



June 30, 2026

Dear Brothers and Sisters in Christ:

I am pleased to continue the practice of sharing with you the annual financial statements of the Central Administrative Offices of the Roman Catholic Diocese of Erie for the year ended December 31, 2025. These statements have been independently audited by our certified public accountants and as specified in Canon Law reviewed by the members of the Diocesan Finance Council.

This annual report is just one element of the accountability and transparency which the Diocese strives to practice on a continuing basis. In constructing our operating budget and monitoring our expenditure, I would assure you that our diocesan staff is committed to the prudent management of the financial resources which you have entrusted to us.

The facts and figures contained in this report represent more than an indication that what we do with our finances is right and proper in terms of accounting standards. The report also serves as concrete evidence of your generous support--primarily through the Catholic Services Appeal--of our Gospel mission and your concern for the needs of others. The vital ministries and programs that are carried out here at the Diocesan level including Catholic education, Catholic Charities, clergy and religious personnel services, vocations, and communications most certainly are dependent upon your generosity.

The annual report indicates that our current financial position is stable. Our return on investment continues to be positive in 2025. Significant increases in insurance cost were partially offset by interest expense, legal expense and educational expense reductions, the net result is a total expense increase in 2025.

Asking God's blessings on you and with deep appreciation for your continued support of the Diocese of Erie, I remain.

Sincerely yours in Christ,
+ Lawrence T. Persico
The Most Reverend Lawrence T. Persico, JCL
Bishop of Erie



Roman Catholic Diocese of Erie Central Administrative Offices

2025 Financial Report Highlights

- The financial statements of the Central Administrative Offices (CAO) of the Roman Catholic Diocese of Erie have once again been independently audited. The report of the independent auditor McGill, Power, Bell & Associates, LLP (MPB, LLP) stated that as of December 31, 2025, those statements presented fairly the financial position of the CAO and the changes in its net assets and cash flows for the year then ended.
- Those audited statements include only the services and programs which are provided through the Central Administrative Offices. The CAO serves parishes, schools, and other diocesan entities by providing program, financial and administrative support. However, its audited statements do not include the separate activities of the parishes, schools, cemeteries, or other distinct operating entities such as The Catholic Foundation of Northwest Pennsylvania, The Catholic Deposit & Loan Fund, or Catholic Charities of the Diocese of Erie, Inc. and its affiliates.
- For 2025, the CAO reported an increase in net assets of \$2.1 million. The increase in our net assets was the result of an increase in Investments and Cash of \$1.4 million and a reduction in the Priest Retirement Deficiency of \$.7 million.
- For the year, operating revenue was flat at \$21.5 million.
- Total expenses were increased by (\$1.4) million from the prior year. This increase was due to significant health & property insurance claims growth of (\$2.15) million and facility expense increase of (\$218,000). These increases were offset by reductions in interest expense of \$224,000, educational services of \$256,000, legal expense of \$339,000 and other expenses of \$105,000.

- Expenses for all ministries and programs of the CAO are included in the annual operating budget which is approved by the Diocesan Finance Council. Actual vs. budgeted expenses are then monitored monthly throughout the year.
- Total assets increased by \$2.0 million to \$47.4 million. The primary reason for the increase was the increase in investments.
- There was slight decrease in liabilities of \$159,000 to \$20.6 million
- The Diocesan Finance Council meets throughout the year on a quarterly basis. It serves as the primary advisory body to the Bishop of Erie in the area of financial administration. In addition to approving the annual budget and reviewing the annual accounting report, canon law requires that the Council be consulted on acts of extraordinary financial administration such as the purchase or sale of real estate, the borrowing of large amounts, and major new construction projects.
- The Office of Financial Services has the responsibility of supporting and assisting the bishop in the stewardship of the temporal resources needed to carry out the mission of the Diocese. It fulfills this responsibility by seeing that the resources of the Central Administrative Offices as well as those of the parishes, schools, and diocesan-affiliated entities are administered in a prudent manner and in accord with church law. It also includes onsite evaluations of the financial practices of parishes and elementary schools to ensure that their assets are properly safeguarded, that proper internal controls are in place, and that there is compliance with diocesan policies.
- Should you have any questions concerning the financial report, please contact the Office of Financial Services at 814-824-1180 or Finance@eriercd.org. I also invite you to visit our website for additional information at www.eriercd.org/finance.asp

James A. Hubert
Chief Financial Officer



DIOCESE of ERIE

Sharing the Catholic faith in northwest Pennsylvania

**Central Administrative Offices of the
Roman Catholic Diocese of Erie**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT 1

AUDITED FINANCIAL STATEMENTS

 Statement of Financial Position..... 3

 Statement of Activities..... 4

 Statement of Cash Flows 6

 Notes to Financial Statements 8



2402 West 8th Street
Erie, PA 16505
814.453.6594
Fax: 814.455.3642
www.mpbcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Most Reverend Lawrence T. Persico, JCL
Roman Catholic Diocese of Erie
Central Administrative Offices
Erie, Pennsylvania

Opinion

We have audited the accompanying financial statements of the Central Administrative Offices of the Roman Catholic Diocese of Erie (Diocese), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and cash flows for the year 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 the Diocese as of December 31, 2025, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Restatement of Financial Statements

We draw attention to Note O to the financial statements, which describes that the 2024 financial statements that we originally reported on April 30, 2025 have been restated, and the matter that gives rise to the restatement of the financial statements.

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 Diocese's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, 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 Diocese'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 Diocese'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.

Report on Summarized Comparative Information

We have previously audited the Diocese's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived as restated.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
May 8, 2026

