderly manner, as well as to ensure the equitable treatment of all claimants.

As announced on April 22, 2025, a bankruptcy settlement in principle was reached where the CAO, Parishes, and Catholic Affiliates have agreed to contribute \$150,000,000 to a settlement fund for abuse survivors. The CAO's portion of this settlement amounts to a minimum of \$30,000,000 and this amount has been recognized as a Provision for Misconduct Claims in the Statement of Financial Position as of August 31, 2025.

The ability of the CAO to remain as a going concern and meet its obligations as they become due is dependent on the outcome of the anticipated bankruptcy proceeding and the settlement of abuse claims and lawsuits filed. These factors create substantial doubt about the CAO's ability to continue as a going concern for the year following the date the financial statements are available to be issued. The financial statements do not include any adjustments that might be necessary if the CAO is unable to continue as a going concern.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The CAO's financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures were as follows at August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 9,501,462	\$ 5,823,238
Accounts receivable - net	1,699,001	1,556,503
Pledges receivable - net	195,493	281,256
Investments	<u>20,723,929</u>	<u>11,796,266</u>
	32,119,885	19,457,263
Less: amounts unavailable for general expenditure	<u>(21,588,422)</u>	<u>(5,000)</u>
	<u>\$ 10,531,463</u>	<u>\$ 19,452,263</u>

As part of the CAO'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. The CAO is supported by donor-restricted contributions. Donor restrictions require resources to be used in a particular manner or in a future period; therefore, the CAO must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

### 4. ACCOUNTS RECEIVABLE AND CURRENT EXPECTED CREDIT LOSSES

The components of accounts receivable as of August 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Parish assessments	\$ 1,890,526	\$ 1,583,980
Insurance premiums	1,509,019	966,516
Related party and other receivables	1,119,333	815,775
Less: allowance for credit losses	<u>(2,819,877)</u>	<u>(1,809,768)</u>
	<u>\$ 1,699,001</u>	<u>\$ 1,556,503</u>

Changes in the allowance for credit losses, related to Diocesan assessments and insurance services, for the years ended August 31, 2025 and 2024 were as follows:

Balance at September 1, 2023	\$ 2,054,344
Change in provision for credit losses	<u>(244,576)</u>
Balance at August 31, 2024	1,809,768
Change in provision for credit losses	<u>1,010,109</u>
Balance at August 31, 2025	<u>\$ 2,819,877</u>

At August 31, 2023, the CAO's accounts receivable, net of current expected credit losses, amounted to \$1,297,588.

## 5. PLEDGES RECEIVABLE

Pledge contributions relate to the annual Fund for the Faith campaign and are due to be received within twelve months of each fiscal year-end. Pledges receivable are reported net of an allowance for uncollectibility and as of August 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Pledges due:		
In less than one year	\$ 256,337	346,750
Less: allowance for uncollectibility	<u>(60,844)</u>	<u>(65,494)</u>
	<u>\$ 195,493</u>	<u>\$ 281,256</u>

## 6. INVESTMENTS

Investments of the CAO are held primarily in the St. Joseph Investment Fund (the "SJIF"). The SJIF was organized for the purpose of offering Diocesan organizations a professionally-managed fund in harmony with the teaching and beliefs of the Roman Catholic Church. The investments are managed by twenty investment management firms and are overseen by the Investment Committee and Board of Directors of the SJIF. Investment income and investment management fees are allocated to SJIF participants based on the percentage of the net asset value of the individual funds to the total investment balance.

