Financial Statements and Report of Independent Certified Public Accountants

Roman Catholic Archdiocese of Newark
Chancery Office

June 30, 2019 and 2018

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To His Eminence, Joseph W. Cardinal Tobin C.Ss.R, D.D.
Archbishop of the Roman Catholic Archdiocese of Newark

We have audited the accompanying financial statements of the Roman Catholic Archdiocese of Newark Chancery Office (the “Chancery”), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Archdiocese of Newark Chancery Office as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
December 13, 2019

Roman Catholic Archdiocese of Newark Chancery Office

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents, including custodial funds of $12,637,725 and $15,030,723 as of June 30, 2019 and June 30, 2018, respectively	$ 23,775,858	$ 25,757,590
Contributions and pledges receivable, net	4,710,831	8,211,495
Accounts and loans receivable, net	12,719,572	13,464,888
Prepaid expenses and other assets	1,264,030	1,602,881
Mortgage receivables	2,950,110	2,067,595
Long-term investments, including custodial funds of $320,281,029 and $295,761,602 as of June 30, 2019 and June 30, 2018, respectively	546,618,360	506,435,893
Property and equipment, net	30,420,231	32,007,375
Total assets	$ 622,458,992	$ 589,547,717
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,317,964	$ 6,821,175
Accrued subsidies to affiliates	4,212,136	2,483,366
Amounts due to affiliates - campaign activities	416,716	426,805
Obligations due under split-interest agreements	699,017	682,274
Custodial funds	332,918,754	310,792,325
Conditional asset retirement obligations	2,101,302	1,982,361
Total liabilities	347,665,889	323,188,306
Commitments and contingencies		
NET ASSETS		
Without Donor Restrictions	86,816,166	84,871,583
With Donor Restrictions	187,976,937	181,487,828
Total net assets	274,793,103	266,359,411
Total liabilities and net assets	$ 622,458,992	$ 589,547,717

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

Roman Catholic Archdiocese of Newark Chancery Office

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating support and revenue:		
Archdiocesan assessments	$ 17,930,770	$ 18,397,802
Cemeteries assessments	3,577,812	3,586,308
Campaign contributions	-	164,016
Other contributions, bequests, and collections	1,658,180	5,781,970
Interest and dividends	4,975,815	3,797,967
Rental income, including assessments	4,449,392	4,628,025
Other revenue	4,988,501	5,985,364
Total operating support and revenue	37,580,470	42,341,452
Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	6,385,906	4,212,912
Campaign - Works of Mercy	-	670,234
Endowment fund earnings	2,129,904	2,301,896
Other	232,706	1,325,219
Total net assets released from restrictions	8,748,516	8,510,261
Total operating support, revenue and net assets released from restrictions	46,328,986	50,851,713
OPERATING EXPENSES		
Pastoral	15,903,753	15,630,315
Educational	18,688,539	14,200,018
Health care and social services	5,008,905	5,792,920
Priestly ministry and formation	4,284,905	3,547,171
Public affairs/information services	1,273,308	1,283,337
Other program services	4,958,415	4,845,669
Program expenses	50,117,825	45,299,430
Management and general	11,560,597	7,085,524
Fundraising	1,992,910	1,864,664
Total operating expenses	63,671,332	54,249,618
Change in net assets without donor restrictions from operations	(17,342,346)	(3,397,905)
NONOPERATING ACTIVITIES		
Reclassification	1,595,998	-
Net realized and unrealized gain on investments	16,780,092	2,176,329
Gain on sale of properties	910,839	1,381,030
Change in net assets without donor restrictions from nonoperating activities	19,286,929	3,557,359
Change in net assets without donor restrictions	$ 1,944,583	$ 159,454

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

Roman Catholic Archdiocese of Newark Chancery Office

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

For the years ended June 30, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Annual Appeal	$ 5,400,943	$ 6,385,906
Other contributions	101,976	820,620
Interest and dividends	3,138,752	2,607,321
Change in donor intent	-	(270,142)
Reclassification	(1,398,643)	(326,743)
Change in present value of charitable gift future annuities	10,114	(254,545)
Total contributions and other	7,253,142	8,962,417
Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	(6,385,906)	(4,212,912)
Campaign - Works of Mercy	-	(670,234)
Endowment fund earnings	(2,129,904)	(2,301,896)
Other	(232,706)	(1,325,219)
Total net assets released from restrictions	(8,748,516)	(8,510,261)
Net realized and unrealized gain on investments	7,984,483	3,113,912
Change in net assets with donor restrictions	6,489,109	3,566,068
Change in net assets	8,433,692	3,725,522
Net assets, beginning of year	266,359,411	262,633,889
Net assets, end of year	$ 274,793,103	$ 266,359,411