AUDITED FINANCIAL STATEMENTS

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS FOR 2024)**

	<u>2025</u>	<u>(As Restated - Note O) 2024</u>
ASSETS		
Cash, Cash Equivalents, and Restricted Cash (Note A)	\$ 6,610,744	\$ 7,152,243
Cash and Cash Equivalents Held for Others (Note A)	640,940	628,121
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	7,251,684	7,780,364
Accounts, Notes and Loans Receivable, Net (Notes A and B)	4,346,757	4,768,873
Prepaid Insurance and Other Expenses	564,130	548,243
Investments at Fair Value (Note L)	23,173,370	21,243,470
Investments Held for Related Affiliates (Note E)	9,638,970	8,568,568
Other Investments, at Cost	216,168	216,168
Property and Equipment, Net (Notes A and D)	2,213,994	2,309,350
TOTAL ASSETS	\$ 47,405,073	\$ 45,435,036
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,473,781	\$ 2,079,186
Insurance Claims Payable and Accrued (Note A)	1,355,229	1,370,460
Deferred Revenues (Notes A and N)	1,053,590	953,385
Funds Held for Others	640,940	628,121
Funds Held for Related Affiliates (Note E)	9,638,970	8,568,568
Pension and Postretirement Benefits Liability (Note J)	6,441,839	7,163,325
TOTAL LIABILITIES	20,604,349	20,763,045
NET ASSETS		
Without Donor Restrictions (Notes A and G)		
Operations and Program Support	(2,491,566)	(2,721,040)
Designated	14,730,792	16,338,171
Designated - Priests' Retirement Deficiency	(8,583,975)	(9,427,439)
Funds Functioning as Endowments	3,256,983	2,616,618
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	6,912,234	6,806,310
With Donor Restrictions (Notes A and G)	19,888,490	17,865,681
TOTAL NET ASSETS	26,800,724	24,671,991
TOTAL LIABILITIES AND NET ASSETS	\$ 47,405,073	\$ 45,435,036

See notes to financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS FOR 2024)**

	Without Donor Restrictions			Total Without Donor Restrictions
	(As Restated - Note O) Operations and Program Support	Designated	(As Restated - Note O) Funds Functioning as Endowments	
REVENUE, GAINS AND OTHER SUPPORT				
Catholic Services Appeal - Designated for Operations	\$ -	\$ 4,116,410	\$ -	\$ 4,116,410
Catholic Services Appeal - Used in Operations	4,116,410	(4,116,410)	-	-
Diocesan Assessments	1,687,000	3,519,271	-	5,206,271
Insurance Programs Revenue	-	8,961,948	-	8,961,948
Program Service Fees	416,200	274,403	-	690,603
Department Revenues	611,035	-	-	611,035
Interest and Dividend Income (Loss), Net	35,601	54,116	65,983	155,700
Contributions and Bequests	673,634	4,631	381,813	1,060,078
Contributed Services	-	-	-	-
Other Revenue	84,245	-	-	84,245
Net Assets Released From Restrictions	1,055,760	108,000	-	1,163,760
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,679,885	12,922,369	447,796	22,050,050
EXPENSES AND LOSSES				
Pastoral Services	1,231,675	-	-	1,231,675
Clergy Services	851,523	845,331	5,655	1,702,509
Vocation	622,319	-	-	622,319
Educational Services	1,518,636	2,264,250	320,431	4,103,317
Communications	659,452	-	-	659,452
Catholic Charities	1,014,920	2,561	-	1,017,481
Tribunal Office	181,426	-	-	181,426
Catholic Foundation Allocations	292,000	-	-	292,000
Financial Services	933,891	-	-	933,891
Facilities Management	1,070,051	-	-	1,070,051
Insurance Programs	-	11,001,128	-	11,001,128
Interest Expense	-	282	-	282
Legal Expenses	235,079	-	-	235,079
Other Expenses	24,060	3,000	8,011	35,071
TOTAL EXPENSES	8,635,032	14,116,552	334,097	23,085,681
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES) AND NET UNRECOGNIZED PENSION COSTS	44,853	(1,194,183)	113,699	(1,035,631)

With Donor Restrictions	Totals 2025	Totals 2024
\$ -	\$ 4,116,410	\$ 4,122,796
-	-	-
-	5,206,271	5,228,925
-	8,961,948	8,472,257
-	690,603	843,938
-	611,035	490,809
349,517	505,217	657,601
236,169	1,296,247	1,618,467
-	-	24,025
-	84,245	47,588
<u>(1,163,760)</u>	<u>-</u>	<u>-</u>
<u>(578,074)</u>	<u>21,471,976</u>	<u>21,506,406</u>
-	1,231,675	1,285,055
-	1,702,509	1,605,914
-	622,319	606,903
-	4,103,317	4,358,701
-	659,452	631,594
-	1,017,481	1,071,611
-	181,426	217,461
-	292,000	315,000
-	933,891	940,734
-	1,070,051	852,005
-	11,001,128	8,851,148
-	282	223,672
-	235,079	573,624
-	35,071	139,710
<u>-</u>	<u>23,085,681</u>	<u>21,673,132</u>
<u>(578,074)</u>	<u>(1,613,705)</u>	<u>(166,726)</u>

See notes to financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS FOR 2024)**

	Without Donor Restrictions			Total Without Donor Restrictions
	(As Restated - Note O) Operations and Program Support	Designated	(As Restated - Note O) Funds Functioning as Endowments	
OTHER CHANGES IN NET ASSETS				
Net Realized/Unrealized Gain (Loss) on Investments	13,766	28,607	511,176	553,549
Income from Sale of Diocesan Property	515,000	-	-	515,000
Change in Net Unrecognized Pension Costs	-	588,006	-	588,006
TOTAL OTHER CHANGES IN NET ASSETS	<u>528,766</u>	<u>616,613</u>	<u>511,176</u>	<u>1,656,555</u>
CHANGE IN NET ASSETS	573,619	(577,570)	624,875	620,924
NET ASSET INTERNAL TRANSFERS	(344,145)	(186,345)	15,490	(515,000)
RESTATEMENT OF BEGINNING NET ASSETS - See Note O	15,912,578	-	(15,912,578)	-
NET ASSETS, BEGINNING OF YEAR - AS RESTATED	<u>(2,721,040)</u>	<u>6,910,732</u>	<u>2,616,618</u>	<u>6,806,310</u>
NET ASSETS, END OF YEAR	<u>\$ (2,491,566)</u>	<u>\$ 6,146,817</u>	<u>\$ 3,256,983</u>	<u>\$ 6,912,234</u>

<u>With Donor Restrictions</u>	<u>Totals 2025</u>	<u>Totals 2024</u>
2,085,883	2,639,432	2,196,235
-	515,000	-
-	588,006	2,234,021
<u>2,085,883</u>	<u>3,742,438</u>	<u>4,430,256</u>
1,507,809	2,128,733	4,263,530
515,000	-	-
-	-	-
<u>17,865,681</u>	<u>24,671,991</u>	<u>20,408,461</u>
<u>\$ 19,888,490</u>	<u>\$ 26,800,724</u>	<u>\$ 24,671,991</u>