The following schedule for the years ended August 31, 2025 and 2024 summarizes the investment activity without donor restrictions in the statement of activities and changes in net assets:

	<u>2025</u>	<u>2024</u>
Dividends and interest	\$ 1,870,951	\$ 834,343
Net realized and unrealized gains (losses)	<u>(234,289)</u>	<u>1,429,224</u>
Investment income	<u>\$ 1,636,662</u>	<u>\$ 2,263,567</u>

The fair value of the CAO's investments at August 31, 2025 and 2024 is summarized as follows:

	<u>2025</u>	<u>2024</u>
St. Joseph Investment Fund	\$ 25,040,527	\$ 23,397,525
Money Market Funds	7,359,803	7,272,440
Other Investments	<u>21,294</u>	<u>348,859</u>
	<u>\$ 32,421,624</u>	<u>\$ 31,018,824</u>

## 6. INVESTMENTS (continued)

### Fair Value Disclosures

The following tables represent the CAO's investments that are measured at fair value on a recurring basis at August 31, 2025 and 2024 respectively:

	2025			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
St. Joseph Investment Fund	\$ -	\$ 25,040,527	\$ -	\$ 25,040,527
Money Market Funds	7,359,803	-	-	7,359,803
Other Investments:				
Interm. Diversified Bond Fund	-	2,601	-	2,601
Core Equity Index Fund	-	6,544	-	6,544
Small Cap Equity Index Fund	-	2,895	-	2,895
International Equity Fund	-	6,661	-	6,661
Opportunistic Bond Fund	-	2,593	-	2,593
Total Other Investments	<u>-</u>	<u>21,294</u>	<u>-</u>	<u>21,294</u>
Total Investments	<u>\$ 7,359,803</u>	<u>\$ 25,061,821</u>	<u>\$ -</u>	<u>\$ 32,421,624</u>

	2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
St. Joseph Investment Fund	\$ -	\$ 23,397,525	\$ -	\$ 23,397,525
Money Market Funds	7,272,440	-	-	7,272,440
Other Investments:				
Interm. Diversified Bond Fund	-	42,785	-	42,785
Core Equity Index Fund	-	103,435	-	103,435
Small Cap Equity Index Fund	-	48,087	-	48,087
International Equity Fund	-	112,059	-	112,059
Opportunistic Bond Fund	-	42,493	-	42,493
Total Other Investments	<u>-</u>	<u>348,859</u>	<u>-</u>	<u>348,859</u>
Total Investments	<u>\$ 7,270,440</u>	<u>\$ 23,746,385</u>	<u>\$ -</u>	<u>\$ 31,018,824</u>

The CAO's investment in the SJIF represents an interest in the investment pool held by the SJIF.

The CAO may make additional investments in the SJIF at will, but is under no obligation to do so. Withdrawals can also be made at will, and are executed quarterly.

Other investments include investment funds of Christian Brothers Investment Services, Inc. (CBIS), which provides socially responsible investment services to Catholic organizations. CBIS provides daily net asset value information for shares of its investment funds, but these funds are not traded on public exchanges. The CAO values its interest in the CBIS funds based on its understanding of the price at which shares of these funds are purchased or liquidated by other CBIS investors, and on other information provided by CBIS. Therefore, these investments are classified as utilizing level 2 inputs.

## 6. INVESTMENTS (continued)

**Split-Interest Agreements** – The CAO has been named the trustee for several irrevocable split-interest agreements. The donors have made a contribution to the CAO in exchange for a promise by the CAO to pay fixed amounts for a specified period of time to the beneficiary(ies). The assets contributed are recognized at fair value when received, and a liability is recognized for the amounts due to the beneficiary(ies) at the present value of future cash flows using a discount rate prevalent at the date of the gift. Discount rates range from 1.4% to 3.4% for amounts owed at August 31, 2025 and 2024, respectively. The fair value of split-interest agreement assets is \$21,294 and \$1,077,371 as of August 31, 2025 and 2024, respectively. The liability for split-interest agreements is \$8,732 and \$77,615 as of August 31, 2025 and 2024, respectively.

## 7. PROPERTY, BUILDINGS, AND EQUIPMENT, NET

The components of property, buildings, and equipment as of August 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Property, administrative offices and residences	\$ 24,096,675	\$ 23,729,609
Equipment, furnishing, and autos	4,796,860	4,782,358
Asset retirement costs	127,172	127,172
Property held for sale (note 8)	<u>1,489,453</u>	<u>1,696,529</u>
	30,510,160	30,335,668
Less: Accumulated depreciation	<u>(24,564,590)</u>	<u>(23,857,079)</u>
	<u>\$ 5,945,570</u>	<u>\$ 6,478,589</u>

Accumulated depreciation includes \$127,172 of accumulated depreciation on asset retirement costs for the years ending August 31, 2025 and 2024.