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

Roman Catholic Archdiocese of Newark Chancery Office

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 8,433,692	$ 3,725,522
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,811,840	1,812,259
Accretion of interest on conditional asset retirement obligations	118,941	149,643
Change in allowance on uncollectible accounts and loans receivable	(332,870)	(199,044)
Net realized and unrealized gain on investments	(24,764,575)	(5,290,241)
Write-off of note/mortgage receivable	-	156,437
Gain on disposition of properties	(788,705)	(1,381,030)
Contributions restricted for endowments	(15,055)	(237,627)
Changes in assets and liabilities:		
Decrease (Increase) in accounts and loans receivable	1,078,186	(559,714)
Decrease in contributions receivable	3,500,664	4,254,678
Decrease in prepaid expenses and other assets	338,851	204,675
Increase in accounts payable and accrued expenses	496,789	1,262,042
Increase (Decrease) in accrued subsidies to affiliates	1,728,770	(5,409,385)
Decrease in amounts due to affiliates - campaign activities	(10,089)	(411,875)
Increase (Decrease) in obligations due under split-interest agreements	16,743	(197,432)
Increase in custodial funds	22,126,429	25,574,246
Net cash provided by operating activities	13,739,611	23,453,154
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(346,930)	(378,325)
Proceeds from sale of properties	-	20,939
Payments received on mortgages receivable	28,425	2,117,706
Proceeds from sales of investments	37,096,454	253,523,431
Purchases of investments	(52,514,347)	(279,067,154)
Net cash used in investing activities	(15,736,398)	(23,783,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	15,055	237,627
Net decrease in cash and cash equivalents	(1,981,732)	(92,622)
Cash and cash equivalents, beginning of year	25,757,590	25,850,212
Cash and cash equivalents, end of year	$ 23,775,858	$ 25,757,590
Supplemental data:		
Mortgage receivable received from sale of property	$ 910,940	$ 1,360,000

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

NOTE 1 - NATURE OF THE ENTITY

The accompanying financial statements include the accounts of the Chancery Office of the Roman Catholic Archdiocese of Newark (the "Chancery"). The Chancery provides planning and direction in the administration of pastoral, vocational, educational, and other services to the parish communities in Essex, Hudson, Union and Bergen counties in New Jersey. The Chancery also provides financing, investing and other advisory services to affiliated organizations, which share a common mission with the Archbishop of the Archdiocese of Newark (the "Archdiocese").

The Chancery enters into financial transactions with affiliates that include, but are not limited to Archdiocesan parishes, educational institutions, hospitals, cemeteries, insurance offices, and health and social service organizations. These entities may or may not be separately incorporated; however, each is distinct from the Chancery and maintains separate financial records.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with U.S. generally accepted accounting principles ("US GAAP") and have been prepared on the accrual basis of accounting.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASU 2016-14 is effective for the Chancery's fiscal year beginning July 1, 2018, and the Chancery has applied the amendments retrospectively as required by the standard. A presentation of net assets as previously reported as of June 30, 2018, and as required under ASU 2016-14 follows:

		Presentation Under ASU 2016-14		
	As Previously Presented	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net Assets:				
Unrestricted	$ 84,871,583	$ 84,871,583	$ -	$ 84,871,583
Temporarily restricted	70,245,316	-	70,245,316	70,245,316
Permanently restricted	111,242,512	-	111,242,512	111,242,512
	$ 266,359,411	$ 84,871,583	$181,487,828	$266,359,411

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

Net assets without donor restrictions consist of the following subcategories:

- Undesignated Net Assets - include all funds that are expendable, at the discretion of the Chancery, for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose(s).

- Designated Net Assets - include amounts set aside for specific program service needs and used at the sole discretion of the Archbishop of Newark. However, the operating use of these resources is not externally restricted.

Net assets without donor restrictions at June 30, 2019 and 2018 consist of the following:

	June 30, 2019	**June 30, 2018**
Amounts designated for schools and education	$ 21,597,811	$ 21,170,667
Amounts designated for Cathedral Health Pension	11,500,000	13,500,000
Parish Loan Fund	11,000,000	11,000,000
Net investment in property and equipment	10,187,097	10,297,189
Undesignated	32,531,258	28,903,727
Total unrestricted net assets	$ 86,816,166	$ 84,871,583

Basis of Accounting

The Parish Loan Fund represents operating resources designated for a lending program established primarily for the benefit of Archdiocesan parishes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets With Donor Restrictions

Chancery reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature, such as those that expire with the passage of time or can be fulfilled by the actions of the Chancery pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, such as those funds wherein donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments maintained in perpetuity is available for expenditure according to restrictions imposed by donors and consideration of the appropriation criteria by the Chancery pursuant to the New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions.

Net assets with Donor Restrictions at June 30, 2019 and 2018 consist of the following:

	June 30, 2019	June 30, 2018
Time and purpose restricted:		
For use in the subsequent fiscal periods	$ 5,400,943	$ 6,385,906
For support of specific programs	68,535,897	59,603,241
For support of campaign activities - Works of Mercy	2,875	2,875
For support of campaign activities - Parish renewal	4,213,080	4,253,294
Sub-total	78,152,795	70,245,316
Investment in perpetuity:		
For support of priestly ministry and formation	31,087,475	31,072,901
For support of Catholic education	17,550,768	17,550,526
For support of social ministry	5,245,237	5,245,237
For support of the Cathedral Basilica	8,622,295	8,622,295
For support of youth ministries	2,279,420	2,279,420
For support of pastoral and other programs	11,719,102	11,718,860
Property and equipment	18,131,827	19,727,825
For support of campaign activities - Tuition assistance	8,542,739	8,451,299
For support of Campaign activities - Retired priest care	2,848,274	2,817,787
For support of Campaign activities - Seminarian Support	3,797,005	3,756,362
Sub-total	109,824,142	111,242,512
Total net assets with donor restrictions	$ 187,976,937	$ 181,487,828

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and short-term investments held by the Chancery for operating use with original maturities of three months or less from the date of purchase, except for those cash equivalents which are included in the Chancery's investment portfolio which are held for long-term investment purposes.