See notes to financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS FOR 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,128,733	\$ 4,263,530
Items not Requiring (Providing) Cash		
Depreciation	301,149	286,344
Net Realized and Unrealized Gains (Losses) on Investments	(2,639,432)	(2,196,235)
Changes in Pension and Post Retirement Benefits Liability	(721,486)	(2,459,856)
Gain (Loss) on Sale of Asset	-	159,502
Changes in		
Assessment and Catholic Services Appeal Accounts		
Receivable, Other Receivables and Loans	138,193	(24,018)
Prepaid Insurance and Other Expenses	(15,887)	89,950
Accounts Payable and Accrued Expenses, Including		
Insurance Claims	(620,636)	(93,080)
Deferred Revenues	100,205	(43,347)
Funds Held for Others	12,819	16,801
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,316,342)</u>	<u>(409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(205,793)	(301,309)
Proceeds from the Sale of Property and Equipment	-	130,498
Purchase of Investments	(9,490,414)	(51,082,989)
Proceeds from Disposition of Investments	9,129,544	69,955,480
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(566,663)</u>	<u>18,701,680</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings Under Line-of-Credit Agreement	-	(20,603,617)
Note Receivable - Parish and School - Net Principal		
Repayments (Loans Made)	283,923	143,396
Net Additions (Withdrawals)		
from Investments Held for Others	1,070,402	980,540
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>1,354,325</u>	<u>(19,479,681)</u>

See notes to financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS FOR 2024)**

	<u>2025</u>	<u>2024</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(528,680)	(778,410)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR	<u>7,780,364</u>	<u>8,558,774</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	<u>\$ 7,251,684</u>	<u>\$ 7,780,364</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash Paid for Interest	\$ 282	\$ 223,672

See notes to financial statements.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

NOTE A NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Central Administrative Offices (CAO) of the Roman Catholic Diocese of Erie (the Diocese) is a not-for-profit organization whose mission and principal activities are to oversee the parishes, schools and other entities of the Diocese under the supervision of the Bishop's office and staff. The Diocese encompasses thirteen counties in Northwest Pennsylvania. The operations of the Diocese support the programs and activities of these parishes, schools and other entities. Additionally, the Diocese administers the parishes and other affiliates participation in the Diocese's self-insured group health and property/casualty insurance programs.

The financial statements do not include the separate activities of the Diocesan parishes, schools, cemeteries, service agencies, nursing homes, Catholic Charities of the Diocese of Erie, Inc., the Catholic Foundation of the Diocese of Erie, the Erie Diocesan Cemeteries, the Catholic Deposit and Loan Fund of Northwest Pennsylvania, Inc., or any institution owned and operated by religious orders of men or women. The aforementioned activities are distinct operating entities, maintain separate accounts, and perform their own services and programs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Diocese considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2025 and 2024, cash, cash equivalents, and restricted cash consisted primarily of money market accounts with brokers and checking accounts with local institutions.

At December 31, 2025, the Diocese cash accounts exceeded federally insured limits by approximately \$3,800,000.

Cash, cash equivalents, and restricted cash shown in the statements of financial position and of cash flows include the following:

	<u>2025</u>	<u>2024</u>
General Operating	\$ 5,310,744	\$ 5,422,243
Letter of Credit - Restricted	<u>1,300,000</u>	<u>1,730,000</u>
Total Cash, Cash Equivalents, and Restricted Cash included in the statements of financial position and cash flows	<u>\$ 6,610,744</u>	<u>\$ 7,152,243</u>

This includes letter of credit offsets for self-insurance vehicle coverage with the state of PA and workers compensation claims from prior year self-insured activity. See Note P for additional information.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

CENTRAL ADMINISTRATIVE OFFICES OF THE ROMAN CATHOLIC DIOCESE OF ERIE NOTES TO FINANCIAL STATEMENTS

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Diocese maintains pooled investment accounts for its endowments and other organizations' investments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts, Notes and Loans Receivable

Accounts receivable are stated at the amount of consideration from parishes and other Diocesan organizations, of which the Diocese has an unconditional right to receive. The Diocese provides allowance for credit loss accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the organization.

Allowance for Credit Losses

The Diocese operates as a management organization, and its accounts receivable are primarily derived from the assessments obtained from its related party organizations. The Diocese recognizes an expected allowance for credit losses, which is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Diocese's historical losses on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Diocese. The Diocese believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses, as the Diocese's portfolio segments have remained consistent since the Diocese's inception.

The Diocese writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Diocese's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the years ended December 31, 2025 and 2024.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building Improvements	15 years
Vehicles, Office Equipment and Furniture	5 - 7 years

Long-Lived Asset Impairment

The Diocese evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Guarantees

The Diocese is a guarantor of a loan to an institution which falls under its jurisdiction. The guarantee term is approximately seven years. Should the Diocese be obligated to perform under the guarantee arrangement, the Diocese may seek reimbursement from the affiliate of amounts expended under the guarantee.

At December 31, 2025 and 2024, the total outstanding balance on the guaranteed loan was approximately \$3.7 million and \$3.7 million, respectively. To the best of the Diocese’s knowledge, payments on the obligation have been made by the institution in accordance with the loan agreement. There were no known defaults or delinquencies. Therefore, the Diocese did not record a liability under guarantee agreements at December 31, 2025 and 2024, respectively.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Diocesan Finance Council has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowments.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Diocese either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Diocese overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Self-Insurance

The Financial Services Office of the Diocese 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 limits.

As of December 31, 2025 and 2024, the Diocese was self-insured on property claims up to \$350,000. The Diocese was also self-insured for theft/employee dishonesty claims up to \$200,000 per occurrence, and for third-party liability claims up to \$350,000 per occurrence, with an aggregate loss limit of \$5 million.

Losses are recorded as expense when incurred. The Diocese records a liability as of December 31 for claims outstanding and payable, including losses incurred but not reported. Such liabilities are necessarily based on estimates and, while the Diocese believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the financial statements. The recorded liability for outstanding claims is \$915,491 and \$961,963 as of December 31, 2025 and 2024, respectively.

The Diocese is also self-insured in providing a group health insurance for its priests and the lay employees of the parishes, schools and Diocese. These risks are subject to stop loss insurance purchased by the Diocese from Sun Life Assurance Company of Canada. The insurance has a specific deductible of \$250,000 per covered person with an additional \$50,000 aggregating specific deductible. Claims are administered by Meritain Health, Liviniti and SHARx. The recorded liability for outstanding claims is \$439,738 and \$408,497 as of December 31, 2025 and 2024, respectively.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets consist of contributions of services provided and in-kind contributions. The services provided are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of management functions performed by members of the clergy within various religious communities in the Diocese. These services are recorded as revenues and are charged to the appropriate program benefited. Contributed revenue and expenses recognized from contributed services and in-kind contributions consisted of:

	<u>2025</u>	<u>2024</u>
Contributed Services		
Management	\$ -	\$ 24,025
Total Contributed Services	<u>\$ -</u>	<u>\$ 24,025</u>

Deferred Revenues

Revenue from fees for insurance assessments is deferred and recognized over the periods to which the fees relate.