## 8. PROPERTY HELD FOR SALE

As a result of the circumstances in Note 2, the CAO has made the decision to market certain buildings, land, and properties for sale. The aggregate net book values of the properties amounted to \$1,489,453 and \$1,696,529 at August 31, 2025 and 2024. All negotiations for property held for sale are for sale prices in excess of net book value.

## 9. OTHER ASSETS

Other assets as of August 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Equity in insurance pool	\$ 6,566	\$ 6,566
Prepaid expenses	<u>370,282</u>	<u>234,834</u>
	<u>\$ 376,848</u>	<u>\$ 241,400</u>

## 9. OTHER ASSETS (Continued)

Equity in insurance pool relates to the CAO's participation in a liability risk retention pool (see Note 12). The equity is recorded based upon the CAO's pro-rata share of the net assets of the pool as reported by pool management.

## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of August 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 4,596,069	\$ 4,094,199
Funds held for national collections	812,113	643,529
Deferred revenue	37,055	246,044
Advance collections of insurance premiums	<u>(1,333,711)</u>	<u>(1,369,819)</u>
	<u>\$ 4,111,526</u>	<u>\$ 3,613,953</u>

At August 31, 2023 the CAO's deferred revenue amounted to \$326,153.

## 11. LETTERS OF CREDIT, LINES OF CREDIT AND NOTES PAYABLE

The CAO has a workers' compensation letter of credit in the amount of \$6,985,487. There was no balance outstanding as of August 31, 2025 and 2024. This letter of credit required the CAO to pay fees of \$ 35,413 in 2025 and \$24,857 in 2024. The letter of credit was secured by a pledge agreement designating certain Diocese of Buffalo insurance assets invested in a holding account at M&T Bank.

## 12. INSURANCE ACTIVITIES

The Insurance Services Department of the CAO manages insurance programs on behalf of parishes and other institutions within the Diocese through a combination of self-insurance retentions, participation in a liability risk retention group with other Dioceses, and the purchase of excess insurance coverage above the self-insured levels. A provision for potential uninsured losses is maintained for workers' compensation, general liability, sexual misconduct, and disability. The provision for potential uninsured losses is reviewed annually by management and was \$8,750,000 and \$10,600,000 at August 31, 2025 and 2024, respectively. Parishes and institutions are billed for premiums to defray the cost of the program.

A summary of the insurance activities for the years ended August 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Premium revenues	\$ 8,724,889	\$ 9,186,567
Premiums, claims and administrative costs	<u>(7,240,483)</u>	<u>(8,771,944)</u>
	<u>\$ 1,484,406</u>	<u>\$ 414,623</u>

### 13. CATHOLIC PARTNERSHIP HEALTH PLAN

The CAO, parishes, and other Diocesan entities participate in a voluntary self-insured health coverage program for lay employees. A provision for incurred but not reported claims has been made each plan year. The CAO paid premiums to the program in the amounts of \$270,749 and \$893,595 for the years ended August 31, 2025 and 2024, respectively. A summary of the program for the years ended August 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Premium revenues	\$ 382,955	\$ 1,697,854
Premiums, claims and administrative costs	<u>(549,462)</u>	<u>(2,271,919)</u>
	<u>\$ (166,507)</u>	<u>\$ (574,065)</u>

During the year ending August 31, 2024 it was decided by Diocesan management that the self-insured health coverage program will cease operations as of December 31, 2024. Any unused premiums paid into the plan were subsequently be distributed back to the participating entities after the plan paid all outstanding liabilities.

### 14. ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The CAO records all known asset retirement obligations for which the fair value of the environmental remediation liability can be reasonably estimated. The CAO has identified and recorded asbestos asset retirement obligations.