Concentration of Market and Credit Risks

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. The Chancery maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the Chancery's cash accounts are placed with high-credit quality financial institutions.

As of June 30, 2019, approximately 97% of the Chancery's investments were held in the custody of Bank of New York Mellon. As of June 30, 2019, individual investment positions that exceeded 10% of the investment balance consisted of three (3) funds that totaled approximately $313 million or approximately 57% of the Chancery's investments.

The Chancery regularly evaluates its depository arrangements and investments, including performance thereof.

Investments

Investments in publicly traded debt and equity securities are recorded at fair value determined on the basis of quoted market prices as of the reporting date. Investments in commingled funds and other investments that are not readily marketable are reported at fair value as determined by the respective investment manager as of the reporting date. Such valuations involve assumptions and methods that are reviewed by the Chancery and which have been concluded to be reasonable and appropriate. Because such investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been reported had a ready market for such investments existed. Such difference could be material. However, the risk to the Chancery is limited to the amount of the Chancery's investment in each of the respective funds with respect to its ownership interests.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the first-in, first-out method and are recorded on the statement of activities and changes in net assets in the period in which the securities are sold. Dividends and interest are recognized as earned.

Fair Value Measurements

The FASB Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements (continued)

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect 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 transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the reporting date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The Chancery also measures certain investments using a net asset value ("NAV") per share for purposes of reporting the fair value of all its underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investment meeting such criteria are exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Chancery separately discloses the information required for assets measured using the NAV practical expedient, and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Chancery considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Chancery's perceived risk of that instrument.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Split-Interest Agreements

Assets held under charitable gift annuities and life income funds with the Chancery acting as trustee are included in investments. A portion of the contributed assets is considered to be a charitable contribution at the date of gift. When the terms of the gift annuity have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor.

Under the Chancery's charitable gift annuities program where the Chancery is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other stipulated life beneficiaries. Under the life income funds, deferred revenue is recorded representing the amount of the discount for future interests.

Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to the Chancery. Changes in the life expectancy of the donor or beneficiary(ies), amortization of the discount, and other changes in the estimates of future payments are recognized annually by the Chancery based on actuarially determined valuations. The discount rates used to value split-interest agreements range from 8.0% to 1.4% at June 30, 2019 and 2018.

The Chancery has established an annuity fund and pooled life income fund which are invested in fixed-income securities, mutual funds, and money market funds. The assets of the annuity and pooled-life income funds at June 30, 2019 and 2018 totaled $1,112,307 and $1,134,373, respectively. Obligations due under split-interest agreements totaled $699,017 and $682,274 as of June 30, 2019 and 2018, respectively.

Accounts and Loans Receivable

Accounts receivable relate primarily to amounts due from parish assessments as well as interest receivable from the Chancery's investment portfolio. Loans receivables consist of amounts loaned to parishes and other affiliated organizations that are in financial need or that require capital repairs or improvements. Interest income on loans receivables accrued at rates ranging from 2.25% to 5.75% on the respective unpaid principal balance during each of the years ended June 30, 2019 and 2018. Loans may not have specific repayment terms, but management expects repayment when the parish or other affiliated organization has financial resources available. The Chancery considers a loan to be impaired when, based on current information, it determines that it is probable that the Chancery will be unable to collect all amounts due in accordance with the terms of the original loan agreement. In this regard, impaired loans include loans where a significant delay in collection is expected and/or there is a shortfall in the amount of contractual payments paid to the Chancery.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts and Loans Receivable (continued)

Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on the known financial condition of the respective parish or other affiliate organization, as well as historical collection experience. These allowances are maintained at a level management considers adequate to provide for potentially uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a parish or other affiliate organization changes significantly, the Chancery will evaluate the recoverability of any accounts or loans receivable from that organization and write-off any amounts that are no longer considered to be recoverable. Subsequent collections of receivables previously written-off are credited to income.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value as determined on the date of gift if donated. Additions and improvements costing more than $10,000 and with useful lives greater than three years are capitalized. Maintenance and repairs are expensed as incurred. Depreciation expense is calculated using the straight-line method over the following useful lives:

	Years
Buildings and building and land improvements	15 - 35
Machinery, equipment and vehicles	3 - 15
Furniture and fixtures	10
Computers	3 - 7

Leasehold improvements are depreciated over the shorter of the respective lease agreement to which they pertain or the economic life of the related betterment.