Income Taxes

The Diocese is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in Note K. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on the nature of activities, time of employees involved, and other methods.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Diocesan financial statements for the year ended December 31, 2024, from which the summarized information was derived.

NOTE B ACCOUNTS, NOTES AND LOANS RECEIVABLE

Receivables at December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Assessments and Catholic Services Appeal	\$ 2,447,675	\$ 2,472,525
Loans and Notes - Deposit and Loan Fund	26,319	76,177
Note Receivable - Parish and School	4,175,940	4,459,863
Other Receivables and Loans	<u>431,888</u>	<u>511,373</u>
	7,081,822	7,519,938
Less: Allowance for Credit Losses	<u>(2,735,065)</u>	<u>(2,751,065)</u>
	<u>\$ 4,346,757</u>	<u>\$ 4,768,873</u>

Assessments relate primarily to parishes and other Diocesan affiliates for insurance, priests' retirement, schools and Diocesan programs and operations. Due to the history of collectability, most of the Diocesan receivables are considered to be long term.

NOTE C INTEREST IN ASSETS HELD AT THE CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

The Diocese transferred assets to the Catholic Foundation of Northwest Pennsylvania (Foundation) and retained beneficial interest in those assets. The Diocese is to receive an annual distribution determined annually by the Foundation's board of directors, and undistributed earnings will be retained. The Diocese has granted variance power to the Foundation. The fair value of the retained beneficial interest, included in the statements of financial position within investments held at fair value, was \$977,850 and \$843,169 at December 31, 2025 and 2024, respectively.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

NOTE D PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	<u>2025</u>	<u>2024</u>
Land	\$ 257,633	\$ 257,633
Buildings	3,542,886	3,542,886
Building Improvements	4,788,115	4,613,224
Vehicles, Office Equipment and Furniture	<u>832,252</u>	<u>818,345</u>
	9,420,886	9,232,088
Less: Accumulated Depreciation	<u>(7,206,892)</u>	<u>(6,922,738)</u>
	<u>\$ 2,213,994</u>	<u>\$ 2,309,350</u>

**NOTE E FUNDS HELD FOR RELATED AFFILIATES AND OTHER RELATED AFFILIATE
TRANSACTIONS**

The Endowment Care Fund of the Erie Diocesan Cemeteries (Cemeteries) is under the custody of the Roman Catholic Diocese of Erie, which oversees its investments and all financial transactions. These funds are accounted for as liabilities on the statements of financial position of the Diocese, while the Diocese holds the assets and administers the funds.

The balance of funds held for the Cemeteries at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Erie Diocesan Cemeteries	<u>\$ 9,638,970</u>	<u>\$ 8,568,568</u>

The Diocese is compensated for the investment and accounting services provided to affiliates. Total support and revenue received from each organization during the years ended December 31, 2025 and 2024 are as follows, and are included in the program service fees on the statement of activities:

	<u>2025</u>	<u>2024</u>
Erie Diocesan Cemeteries	\$ 105,000	\$ 105,000
Catholic Charities	38,000	50,000
Catholic Foundation	33,200	35,004
Catholic Deposit and Loan Fund of NWPA	120,000	100,000
STAR Foundation	<u>25,000</u>	<u>61,000</u>
	<u>\$ 321,200</u>	<u>\$ 351,004</u>

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

The Diocese provides financial support in the form of grants to assist in subsidizing the operations of related organizations. Total support provided to each organization during the years ended December 31, 2025 and 2024 are as follows, and are included in the operations and program support on the statements of activities:

	<u>2025</u>	<u>2024</u>
The Catholic Foundation	\$ 200,000	\$ 223,000
Catholic Charities	318,800	343,800
Yucatan Mission	35,000	38,000
Adoption and Counseling Agency	213,000	230,000
Prince of Peace Center	102,000	110,000
Good Samaritan Center	52,000	56,000
St. Martin Center	114,000	121,660
St. Elizabeth Center	19,000	20,000
Rural Ministries of Venango and Clarion Counties	35,000	38,000
Erie High Schools Tuition Assistance Program	108,336	117,962
Regional High Schools Tuition Assistance Program	87,071	112,750
	<u>\$ 1,284,207</u>	<u>\$ 1,411,172</u>

The Diocese also collects contributions from its parishes to be remitted to other charitable organizations. These balances are carried as a liability on the statements of financial position until remitted. Cash and cash equivalents held for others on the statements of financial position consist of these collections and cash received from related affiliates to be invested.

In addition to the above, the Diocese engaged in various transactions with related parties which include entities in which key management personnel have significant influence or control, as well as entities under common control with the Diocese. At December 31, 2025 and 2024, the Diocese had accounts payable to related parties of approximately \$4,000 and \$3,000, respectively.

NOTE F DEFERRED COMPENSATION AGREEMENT

The Diocese has an unfunded deferred compensation agreement with its former Chief Financial Officer that provides, upon disability or retirement, 30% of his final salary in equal monthly benefits for life. The present value of total estimated deferred compensation is being accrued using the straight-line method. The individual is currently drawing on this agreement. The total deferred compensation liability was \$251,000 and \$261,000 for years ended December 31, 2025 and 2024, respectively, and is included in accounts payable and accrued expenses on the statements of financial position.

NOTE G NET ASSETS

Net Assets Without Donor Restrictions

Unrestricted net assets at December 31 include the following:

Operations and Program Support – Includes the revenues and expenses associated with the principal functions of the Diocese.

Net assets without restrictions also include the land, buildings and improvements of St. Mark Catholic Center, the priests' retirement home, and the Bishop's residence.

Beginning in 2019, all Catholic Services Appeal monies given to the Diocese were internally designated to be utilized for operation purposes and not to fund any legal or other litigatory expenses. The Diocese's policy is to release these funds from designated to operations in the year expended. The total amount of designated revenues earned and released during 2025 and 2024 was \$4,116,410 and \$4,122,796, respectively.

Designated – These net assets are currently expendable for designated purposes. These include Designated – Priests' Retirement Deficiency.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Funds Functioning as Endowments – Includes long-term investments developed from gifts and the Bishop’s designations. Earnings are utilized at the Bishop’s discretion.

