

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Roman Catholic Archdiocese of Newark  
Chancery Office**

June 30, 2020 and 2019

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GRANT THORNTON LLP  
1000 Wilson Blvd., Suite 1400  
Arlington, VA 22209

D +1 703 847 7500  
F +1 703 848 9580

## 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, 2020 and 2019, and the related statements of activities and 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 Chancery'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 Chancery'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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Arlington, Virginia  
November 24, 2020

**Roman Catholic Archdiocese of Newark Chancery Office**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents, including custodial funds of \$25,214,083 and \$12,637,725 as of June 30, 2020 and June 30, 2019, respectively	\$ 36,423,666	\$ 23,775,858
Contributions and pledges receivable, net	3,238,899	4,710,831
Accounts and loans receivable, net	20,480,274	12,719,572
Prepaid expenses and other assets	1,373,479	1,264,030
Mortgage receivables	2,693,862	2,950,110
Long-term investments, including custodial funds of \$322,334,348 and \$320,281,029 as of June 30, 2020 and June 30, 2019, respectively	545,163,797	546,618,360
Beneficial interest in a trust held by a third party	7,634,571	-
Property and equipment, net	<u>28,946,000</u>	<u>30,420,231</u>
 Total assets	 <u>\$ 645,954,548</u>	 <u>\$ 622,458,992</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 5,897,770	\$ 7,317,964
Accrued amounts due to affiliates	3,566,124	4,628,852
Obligations due under split-interest agreements	731,552	699,017
Custodial funds	347,548,431	332,918,754
Conditional asset retirement obligations	<u>2,227,380</u>	<u>2,101,302</u>
 Total liabilities	 <u>359,971,257</u>	 <u>347,665,889</u>
 Commitments and contingencies		
 <b>NET ASSETS</b>		
Without donor restrictions	86,822,836	86,816,166
With donor restrictions	<u>199,160,455</u>	<u>187,976,937</u>
 Total net assets	 <u>285,983,291</u>	 <u>274,793,103</u>
 Total liabilities and net assets	 <u>\$ 645,954,548</u>	 <u>\$ 622,458,992</u>

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**STATEMENTS OF ACTIVITIES AND NET ASSETS**

Years ended June 30,

	<u>2020</u>	<u>2019</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Operating support and revenue:		
Archdiocesan assessments	\$ 18,275,549	\$ 17,930,770
Cemeteries assessments	3,250,000	3,577,812
Other contributions, bequests, and collections	4,646,694	1,658,180
Interest and dividends	4,161,120	4,975,815
Rental income, including assessments	4,108,152	4,449,392
Other revenue	4,858,876	4,988,501
Total operating support and revenue	<u>39,300,391</u>	<u>37,580,470</u>
Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	5,386,001	6,385,906
Endowment fund earnings	2,379,335	2,129,904
Other	564,129	232,706
Total net assets released from restrictions	<u>8,329,465</u>	<u>8,748,516</u>
Total operating support, revenue and net assets released from restrictions	47,629,856	46,328,986
<b>OPERATING EXPENSES</b>		
Pastoral	13,207,420	15,903,753
Educational	11,802,149	18,688,539
Health care and social services	4,066,807	5,008,905
Priestly ministry and formation	4,157,104	4,284,905
Public affairs/information services	1,523,116	1,273,308
Other program services	4,586,504	4,958,415
Program expenses	<u>39,343,100</u>	<u>50,117,825</u>
Management and general	15,013,147	11,560,597
Fundraising	1,670,640	1,992,910
Total operating expenses	<u>56,026,887</u>	<u>63,671,332</u>
Change in net assets without donor restrictions from operations	<u>(8,397,031)</u>	<u>(17,342,346)</u>
<b>NONOPERATING ACTIVITIES</b>		
Reclassification	-	1,595,998
Net realized and unrealized gain on investments	8,361,754	16,780,092
Gain on sale of properties	41,947	910,839
Change in net assets without donor restrictions from nonoperating activities	<u>8,403,701</u>	<u>19,286,929</u>
Change in net assets without donor restrictions	<u>6,670</u>	<u>1,944,583</u>

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**STATEMENTS OF ACTIVITIES AND NET ASSETS - CONTINUED**

**Years ended June 30,**

	<u>2020</u>	<u>2019</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Annual Appeal	\$ 5,929,074	\$ 5,400,943
Other contributions	9,745,246	101,976
Interest and dividends	3,421,319	3,138,752
Reclassification	-	(1,398,643)
Change in present value of charitable gift future annuities	<u>(25,210)</u>	<u>10,114</u>
Total contributions and other	<u>19,070,429</u>	<u>7,253,142</u>
 Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	(5,386,001)	(6,385,906)
Endowment fund earnings	(2,379,335)	(2,129,904)
Other	<u>(564,129)</u>	<u>(232,706)</u>
Total net assets released from restrictions	<u>(8,329,465)</u>	<u>(8,748,516)</u>
 Net realized and unrealized gain on investments/beneficial interest in trust	1,519,099	7,984,483
Bad debt expense	<u>(1,076,545)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>11,183,518</u>	<u>6,489,109</u>
 Change in net assets	<u>11,190,188</u>	<u>8,433,692</u>
 Net assets, beginning of year	<u>274,793,103</u>	<u>266,359,411</u>
 Net assets, end of year	<u>\$ 285,983,291</u>	<u>\$ 274,793,103</u>