Contributions, Other Revenue, Support and Gains

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions are recorded as revenue when the conditions on which they depend have been substantially met. Donor pledges to be paid to the Chancery over a period of years are recorded at the present value of their estimated future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. A discount pertaining to pledges receivable was determined not to be required at June 30, 2019 and 2018. Other unrestricted revenues, support and gains are recorded as income when earned or realized. Other revenues primarily include program fees which are generated by the Chancery in the conduct of its ministries.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. Earnings therefrom are used for operating purposes when expenditures satisfy the donors' restrictions and such amounts have been appropriated for expenditure. Earnings in excess of related expenditures and appropriations during a fiscal year are added to temporarily restricted net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Annual Appeal Contributions

During the first quarter of each calendar year, a direct appeal is made to the people of the Archdiocese for operating support. Contributions received through the end of the applicable June 30^{th} fiscal year are temporarily restricted for operating support of the following fiscal year.

Expense Allocations

Included in operating expenses are the costs of health care and social services, pastoral, priestly ministry and formation, educational, public affairs/information services and other program services provided directly by the Chancery and subsidies given to Archdiocesan affiliates providing such services. These costs can generally be identified with the program service to which they relate and are charged accordingly. Other expenses by function, have been allocated amongst the programs and supporting services benefited on the basis of square footage of office space occupied, salaries, and other bases as determined by management of the Chancery to be appropriate.

Custodial Funds

Amounts received and held by the Chancery as a fiscal agent for others are recorded as custodial liabilities. Included in these funds are: (a) proceeds of special collections made by parishes and transferred to the Chancery for forwarding to the proper recipient; and (b) deposits from affiliated entities to the Investment Management Program and Cash Management Program administered by the Chancery, and other amounts held in safekeeping for affiliated entities.

Conditional Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are legal obligations associated with the eventual retirement of tangible long-lived assets in which the timing and/or method of settlement is conditioned on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditioned on a future event. The Chancery has conditional asset retirement obligations primarily associated with the eventual remediation and abatement of asbestos located within the construct of certain of its buildings. As of June 30, 2019 and 2018, the CARO totaled $2,101,302 and $1,982,361, respectively. For the years ended June 30, 2019 and 2018, the accretion of interest related to the CAROs totaled $118,941 and $149,643, respectively.

Operating Measure

The Chancery classifies its statement of activities and changes in net assets into operating and nonoperating activities. Operating activities principally include all income and expenses related to carrying out the Chancery's mission, including interest and dividend and rental income, including assessments. Nonoperating activities include realized and unrealized return (losses) on investments, gain or loss on disposition of assets and other activities considered to be of a more unusual or nonrecurring nature, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Tax Status and Income Taxes

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in “The Official Catholic Directory” are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code (“Code”). The Archdiocese of Newark is listed in “The Official Catholic Directory” and therefore is exempt from income tax. Accordingly, the accompanying financial statements reflect no provision for income taxes.

The Chancery follows guidance that established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity’s financial statements. This standard requires the Chancery to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Chancery has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2019 and 2018, management has determined that the Chancery has no material uncertain tax positions that would require recognition or disclosure in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and judgments 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. The most significant management judgments and estimates used in the preparation of the accompanying financial statements relate to the determination of depreciation expense, obligations under split-interest agreements, the reported fair value of certain financial instruments, and the collectability of accounts, loans and contributions receivable. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The estimated fair values of the Chancery’s financial instruments have been determined by the Chancery using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying value of cash, cash equivalents, accounts and loans receivable, accounts payable and accrued expenses, custodial funds and other liabilities is a reasonable estimate of their fair value due to their short-term nature. The carrying amounts of the Chancery’s investments approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

Reclassifications

Certain prior period amounts have been reclassified in order to conform to the 2019 presentation. Specifically, the reclassifications affected certain revenues, expenses, assets and liabilities in relation to the transfer of costs for retired priests’ housing and care to a new fund. Additionally, accrued subsidies to affiliates and custodial funds changed due to presenting on a net basis the reserve on pension balances against the receivable. Such reclassifications had no impact on the change in net assets or on net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*: *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2018 (i.e., fiscal year ending June 30, 2020). The guidance permits the use of either a retrospective or cumulative effect transition method.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the effective date is for annual periods beginning after December 15, 2019 (i.e., fiscal year ending June 30, 2021).

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Chancery for fiscal year 2022. Early adoption is permitted.

In March 2017, the FASB issued final guidance on the presentation of net periodic pension and postretirement benefit cost ("Benefit Cost"). The guidance requires bifurcation whereby the service cost component will be presented with the other components of employee compensation costs in operating expenses while the other components will be reported in nonoperating activities. While this guidance changes the presentation of Benefit Costs in the statement of activities, it will not change the rules over how the costs are measured. This guidance will be effective for annual periods beginning after December 15, 2018 (i.e., fiscal year ending 2020), with early adoption permitted.

Management is currently evaluating the effects the adoption of these pronouncements will have on the Chancery's financial statements and disclosures.

Subsequent Events

The Chancery evaluated its June 30, 2019 financial statements for subsequent events through December 13, 2019, the date the financial statements were available to be issued. The Chancery is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE, NET

As of June 30, 2019 and 2018, accounts and loans receivable, net, consist of the following:

	June 30, 2019	June 30, 2018
Parishes and schools	$ 29,122,421	$ 30,540,468
Interest and dividends	1,129,545	664,233
Other notes and loans	1,488,965	1,675,865
Total accounts and loans receivable	31,740,931	32,880,566
Allowance for doubtful accounts - Other	(19,021,359)	(19,415,678)
Accounts and loans receivable, net	$ 12,719,572	$ 13,464,888

A significant portion of the accounts receivable balance has accumulated over several years and relates to financial transactions with affiliates. Such transactions include assessment billings as well as loans to fund the respective affiliate's operations in furtherance of pastoral, vocational, educational, and other services to parish communities.