The net assets without donor restrictions of the Diocese as of December 31 consist of the following:

	2025	(As Restated - Note O) 2024
OPERATIONS AND PROGRAM SUPPORT	\$ (2,491,566)	\$ (2,721,040)
DESIGNATED		
Self-Insurance - Property and Casualty	3,300,820	4,138,781
Group Health	3,414,118	4,545,633
Unemployment Compensation	1,893,558	1,929,943
Regional Support Programs	216,938	214,973
Catholic School Assistance	3,802,515	3,409,765
Capital Stewardship Campaign	168,017	170,578
Pastoral Services	1,934,826	1,928,498
	<u>14,730,792</u>	<u>16,338,171</u>
DESIGNATED - PRIESTS' RETIREMENT DEFICIENCY	<u>(8,583,975)</u>	<u>(9,427,439)</u>
TOTAL DESIGNATED	<u>6,146,817</u>	<u>6,910,732</u>
FUNDS FUNCTIONING AS ENDOWMENTS		
Tuition Assistance - Elementary	78,182	123,852
Charitable Endowment Fund	324,480	300,467
Religious Education Endowment Fund	623,019	603,002
Bishop's Discretionary Fund	1,542,830	1,247,127
Priests' Retirement Home Endowment Fund	518,544	201,370
Clergy Continuing Education Fund	67,628	56,529
Mission Endowment Fund	90,589	84,271
Ministry Support Funds	11,711	-
	<u>3,256,983</u>	<u>2,616,618</u>
	<u>\$ 6,912,234</u>	<u>\$ 6,806,310</u>

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specified Purpose		
Priestly Formation and Ministry Development	\$ 8,136,014	\$ 7,273,247
Charitable Programs - Other	1,386,557	1,292,264
Educational Assistance Programs	843,320	458,378
Evangelization	14,765	18,266
Communication Programs	75,891	73,251
Clergy Health and Retirement	454,778	396,428
Priest Retirement Home	13,144	22,962
	<u>10,924,469</u>	<u>9,534,796</u>
Subject to Diocese Endowment Spending Policy and Appropriation		
Priestly Formation and Ministry Development	8,928,827	8,299,462
Mass Intentions and Parish Needs	35,194	31,423
	<u>8,964,021</u>	<u>8,330,885</u>
	<u>\$ 19,888,490</u>	<u>\$ 17,865,681</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2025</u>	<u>2024</u>
Priestly Formation and Ministry Development	\$ 1,042,441	\$ 1,034,830
Michael J Murphy Priest Retirement Home	9,818	-
Charitable Programs - Other	-	37,074
Evangelization	3,501	1,000
Communication Programs	108,000	108,000
	<u>\$ 1,163,760</u>	<u>\$ 1,180,904</u>

NOTE H ENDOWMENT

The Diocesan endowment consists of approximately seventeen individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Interpretation of Relevant Law

The current relevant law for the investment and distribution of restricted endowment and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Act 141 requires an organization to adopt and follow a "total return" investment policy to seek the best total return on the principal whether from capital appreciation, earnings, or both. If Act 141 is applicable and elected by an organization, the board is required to make an annual "spending" election of between 2% and 7% of the value of endowment assets. For purposes of this provision, the value of the trust principal is the fair market value of the trust assets averaged over the past three or more years. In addition to the use of Act 141 for donor-restricted endowment funds, the Bishop and Diocesan Finance Council use Act 141 as a framework for its unrestricted board-designated endowment funds.

In accordance with Act 141, the Diocese considers the following factors in making a determination to spend or accumulate donor-restricted and board-designated endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Diocese and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Diocese
7. Investment policies of the Diocese

Endowment by Net Asset Class

The composition of net assets by type of endowment fund at December 31, 2025 and 2024 was:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 16,953,134	\$ 16,953,134
Diocesan-Designated Endowment Funds	3,256,983	-	3,256,983
Total Endowment Funds	\$ 3,256,983	\$ 16,953,134	\$ 20,210,117

(As Restated - Note O)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 15,503,179	\$ 15,503,179
Diocesan-Designated Endowment Funds	2,616,618	-	2,616,618
Total Endowment Funds	\$ 2,616,618	\$ 15,503,179	\$ 18,119,797

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Endowment Reconciliation

Changes in endowment net assets for the years ended December 31 were:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 2,616,618	\$ 15,503,179	\$ 18,119,797
Investment Return			
Investment Income, Net of Fees	65,983	349,517	415,500
Net Appreciation (Depreciation)	511,176	2,085,883	2,597,059
Total Investment Return	577,159	2,435,400	3,012,559
Contributions	381,813	22,785	404,598
Appropriation of Endowment Assets for Expenditure	(334,097)	(1,008,230)	(1,342,327)
Transfers	15,490	-	15,490
Endowment Net Assets, End of Year	\$ 3,256,983	\$ 16,953,134	\$ 20,210,117

(As Restated - Note O)
2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 17,357,814	\$ 14,101,311	\$ 31,459,125
Investment Return			
Investment Income, Net of Fees	92,540	350,202	442,742
Net Appreciation (Depreciation)	408,085	1,930,061	2,338,146
Total Investment Return	500,625	2,280,263	2,780,888
Contributions	1,036,836	22,785	1,059,621
Appropriation of Endowment Assets for Expenditure	(367,593)	(901,180)	(1,268,773)
Transfers	(15,911,064)	-	(15,911,064)
Endowment Net Assets, End of Year	\$ 2,616,618	\$ 15,503,179	\$ 18,119,797

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Diocese is required to retain as a fund of perpetual duration pursuant to donor stipulation. There were no such deficiencies as of December 31, 2025 and 2024.

Return Objectives and Risk Parameters

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Diocese must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Diocesan policies, the primary objective of the endowment assets is the long-term growth of principal with generation of income, without an undue exposure to risk. Assets are invested in a manner that is intended to achieve results that meet or exceed appropriate market indices, which are monitored by the Diocesan Finance Council throughout the year. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese has a policy (the spending policy) of appropriating for expenditures each year. The effective spending policy rate was 7% for the years ended December 31, 2025 and 2024. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowment to grow. This is consistent with the Diocesan objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE I LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents (Less Restricted Cash)	\$ 5,310,744	\$ 5,422,243
Accounts Receivable Due in Next 12 Months	719,758	816,249
Payout on Donor-Restricted Endowments for Use Over Next 12 Months	1,101,747	1,091,469
Payout on Quazis-Endowments for Use Over Next 12 Months	<u>144,924</u>	<u>685,089</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,277,173</u>	<u>\$ 8,015,050</u>

The Diocese's endowment funds consist of donor-restricted endowments and funds designated by the Diocesan Finance Council as endowments. Donor-restricted endowment funds are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

The board-designated endowment of \$3,256,983 is subject to an annual spending rate of 2 to 7 percent as described in Note H. Although the Diocese does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Diocesan Finance Council's annual budget approval and appropriation), these amounts could be made available if necessary.