The following amounts are reflected in the statements of financial position as of August 31, 2025 and 2024 related to these obligations:

	<u>2025</u>	<u>2024</u>
Asset retirement obligation – beginning of year	\$ 1,531,247	\$ 1,458,330
Accretion expense during the year	<u>72,917</u>	<u>72,917</u>
Asset retirement obligation – end of year	<u>\$ 1,604,164</u>	<u>\$ 1,531,247</u>

The CAO is not aware of any other conditional asset retirement obligations as of August 31, 2025.

### 15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Fund for the Faith	\$ 195,493	\$ 281,256
Split-Interest Agreements	<u>658,871</u>	<u>892,673</u>
Total net assets with donor restrictions	<u>\$ 854,364</u>	<u>\$ 1,173,929</u>

**15. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Net assets with donor restrictions were released from restrictions during the years ended August 31, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Fund for the Faith	\$ 281,256	\$ 301,085
Split-Interest Agreements	<u>233,802</u>	<u>-</u>
	<u>\$ 515,058</u>	<u>\$ 301,085</u>

**16. LESSOR ACCOUNTING**

The CAO rented out office space at 801 Main Street in Buffalo, New York to a third party, under an operating lease agreement with an expiration date of December 2026. The components of lease income included in Bequest and Other Contributions in the accompanying Statement of Activities and Changes in Net Assets amounts to \$378,180 for the years ended August 31, 2025 and 2024.

**17. RETIREMENT BENEFIT PLANS**

**Defined Benefit Pension Plans**

The CAO contributes to two multi-employer defined benefit pension plans: the Diocese of Buffalo, New York Retirement Plan (Lay Plan), and the Retirement Plan for Secular Priests of the Diocese of Buffalo, New York (Priest Plan), in conjunction with other Diocesan organizations. The CAO does not directly manage these multi-employer plans, which are managed by two boards of trustees. A majority of the CAO's employees are participants in one of these multi-employer plans as of August 31, 2025 and 2024, subject to eligibility requirements.

Each of these plans is organized as a nonelecting noncontributory multi-employer church retirement plan, and therefore the plans are not subject to certain reporting requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

In May 2015, the Board of Trustees of the Lay Plan approved a recommendation to freeze the Lay Plan as of January 1, 2016. Upon freezing the Lay Plan, a participant's annual accrued benefit at the normal retirement date will remain the same as it was as of December 31, 2015, except for those participants not yet fully vested. Vesting service will continue to be credited for service completed in 2016 and later years. Contributions to the plan will continue until the plan is fully funded.

The risks of participating in a multi-employer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if an employer chooses to stop participating in a multi-employer plan, the company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew, or if there was a mass withdrawal, the CAO may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities.

## 17. RETIREMENT BENEFIT PLANS (continued)

### Defined Benefit Pension Plans (continued)

The following table presents information on the plans and the CAO's participation in the plans (000's omitted):

Plan	Plan EIN and Plan Number	Plan Funded Status as of December 31, 2024		Contributions for the Year ended August 31,		Total Plan Contributions for the Year ended December 31,		Contributions Greater than 5% of Total
		Assets	Accumulated Benefit Obligation	2025	2024	2024	2023	
Lay Plan	61-6631368	\$ 104,744	\$ 113,811	\$ 450	\$ 444	\$ 4,917	\$ 5,410	Yes
Priest Plan	35-2320275	\$ 46,475	\$ 37,525	\$ -	\$ 148	\$ -	\$ -	No

The plans' accumulated benefit obligations are determined annually by the plans' actuary. Significant actuarial assumptions utilized for the Lay Plan include a discount rate of 6% and an expected rate of investment return of 6%. Significant actuarial assumptions utilized for the Priest Plan include a discount rate of 6%, an expected rate of investment return of 6%, and an annual cost of living benefit increase of 0%. Plan assets for both plans are invested in two distinct investment trusts.

Funded status information is not available for the Priest Plan as of August 31, 2025 and 2024, as actuarial valuations were not performed as of that date due to the significant cost of such retroactive calculations. The CAO's portion of the unfunded status of the Lay Plan at January 1, 2025, as determined by the Plan's actuary approximated \$540,000. The plans' certified zone status is not available since the plans are not subject to ERISA reporting requirements.