NOTE 4 - INVESTMENTS

As of June 30, 2019 and 2018, investments (including investments held pursuant to split-interest agreements) consist of the following:

	2019		2018	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Cash and cash equivalents	$ 3,868,051	$ 3,868,051	$ 3,309,998	$ 3,309,998
Fixed income	16,018,671	16,025,448	15,852,841	15,709,705
Equities	137,074,840	161,268,886	127,163,234	153,127,335
Common trust funds	45,116,319	52,391,658	45,116,319	47,604,555
Commingled funds	302,109,310	312,813,557	291,138,523	286,791,610
Subtotal	504,187,191	546,367,600	482,580,915	506,543,203
Less: Trades not yet settled - due (to) from custodian	250,760	250,760	(107,310)	(107,310)
Investments	$ 504,437,951	$ 546,618,360	$ 482,473,605	$ 506,435,893

For the years ended June 30, 2019 and 2018, approximately $6,195,000 and $5,778,000, respectively, of investment return related to custodial funds administered by the Chancery for others has not been reflected on the accompanying statements of activities and changes in net assets.

In general, investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE 4 - INVESTMENTS - CONTINUED

The following table prioritizes the inputs used by the Chancery to report the fair value of its investments, excluding commingled funds, in the fair value hierarchy at June 30, 2019 and 2018:

	2019		
	Level 1	**NAV**	**Total**
Cash and cash equivalents	$ 3,868,051	$ -	$ 3,868,051
Fixed income	16,025,448	-	16,025,448
Equities	161,268,886	-	161,268,886
Common trust funds *	-	52,391,658	52,391,658
Commingled funds*	-	312,813,557	312,813,557
Total investments**	$ 181,162,385	$ 365,205,215	$ 546,367,600

	2018		
	Level 1	**NAV**	**Total**
Cash and cash equivalents	$ 3,309,998	$ -	$ 3,309,998
Fixed income	15,709,705	-	15,709,705
Equities	153,127,335	-	153,127,335
Common trust funds *	-	47,604,555	47,604,555
Commingled funds*	-	286,791,610	286,791,610
Total investments**	$ 172,147,038	$ 334,396,165	$ 506,543,203

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

** Excludes trades not yet settled, due (to) from custodian as of June 30, 2019 and 2018.

The classification of investments, excluding commingled funds, within the fair value hierarchy, as presented above, is not intended to correspond to the level of perceived risk associated with such financial instruments. The Chancery’s policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period.

NOTE 4 - INVESTMENTS - CONTINUED

The Chancery uses NAV to determine and report the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 740. The following table lists such investments by major category:

2019

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Seeks to track and/or outperform the Barclays Capital U.S. Aggregate Bond Index.	$ 312,813,557	3	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
Common trust funds	Seeks to track the performance of the Russell 1000 Growth Index	52,391,658	1	To be determined by the investment fund managers	N/A	All funds have daily redemption with no advance notice.	N/A

2018

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Seeks to track and/or outperform the Barclays Capital U.S. Aggregate Bond Index.	$ 286,791,610	3	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
Common trust funds	Seeks to track the performance of the Russell 1000 Growth Index	47,604,555	1	To be determined by the investment fund managers	N/A	All funds have daily redemption with no advance notice.	N/A

NOTE 5 - ENDOWMENT

The Chancery's donor-restricted (gifted) endowment consists of approximately 30 individual funds established for a variety of purposes, principally in support of priestly ministry and formation, Catholic education, and pastoral and other programs; it excludes permanently restricted property and equipment and the pooled life income fund. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Chancery has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chancery classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, permanently restricted endowment net assets represent the original corpus of gifts given to the Chancery for which the gift instruments stipulate that the principal be invested in perpetuity and only earnings therefrom be used for donor intended purposes, if any.

NOTE 5 - ENDOWMENT - CONTINUED

Net appreciation and interest and dividends earned on the corpus of permanently restricted endowment net assets, under UPMIFA, is spendable, and, accordingly, the Chancery classifies such return as temporarily restricted net assets within net assets with donor restrictions, pending appropriation for expenditure by the Archbishop of Newark.

The Chancery's endowment totals $155,770,411 and $143,907,356 at June 30, 2019 and 2018, respectively, and consists of the following net assets:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 155,770,411	$ 155,770,411

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 143,907,356	$ 143,907,356

Excluded from net assets with donor restrictions, in the tables, above at June 30, 2019 and 2018 are $172,408 and $164,950 of pooled life income funds, respectively, $3,190,718 and $5,889,196 of pledges receivable, net, respectively, and $18,131,827 and $19,727,825 of property and equipment each year, respectively.