The Diocese manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Diocese evaluates its future cash flows and monitors its liquidity and reserves regularly.

NOTE J PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Lay Employees 401(k) Retirement Plan

The Diocese has a defined contribution plan covering certain employees of parishes, schools, offices, and agencies of the Diocese. The Diocese provides a contribution of 6% of compensation for all employees of the Diocese who are participants in the plan. The total expenses to the Diocese for this plan were \$130,840 and \$136,422 for 2025 and 2024, respectively.

Defined Benefit Plan and Priest Postretirement Benefits

The Diocese has a noncontributory defined benefit plan covering all Diocesan priests who meet the eligibility requirements. The Diocesan funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Diocese may determine to be appropriate from time to time.

The Diocese has a noncontributory defined benefit postretirement health care plan covering retired priests who meet the eligibility requirements. The Diocese funds benefits on a "pay-as-you-go" basis. It is an unfunded plan.

The Diocese uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Projected Benefit Obligation	\$ (14,401,918)	\$ (14,361,497)	\$ (2,864,182)	\$ (2,573,786)
Fair Value of Plan Assets	10,824,261	9,771,958	-	-
Funded Status	<u>\$ (3,577,657)</u>	<u>\$ (4,589,539)</u>	<u>\$ (2,864,182)</u>	<u>\$ (2,573,786)</u>

Liabilities recognized in the statements of financial position:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Liabilities	<u>\$ (3,577,657)</u>	<u>\$ (4,589,539)</u>	<u>\$ (2,864,182)</u>	<u>\$ (2,573,786)</u>

As of August 1, 2025, the monthly pension benefit payments increased from \$1,650 to \$1,700.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Amounts recognized in change in net assets not yet recognized as components of net periodic benefit cost consist of:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Net Loss (Gain)	\$ (899,617)	\$ (2,037,264)	\$ 230,102	\$ (330,834)
Plan Amendment Increased				
Benefit Payments	360,905	397,294	-	-
Prior Service Cost	(279,396)	(263,217)	-	-
Total Loss (Gain)	<u>\$ (818,108)</u>	<u>\$ (1,903,187)</u>	<u>\$ 230,102</u>	<u>\$ (330,834)</u>

The accumulated benefit obligation for the defined benefit pension plan and the post-retirement health care plan was \$17,266,100 and \$16,935,283 at December 31, 2025 and 2024, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31	
	2025	2024
Benefit Obligation	\$ 14,401,918	\$ 14,361,497
Accumulated Benefit Obligation	\$ 14,401,918	\$ 14,361,497
Fair Value of Plan Assets	\$ 10,824,261	\$ 9,771,958

Other significant balances and costs are:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Employer Contributions	\$ 692,260	\$ 868,304	\$ -	\$ -
Benefits Paid	\$ (1,060,108)	\$ (1,022,534)	\$ (123,584)	\$ (110,630)
Net Periodic Benefit Costs	\$ 498,486	\$ 568,183	\$ 139,873	\$ 161,706

Other changes in plan assets and benefit obligations recognized in change in net assets:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Amounts Arising During the Period:				
Service Cost	\$ 79,993	\$ 89,305	\$ 47,127	\$ 54,587
Interest Cost	751,067	691,351	136,751	130,329
Expected Return on Plan Assets	(611,970)	(523,929)	-	-
Net Loss	<u>219,090</u>	<u>256,727</u>	<u>183,878</u>	<u>184,916</u>

Amounts Reclassified as Components
of Net Periodic Benefit Cost of
the Period:

Net (Gain) Loss	-	48,239	(44,005)	(23,210)
Net Prior Service Cost	279,396	263,217	-	-

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized into net periodic benefit costs over the next fiscal year are \$0 and \$272,605, respectively. The estimated net gain and prior service credit for the other defined benefit postretirement plan that will be amortized into net periodic benefit cost over the next fiscal year is \$22,628 and \$0, respectively.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Significant assumptions include:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Weighted-Average Assumptions Used to Determine Benefit Obligations:				
Discount Rate	5.25%	5.50%	5.25%	5.50%
Weighted-Average Assumptions Used to Determine Benefit Costs:				
Discount Rate	5.50%	4.75%	5.50%	4.75%
Expected Return on Plan Assets	6.75%	6.75%	N/A	N/A

For measurement purposes, a 3.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2025 and 2024.

The Diocese's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants. Target allocation ranges are guidelines, not limitations, and occasionally, plan fiduciaries will approve allocations above or below a target range. The Diocese's investment policy included various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions.

Pension Plan Assets

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

The fair values of the Diocesan pension plan assets at December 31, 2025 and 2024, by asset class are as follows:

Asset Class	2025			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Notes	\$ 94,114	\$ 94,114	\$ -	\$ -
Equity Securities				
Information Technology	1,265,143	1,265,143	-	-
Financial	555,143	555,143	-	-
Consumer Discretionary	360,942	360,942	-	-
Healthcare	242,577	242,577	-	-
Industrials	258,787	258,787	-	-
Energy	108,666	108,666	-	-
Telecommunication Services	402,455	402,455	-	-
Consumer Staples	171,610	171,610	-	-
Other	230,599	230,599	-	-
Money Market	287,793	287,793	-	-
Corporate Bonds	2,256,964	-	2,256,964	-
Large Cap Equity Mutual Fund	4,173,289	-	4,173,289	-
Growth Mutual Fund	416,179	416,179	-	-
Total Investments at Fair Value	\$ 10,824,261	\$ 4,394,008	\$ 6,430,253	\$ -

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Asset Class	2024			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Notes	\$ 96,734	\$ 96,734	\$ -	\$ -
Equity Securities				
Information Technology	1,094,165	1,094,165	-	-
Financial	518,157	518,157	-	-
Consumer Discretionary	385,375	385,375	-	-
Healthcare	267,203	267,203	-	-
Industrials	248,274	248,274	-	-
Energy	109,157	109,157	-	-
Telecommunication Services	335,613	335,613	-	-
Consumer Staples	182,343	182,343	-	-
Other	234,301	234,301	-	-
Money Market	362,726	362,726	-	-
Corporate Bonds	2,096,175	-	2,096,175	-
Large Cap Equity Mutual Fund	3,521,543	-	3,521,543	-
Growth Mutual Fund	320,192	320,192	-	-
Total Investments at Fair Value	<u>\$ 9,771,958</u>	<u>\$ 4,154,240</u>	<u>\$ 5,617,718</u>	<u>\$ -</u>

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreements. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages. The plan does not invest in derivative securities.