As of January 1, 2016 the CAO participates in a multiple-employer defined contribution plan. The CAO contributes to eligible employee accounts based on a point system determined by age and years of service. Total contributions to the plan were approximately \$187,000 and \$253,000 for the years ended August 31, 2025 and 2024, respectively.

### Other Post-Retirement Benefit Plans

In addition to the multi-employer benefit pension plans described above, the CAO also participates in a multi-employer health and welfare plan that provides other post-retirement benefits including health, dental and auto insurance for retired priests. The expected post-retirement obligation is \$14,300,000 as of January 1, 2024, the most recent date a valuation has been performed. Benefits are funded by contributions from parishes and participating employers in the Diocese. The plan assets were \$13,631,600 and \$12,751,223 as of August 31, 2025 and 2024, respectively.

## 18. CONTINGENCIES

Outside of the matters discussed in Note 2, various legal actions are pending against the Diocese. The outcome of these matters is not presently determinable but, in the opinion of management under current New York State law, the CAO is adequately protected by purchased insurance coverage and by insurance reserves, and any ultimate resolution will not have a material adverse effect on the financial condition of the CAO. Management will continue to monitor these matters and adjust insurance reserves as appropriate.

## 19. RELATED PARTIES

The CAO provides administrative and accounting services to the SJIF and the Roman Catholic Diocese of Buffalo (the "Foundation"). Administrative fees paid by the SJIF to the CAO amounted to \$125,000 for each of the fiscal years ended August 31, 2025 and 2024, respectively. Administrative fees paid by the Foundation to the CAO amounted to \$150,000 and \$147,500 for fiscal years ended August 31, 2025 and 2024, respectively. These amounts are recognized as Program Support on the Statements of Activities and Changes in Net Assets. Further, the Foundation contributed approximately \$605,000 and \$668,000 to the CAO during the years ending August 31, 2025 and 2024, respectively, for various program activities.

## 20. FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities of the CAO have been summarized on a functional basis in the schedule below. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses such as payroll and benefits are allocated based on actual time spent within that program, which is substantiated by employee timesheets and corresponding records. Expenses such as professional services, insurance, post retirement benefits, travel and conferences and office expenses are directly charged to program expenses. Overhead expenses, including occupancy and depreciation are allocated to the programs based on utilized square footage.

The schedule of functional expenses for the year ended August 31, 2025 is as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 2,747,317	\$ 3,088,654	\$ 5,835,971
Fringe benefits	1,025,700	1,076,995	2,102,695
Professional and legal fees	161,867	4,056,622	4,218,489
Insurance	6,236,534	-	6,236,534
Depreciation	471,937	308,300	780,237
Occupancy	767,132	1,031,083	1,798,215
Catholic Health Plan	-	549,462	549,462
Tuition, fees and supplies	660,147	523,840	1,183,987
Post retirement costs	442,891	450,493	893,384
Credit losses	1,010,109	-	1,010,109
Miscellaneous	41,230	90,619	131,849
	<u>\$ 13,564,864</u>	<u>\$ 11,176,068</u>	<u>\$ 24,740,932</u>

The schedule of functional expenses for the year ended August 31, 2024 is as follows:

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 3,175,527	\$ 3,286,434	\$ 6,461,961
Fringe benefits	1,355,408	1,075,390	2,430,798
Professional and legal fees	231,491	3,496,798	3,728,289
Insurance	9,017,954	-	9,017,954
Depreciation	468,390	312,353	780,743
Occupancy	1,072,502	999,247	2,071,749
Catholic Health Plan	-	2,271,919	2,271,919
Tuition, fees and supplies	1,830,353	260,625	2,090,978
Post retirement costs	874,015	248,222	1,122,237
Credit recovery	(188,709)	-	(188,709)
Miscellaneous	26,538	108,659	135,197
	<u>\$ 17,863,469</u>	<u>\$ 12,059,647</u>	<u>\$ 29,923,116</u>

## **21. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 16, 2026, which is the date the financial statements were available to be issued.