The Chancery's individual endowment funds are pooled for investment purposes. The investment portfolio is managed to achieve a prudent long-term total return. The Chancery relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chancery targets a diversified asset allocation that places an equal emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 5 - ENDOWMENT - CONTINUED

The following tables summarize the Chancery's total return (loss) on endowment investments and the changes in endowment net assets for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 143,907,356	$ 143,907,356
Dividends and interest on endowment investments	-	3,138,752	3,138,752
Net realized and unrealized depreciation in fair value of endowment investments	-	7,984,483	7,984,483
New gifts	-	10,977	10,977
Collection of Pledges Receivable	-	2,858,747	2,858,747
Endowment return used for operations	-	(2,129,904)	(2,129,904)
Endowment net assets, end of year	$ -	$ 155,770,411	$ 155,770,411

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 136,644,158	$136,644,158
Dividends and interest on endowment investments	-	2,607,321	2,607,321
Net realized and unrealized depreciation in fair value of endowment investments	-	3,113,912	3,113,912
New gifts	-	237,627	237,627
Collection of Pledges Receivable	-	3,606,234	3,606,234
Endowment return used for operations	-	(2,301,896)	(2,301,896)
Endowment net assets, end of year	$ -	$ 143,907,356	$143,907,356

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Chancery to retain as a fund of perpetual duration. Deficiencies of this nature generally result from unfavorable market fluctuations or prudent board appropriations that reduce the fair value of individual endowment funds below their respective historical dollar value. In accordance with US GAAP, such amounts are charged to unrestricted net assets.

Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of June 30, 2019 and 2018, there were no endowment funds below the level required to be maintained by law or donor restriction.

NOTE 6 - CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET

Contributions and pledges receivable, net, consist of unconditional promises to give cash, which are reported as either temporarily or permanently restricted net assets based on donor-imposed stipulations.

NOTE 6 - CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET - CONTINUED

During fiscal year 2015, the Archdiocese commenced a campaign (“We Are Living Stones” or the “Campaign”) aimed to raise a minimum of $80 million for various Diocesan programs including but not limited to providing support directly to parishes, continuing education and training for priests and laity, and the establishment of endowments to support tuition assistance, retired priest care and medical needs, and seminarian support. As of June 30, 2019, unconditional promises to give received on behalf of the Campaign totaled approximately $4,161,000, net of a reserve for uncollectible pledges of approximately $2,736,000. As of June 30, 2018, unconditional promises to give received on behalf of the Campaign totaled approximately $7,360,000, net of a reserve for uncollectible pledges of approximately $2,736,000, included in contributions and pledges receivable, net on the statement of financial position. Such amounts are included within contributions and pledges receivable, net, on the accompanying statements of financial position. The additional approximately $550,000 and $850,000 of contributions and pledges receivable, net, included on the statement of financial position as of June 30, 2019 and 2018, respectively, consist of pledges received not relating to the Campaign.

Contributions receivable calculated based on a four-year redemption period from the active campaign end date consisted of the following as of June 30:

	2019	2018
Less than one year	$ 6,408,000	$ 6,114,000
One to five years	489,000	3,982,000
	6,897,000	10,096,000
Allowance for uncollectible pledges	(2,736,000)	(2,736,000)
Net contributions receivable	$ 4,161,000	$ 7,360,000

In connection with the Archdiocese’s on-going Campaign activities, amounts received by the Chancery for the benefit of other Diocesan entities are recorded as agency transactions, by increasing cash and recognizing an off-setting payable due to the stipulated entity to which the proceeds pertain. It is the policy of the Chancery to only recognize cash amounts received for the benefit of the other named beneficiaries. As of June 30, 2019 and 2018, the Chancery had cash collections totaling approximately $417,000 and $427,000, respectively, for the benefit of other Diocesan entities which will be paid in the subsequent fiscal year and have been reported as amounts due to affiliates - campaign activities on the accompanying statements of financial position. In addition to the cash amounts received, as of June 30, 2019 and 2018, the Chancery also received total commitments from donors to be paid to named beneficiaries, other than the Chancery, totaling approximately $6,900,000 and $10,110,000, respectively. Such commitments have not been recognized in the accompanying financial statements.

NOTE 6 - CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET - CONTINUED

The following table presents a summary of the Campaign activities inception to June 30, 2019:

	Inception to Date
Pledges receivable [(a)]	$ 64,404,495
Less: cash received on pledges receivable [(b)]	51,190,163
Gross pledges receivable	$ 13,214,332
Amounts due to other beneficiaries [(c)]	27,247,408
Less: amounts not collected [(d)]	6,317,228
Less: amounts paid to other beneficiaries [(e)]	20,513,463
Amounts received by Chancery due to affiliates	$ 416,717
Pledges receivable due to Chancery [(f)]	$ 6,897,104
Campaign revenue by program [(g)]	
Reimbursement of campaign costs	$ 6,465,013
Works of Mercy	8,719,885
Parish Renewal	4,335,434
Endowments	17,376,660

[(a)] Represent pledges due to the Chancery and other beneficiaries
[(b)] Represent cash received by the Chancery on pledges
[(c)] Represent amounts payable to other beneficiaries upon collection
[(d)] Amounts due to other beneficiaries are reduced to the extent cash is not received
[(e)] Represent amounts paid to other beneficiaries
[(f)] Represent gross pledges receivable less amounts due to other beneficiaries that have not been collected
[(g)] Represent revenues recorded by Chancery by program purpose

During fiscal year 2018, the Chancery received notification of certain intentions to give. However, due to their conditional nature, these gifts have not been reflected on the accompanying financial statements. During fiscal year 2019, the Chancery received no notification of intentions to give.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

The principal properties owned by the Archdiocese and included on the accompanying financial statements of the Chancery are the Cathedral Basilica of the Sacred Heart, the Redemptoris Mater House of Formation, and the Archdiocesan Center. Property is stated at cost, or if donated, at estimated fair value determined at the date of gift, less accumulated depreciation. Property acquired with applicable donor-restricted contributions are recorded as permanently restricted. The proceeds from the sale of permanently restricted property are restricted to the subsequent acquisition of other property and equipment intended for a similar purpose.