The following benefit payments (in thousands), which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2025:

	Pension Benefits	Other Benefits
2026	\$ 1,260	\$ 189
2027	1,225	190
2028	1,225	198
2029	1,191	206
2030	1,191	210
2031-2035	5,608	1,111

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

NOTE K FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS

Expenses, according to functional classification, incurred during the year ended December 31, 2025 are as follows:

	Program Services	2025 Support Services		Total	
		Management and General	Fundraising		Total Support Services
Salaries and Benefits - Clergy, Religious and Lay	\$ 3,609,526	\$ 1,141,718	\$ 8,329	\$ 1,150,047	\$ 4,759,573
Insurance Claims and Reinsurance - Property and Casualty	2,710,197	301,133	-	301,133	3,011,330
Insurance Claims and Reinsurance - Health	7,059,290	784,366	-	784,366	7,843,656
Insurance Claims and Reinsurance - Unemployment	131,528	14,614	-	14,614	146,142
Allocations to Related Agencies and Institutions	3,280,109	24,505	-	24,505	3,304,614
Education, Training and Ministry Support	734,516	108,367	578	108,945	843,461
Clergy Personnel Development and Support	731,447	20,594	96	20,690	752,137
Facilities and Maintenance	252,357	87,392	151	87,543	339,900
Occupancy Expense - Utilities, Rent and Insurance	209,274	53,150	355	53,505	262,779
Interest Expense	-	282	-	282	282
Depreciation	279,645	21,361	143	21,504	301,149
External Services and Affiliations	836,267	247,795	2,885	250,680	1,086,947
Legal Expenses	-	235,079	-	235,079	235,079
Postage, Printing, Supplies and Office Expenses	171,454	23,447	161	23,608	195,062
Other Costs	-	3,570	-	3,570	3,570
	<u>\$ 20,005,610</u>	<u>\$ 3,067,373</u>	<u>\$ 12,698</u>	<u>\$ 3,080,071</u>	<u>\$ 23,085,681</u>

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Expenses, according to functional classification, incurred during the year ended December 31, 2024 are as follows:

	Program Services	2024 Support Services		Total Support Services	Total
		Management and General	Fundraising		
Salaries and Benefits - Clergy, Religious and Lay	\$ 3,746,921	\$ 1,135,017	\$ 8,694	\$ 1,143,711	\$ 4,890,632
Insurance Claims and Reinsurance - Property and Casualty	2,050,589	227,843	-	227,843	2,278,432
Insurance Claims and Reinsurance - Health	5,766,190	640,688	-	640,688	6,406,878
Insurance Claims and Reinsurance - Unemployment	149,254	16,584	-	16,584	165,838
Allocations to Related Agencies and Institutions	3,787,910	28,969	-	28,969	3,816,879
Education, Training and Ministry Support	614,471	79,445	495	79,940	694,411
Clergy Personnel Development and Support	468,212	15,824	20	15,844	484,056
Facilities and Maintenance	160,576	35,070	186	35,256	195,832
Occupancy Expense - Utilities, Rent and Insurance	190,559	40,589	379	40,968	231,527
Interest Expense	-	223,672	-	223,672	223,672
Depreciation	260,696	25,477	171	25,648	286,344
External Services and Affiliations	870,179	275,457	3,298	278,755	1,148,934
Legal Expenses	-	573,624	-	573,624	573,624
Postage, Printing, Supplies and Office Expenses	142,335	22,396	178	22,574	164,909
Other Costs	-	111,164	-	111,164	111,164
	<u>\$ 18,207,892</u>	<u>\$ 3,451,819</u>	<u>\$ 13,421</u>	<u>\$ 3,465,240</u>	<u>\$ 21,673,132</u>

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

NOTE L DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	2025				
	Total Fair Value	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at Fair Value:					
U.S. Treasury Notes	\$ 431,376	\$ 431,376	\$ -	\$ -	
Equity Securities					
Industrials	1,887,431	1,887,431	-	-	
Consumer Discretionary	1,903,760	1,903,760	-	-	
Consumer Staples	840,747	840,747	-	-	
Energy	528,785	528,785	-	-	
Financial	2,876,579	2,876,579	-	-	
Information Technology	5,685,654	5,685,654	-	-	
Healthcare	1,333,350	1,333,350	-	-	
Materials	500,529	500,529	-	-	
Telecommunication	1,830,775	1,830,775	-	-	
Real Estate	368,073	368,073	-	-	
Utilities	431,951	431,951	-	-	
Other	619,575	3,329	616,246	-	
Mutual Funds					
Growth and Value	2,861,672	2,861,672	-	-	
Total Return	880,599	880,599	-	-	
Income	855,792	855,792	-	-	
Corporate Bonds	6,790,873	-	6,790,873	-	
Municipal Bonds	108,426	-	108,426	-	
Government Agency Bonds	943,295	-	943,295	-	
Mortgage Backed Securities	155,248	-	155,248	-	
	31,834,490	23,220,402	8,614,088	-	
Interest in Assets Held at the Catholic Foundation of NWPA	977,850	-	977,850	-	
Total Investments at Fair Value	\$ 32,812,340	\$ 23,220,402	\$ 9,591,938	\$ -	

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

	2024			
	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total Fair Value			
Assets at Fair Value:				
U.S. Treasury Notes	\$ 468,591	\$ 468,591	\$ -	\$ -
Equity Securities				
Industrials	1,958,824	1,958,824	-	-
Consumer Discretionary	1,889,637	1,889,637	-	-
Consumer Staples	849,575	849,575	-	-
Energy	541,489	541,489	-	-
Financial	2,649,405	2,649,405	-	-
Information Technology	4,724,519	4,724,519	-	-
Healthcare	1,338,774	1,338,774	-	-
Materials	414,603	414,603	-	-
Telecommunication	1,445,196	1,445,196	-	-
Real Estate	366,271	366,271	-	-
Utilities	404,723	404,723	-	-
Other	617,275	683	616,592	-
Mutual Funds				
Growth and Value	2,342,376	2,342,376	-	-
Total Return	779,778	779,778	-	-
Income	992,120	992,120	-	-
Corporate Bonds	5,958,336	-	5,958,336	-
Municipal Bonds	227,165	-	227,165	-
Government Agency Bonds	1,000,212	-	1,000,212	-
	28,968,869	21,166,564	7,802,305	-
Interest in Assets Held at the Catholic Foundation of NWPA	843,169	-	843,169	-
Total Investments at Fair Value	<u>\$ 29,812,038</u>	<u>\$ 21,166,564</u>	<u>\$ 8,645,474</u>	<u>\$ -</u>

CENTRAL ADMINISTRATIVE OFFICES OF THE ROMAN CATHOLIC DIOCESE OF ERIE NOTES TO FINANCIAL STATEMENTS

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For liabilities currently classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest in Assets Held at the Catholic Foundation of NWPA

This amount represents an undivided interest in pooled asset accounts at the Foundation. Pooled assets at the Foundation represent a blend of equity, fixed income, and mutual fund securities. Fair value is determined by the Foundation based upon the Diocese's share of the pooled investments and are classified within Level 2 of the valuation hierarchy based on the least level input that is significant to the fair value measurement.

NOTE M SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Deferred Compensation Agreement

As described in Note F, the amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contract over the estimated life expectancy of the beneficiary.

Pension and Other Postretirement Benefit Obligations

The Diocese has a noncontributory defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Diocese invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Investigation and Litigation

The Diocese is subject to claims and lawsuits that arose primarily in the ordinary course of business. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Diocese. Events could occur that would change this estimate materially in the near term.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

NOTE N REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition Policy

Substantially all of the Diocese's revenues and support are derived from the Catholic Services Appeal (CSA) and assessments received from the parishes for programs and activities administered by the CAO. Revenue is also received from the parishes and other affiliates as a result of their participation in self-insured group health and property/casualty insurance programs administered by the Diocese.

Transaction Price

Revenue is recognized when services are provided to the Diocese's parishes or other affiliates, in an amount that reflects the consideration that it expects to be entitled to in exchange for those services. The amount and timing of revenue recognition varies based on the nature of the services provided and the terms and conditions of the agreements with the parishes or other affiliates. There are no finance components with these services, and consideration received is fixed.

Contract Balances

Contract assets or receivables will be recognized if the services have been performed for the parish, school or affiliate, but they have not yet paid. When the timing of the Diocese's provision of services are different from the timing of the payments made, the Diocese recognizes a contract asset (performance precedes contractual due date). A receivable will be recognized when the services are performed and the customer has not yet paid.

Amounts received from parishes, schools or affiliates under agreements with the Diocese are recorded as a contract liability or deferred revenue until the contract terms are fulfilled. Deferred revenues at December 31, 2025 and 2024 were \$1,053,590 and \$953,385, respectively, and consisted entirely of amounts received for insurance assessments.

Other sources of revenue are invoiced per the terms of contractual agreements (if any).

Accounts receivable at December 31, 2025, December 31, 2024, and January 1, 2024 consist of the following:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Assessment and Catholic Services Appeal Receivables	\$ 2,447,675	\$ 2,472,525	\$ 2,607,622
Assessment Allowance	<u>(2,364,065)</u>	<u>(2,326,065)</u>	<u>(2,137,573)</u>
Net Assessments Receivable	83,610	146,460	470,049
Other Receivables	4,634,147	5,047,413	5,105,702
Other Allowance	<u>(371,000)</u>	<u>(425,000)</u>	<u>(687,500)</u>
Net Other Receivable	4,263,147	4,622,413	4,418,202
Total Accounts Receivable	7,081,822	7,519,938	7,713,324
Total Allowance	<u>(2,735,065)</u>	<u>(2,751,065)</u>	<u>(2,825,073)</u>
Net Total Accounts Receivable	<u>\$ 4,346,757</u>	<u>\$ 4,768,873</u>	<u>\$ 4,888,251</u>

Other accounts receivable relates primarily to receivables and loans to parishes, schools and other affiliates. See Note B for further detail.

**CENTRAL ADMINISTRATIVE OFFICES OF THE
ROMAN CATHOLIC DIOCESE OF ERIE
NOTES TO FINANCIAL STATEMENTS**

Performance Obligations and Revenue Recognition

Catholic Services Appeal (CSA) Revenues

The Diocese’s performance obligation for the CSA is to provide the parishes, schools and affiliated entities various programmatic and administrative services through the Central Administrative Offices. The performance obligation is to provide the services. Revenue is recognized monthly as the services are provided over time.

Diocesan Assessment (Assessment) Revenues

The Diocese’s performance obligation for the Assessments is to provide the parishes, schools and affiliated entities assistance with administrating their appropriated financial responsibilities for the operations of the Diocese, Priest Retirement and Benefits, and Catholic School Support. The performance obligation is to provide the services. Revenue is recognized monthly as the services are provided over time.

Insurance Program Revenues

The Diocese’s performance obligation for Insurance Program Revenues is to provide the parishes, schools and affiliated entities assistance with administrating their financial responsibilities for the self-insured group health and property/casualty insurance. The performance obligation is to provide the services. As these services are provided, deferred revenues are reduced, and revenues are recognized. Revenues related to these services crossing fiscal years is recognized over time on a pro-rated basis based on number of months in each contract period.

Other Revenue Sources

The Diocese’s other revenue sources consist of program services, departmental revenues, and other miscellaneous revenues. These other revenue sources are recognized monthly over the period in which the applicable performance obligations are satisfied.

The Diocese has elected the practical expedient in ASC-606-10-50-14 to not disclose the information about remaining performance obligations that have original expected durations of one year or less.

Disaggregation of Revenue

Substantially all of the Diocese’s material revenue sources sales are recognized over time and are disaggregated on the face of the statements of activities.

NOTE O RESTATEMENT OF FINANCIAL STATEMENTS

The Diocese has restated previously issued 2024 financial statements to properly reflect the impact of debt payoff that was not incorporated into the previously reported endowment totals. As a result, the beginning net asset balances have been adjusted to include the effect of the debt extinguishment. This restatement has no impact to the prior year change in net assets.

<u>Statements of Financial Position</u>	<u>As Previously Reported</u>	<u>Correction of Error</u>	<u>As Restated</u>
Operations and Program Support (Net Assets)	\$ (18,633,618)	\$ 15,912,578	\$ (2,721,040)
Funds Functioning as Endowments	\$ 18,529,196	\$ (15,912,578)	\$ 2,616,618

NOTE P SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 8, 2026, which is the date the financial statements were available to be issued.

At December 31, 2025, the Diocese held a \$1 million money market account that was restricted for a letter of credit offset as described in Note A. Subsequent to year end, restriction was removed and the balance of those funds is available to be used for general purposes.