NOTE 7 - PROPERTY AND EQUIPMENT, NET - CONTINUED

Property and equipment, net, consists of the following as of June 30, 2019 and 2018:

	2019	2018
Buildings and building and land improvements	$ 59,804,641	$ 60,017,286
Machinery, equipment, vehicles, furniture and computers	5,405,981	5,431,592
Leasehold improvements	3,951,725	3,951,725
	69,162,347	69,400,603
Less: Accumulated depreciation	(46,632,381)	(45,378,539)
	22,529,966	24,022,064
Land	7,742,365	7,856,902
Construction/work-in-process	147,900	128,409
Property and equipment, net	$ 30,420,231	$ 32,007,375

Depreciation expense of $1,811,840 and $1,812,259 for the years ended June 30, 2019 and 2018, respectively, was provided for on a straight-line basis. At June 30, 2019 and 2018, property and equipment and accumulated depreciation includes a capitalized conditional asset retirement obligation at a cost of $174,108, which has been fully depreciated.

NOTE 8 - PENSION AND POSTRETIREMENT BENEFIT PLANS

Lay and Priest Pension Plans

The Chancery participates in a noncontributory defined benefit pension plan covering substantially all full-time lay employees. To become eligible for the lay pension plan, employees must have at least three years of service. The lay pension plan provides for 100% vesting after five years of full-time service. Benefits are based on the final five-year average earnings prior to retirement. Contribution rates applied to earnings are determined annually using the aggregate cost method and a 7% return on investments compounded annually.

The Chancery also participates in a noncontributory Priests' Retirement Program covering priests assigned to the Chancery. At retirement, benefits are based on a flat dollar amount. Annual contribution rates are actuarially determined using the aggregate cost method, assuming no decrements other than death and retirement and a 7% return on investments compounded annually.

Due to the nature of these plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the Chancery, on a standalone basis. In addition, because the plans are considered multi-employer plans for accounting purposes, they are only subject to certain minimum reporting requirements. Pension expense allocated to the Chancery for both plans for the years ended June 30, 2019 and 2018 amounted to approximately $1,429,000 and $1,365,000, respectively.

The plans are considered church plans and are therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

NOTE 9 - SCHEDULE OF FUNCTIONAL EXPENSES

The following is a schedule of functional expenses for the year ended June 30, 2019, with comparative totals for June 30, 2018:

	PROGRAM EXPENSES										
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Formation	Public Affairs/ Information Services	Other Program Services	Total	Management and General	Fundraising	2019 Total	2018 Total
Salaries benefits and related expenses	$ 7,322,073	$ 3,978,745	$ 1,433,581	$ 2,016,344	$ 737,538	$ 1,537,988	$ 17,026,269	$ 5,240,127	$ 717,570	$ 22,983,966	$ 22,178,795
Parish, school and other subsidies	2,707,711	12,241,830	3,485,156	417,957	-	-	18,852,654	-	-	18,852,654	15,545,959
Professional fees	90,577	1,376,578	1,905	275,750	83,171	330,394	2,158,375	2,657,553	600,156	5,416,084	3,371,841
Conferences, transportation and meals	1,444,963	247,610	21,624	280,948	1,819	368,517	2,365,481	191,119	79,796	2,636,396	2,170,150
Contributions, donations and grants	24,342	48,126	1,798	8,061	-	759,764	842,091	2,058,753	6,528	2,907,372	1,038,755
Repairs and maintenance	1,121,743	531	10,725	54,890	-	830,120	2,018,009	6,962	-	2,024,971	1,579,992
Utilities	514,252	14,612	10,821	38,097	6,546	384,386	968,714	21,399	6,503	996,616	970,921
Tuition and fees	23,437	210	1,372	954,644	-	1,000	980,663	-	-	980,663	1,210,719
Printing, postage and shipping	124,439	128,819	6,469	19,786	379,657	79,348	738,518	224,765	395,038	1,358,321	1,149,022
Office furnitures, fixtures and equipment (non-cap)	112,409	19,230	655	6,434	3,837	(1,437)	141,128	421,279	39,753	602,160	640,085
Security	51,036	-	-	-	-	288,907	339,943	239,957	-	579,900	817,617
Insurance, taxes, assessments and fees	377,602	3,660	2,200	1,830	-	253,143	638,435	17,595	-	656,030	600,604
Office and Liturgical supplies	139,139	18,501	7,252	14,737	13,908	17,317	210,854	77,204	9,215	297,273	266,519
Depreciation and amortization	1,164,635	44,020	17,894	107,702	19,879	51,530	1,405,660	393,625	12,555	1,811,840	1,812,259
Bad debt	-	-	-	-	1,959	-	1,959	(49,263)	-	(47,304)	(858,554)
Others	685,395	566,067	7,453	87,725	24,994	57,438	1,429,072	59,522	125,796	1,614,390	1,754,934
	$ 15,903,753	$ 18,688,539	$ 5,008,905	$ 4,284,905	$ 1,273,308	$ 4,958,415	$ 50,117,825	$ 11,560,597	$ 1,992,910	$ 63,671,332	$ 54,249,618

NOTE 10 - GUARANTEES

Under a March 2004 agreement with the Knights of Columbus, a fraternal benefit society chartered by the General Assembly of the State of Connecticut, the Archdiocese has guaranteed a mortgage loan made to the Friends of the Newark Monastery, Inc., a New Jersey not-for-profit corporation, for the purchase of a monastery in Newark, New Jersey in the amount of $1,230,000. Payments on this mortgage by the Friends of the Newark Monastery, Inc. commenced April 1, 2004 in the amount of $6,896 per month, with the final payment due on March 1, 2024. Should the Friends of the Newark Monastery, Inc. default on this loan, the Chancery would become liable for all remaining payments due to the lender. Management has determined the fair value of this guarantee to be immaterial to its financial statements as of June 30, 2019 and 2018.

NOTE 11 - LOANS TO AFFILIATES

On April 27, 2005, the Chancery entered into a loan agreement with Cathedral Healthcare for $7,500,000 for working capital purposes, maturing on April 26, 2020. As of June 30, 2012, the outstanding balance of such loan receivable, including accrued interest, totaled $6,200,643. In October 2012, the Chancery entered into an agreement with University Heights Property Company ("UHPC"), a corporation of Cathedral Healthcare, to purchase an office building, parking garage and related air rights for approximately $9.2 million. The purchase consisted of a payment by the Chancery in satisfaction of the first mortgage held by UHPC, of approximately $3 million, owed to Sovereign Bank and a transfer of Cathedral Healthcare's secondary mortgage rights, of approximately $6.2 million, to the Chancery, in satisfaction of a loan receivable. In October 2012, the Chancery entered into an agreement to sell this property to AES 1160 Partners, LLC, for approximately $8.8 million. The sale closed in July 2013. In conjunction with the sale, the Chancery received a five-year mortgage receivable of $2.25 million, which requires monthly interest payments that accrue at 3% per annum. The mortgage receivable which matured on July 31, 2018, was fully paid during fiscal year 2018.

NOTE 12 - MORTGAGE NOTE RECEIVABLE

In October 2015, a 30 year mortgage was extended to Bisrate Gebriel Ethiopian Orthodox Tewahedo Church for the purchase of property located in Newark, New Jersey. The note is payable monthly for $2,187 until June 2045. As of June 30, 2019 and 2018, the receivable balance is $679,170 and $707,595, respectively.

In May 2017, the Chancery extended a $1,360,000 mortgage note to 395-403 University Avenue, LLC to fund the purchase of property located in Newark, New Jersey. The mortgage note bears interest at a fixed rate of 4.00% per annum through May 22, 2020 at which date the principal and all accrued interest becomes due. As of June 30, 2018 and as of June 30, 2019, the mortgage note has a balance of $1,360,000.

In January 2019, the Archdiocese of Newark executed an agreement of sale with Sower Pentecostal Church for the purchase of property located in Newark, New Jersey. A mortgage note was extended in July 2019 for a term of 15 years. The note bears a fixed rate of 5% and requires monthly payments of $5,535 commencing August 2019 with any unpaid principal and interest due on July 24, 2034. As of June 30, 2019, the receivable balance is $910,940.

NOTE 13 - CONTINGENCIES

The Chancery, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Chancery is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the Chancery's financial position, changes in net assets or cash flows.

NOTE 14 – LIQUIDITY AND AVAILABILITY

The following reflects Chancery's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	$ 23,775,858
Investments	546,618,360
Contributions and pledges receivables, net	4,710,831
Accounts and loans receivables, net	12,719,572
Mortgage receivables	2,950,110
Total financial assets at June 30, 2019	590,774,731
Receivables to be collected in more than one year	
Contributions and pledges receivable	(3,880,000)
Accounts and loans receivables, net	(6,653,572)
Mortgage receivables	(1,535,110)
Less: Unavailable for general expenditures within one year, due to being:	
Restricted by donor with time and purpose restrictions, net of amounts not yet collected and therefore not included in financial assets	(76,937,795)
Subject to appropriation and satisfaction of donor restrictions, net of amounts not yet collected and therefore not included in financial assets	(88,502,315)
Held as a fiscal agent for others (custodial funds)	(332,918,754)
Board designations:	
Designated for schools and education	(21,597,811)
Designated for Cathedral Health Pension	(11,500,000)
Parish loan fund	(11,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 36,249,374

The Chancery manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Chancery's investment committee has decided can be tolerated. Additionally, the Chancery prepares detailed budgets which is approved by the Archbishop of Newark, the Archdiocesan Budget Review Committee and the Archdiocesan Finance Council.