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 11,190,188	\$ 8,433,692
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,788,337	1,811,840
Accretion of interest on conditional asset retirement obligations	126,078	118,941
Change in allowance on uncollectible accounts and loans receivable	2,436,539	(332,870)
Change in allowance on uncollectible contributions receivable	1,076,545	-
Beneficial interest in a trust held by a third party	(7,634,571)	-
Net realized and unrealized gain on investments	(10,028,633)	(24,764,575)
Gain on disposition of properties	-	(788,705)
Contributions restricted for endowments	(566,263)	(15,055)
Changes in assets and liabilities:		
(Increase) decrease in accounts and loans receivable	(10,197,241)	1,078,186
Decrease in contributions receivable	395,387	3,500,664
(Increase) decrease in prepaid expenses and other assets	(109,449)	338,851
(Decrease) increase in accounts payable and accrued expenses	(1,420,194)	496,789
(Decrease) increase in accrued amounts due to affiliates	(1,062,728)	1,718,681
Increase in obligations due under split-interest agreements	32,535	16,743
Increase in custodial funds	14,629,677	22,126,429
Net cash provided by operating activities	656,207	13,739,611
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(314,106)	(346,930)
Payments received on mortgages receivable	256,248	28,425
Proceeds from sales of investments	75,771,673	37,096,454
Purchases of investments	(64,288,477)	(52,514,347)
Net cash provided by (used in) investing activities	11,425,338	(15,736,398)
<b>Cash flows from financing activities</b>		
Contributions restricted for endowments	566,263	15,055
Net increase (decrease) in cash and cash equivalents	12,647,808	(1,981,732)
Cash and cash equivalents, beginning of year	23,775,858	25,757,590
Cash and cash equivalents, end of year	\$ 36,423,666	\$ 23,775,858
Supplemental data:		
Mortgage receivable received from sale of property	\$ -	\$ 910,940

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**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 ("U.S. GAAP") and have been prepared on the accrual basis of accounting.

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, 2020 and 2019 consist of the following:

	2020	2019
Amounts designated for schools and education	\$ 22,207,075	\$ 21,597,811
Amounts designated for Cathedral Health Pension	9,400,000	11,500,000
Parish Loan Fund	11,000,000	11,000,000
Net investment in property and equipment	8,586,789	10,187,097
Undesignated	35,628,972	32,531,258
Total net assets without donor restrictions	\$ 86,822,836	\$ 86,816,166

***Basis of Accounting***

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Time and purpose restricted:		
For use in the subsequent fiscal periods	\$ 5,944,016	\$ 5,400,943
For support of specific programs	72,077,958	68,535,897
For support of campaign activities - Works of Mercy	2,815	2,875
For support of campaign activities - Parish renewal	3,845,436	4,213,080
Sub-total	<u>81,870,225</u>	<u>78,152,795</u>
Investment in perpetuity:		
For support of priestly ministry and formation	38,840,249	31,087,475
For support of Catholic education	17,550,768	17,550,768
For support of social ministry	6,089,681	5,245,237
For support of the Cathedral Basilica	8,622,295	8,622,295
For support of youth ministries	2,280,535	2,279,420
For support of pastoral and other programs	11,721,602	11,719,102
Property and equipment	18,131,827	18,131,827
For support of campaign activities - Tuition assistance	7,904,484	8,542,739
For support of campaign activities - Retired priest care	2,635,470	2,848,274
For support of campaign activities - Seminarian support	3,513,319	3,797,005
Sub-total	<u>117,290,230</u>	<u>109,824,142</u>
Total net assets with donor restrictions	<u>\$ 199,160,455</u>	<u>\$ 187,976,937</u>

***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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

As of June 30, 2020, approximately 97% of the Chancery's investments were held in the custody of Bank of New York Mellon. As of June 30, 2020, individual investment positions that exceeded 10% of the investment balance consisted of three funds that totaled approximately \$331 million, or approximately 61% 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***

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Chancery classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value of alternative investments is determined using the net asset value ("NAV") per share as a practical expedient and have not been categorized within the fair value hierarchy

***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 1.4% to 8.00% at June 30, 2020 and 2019.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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, 2020 and 2019 totaled \$1,224,320 and \$1,112,307, respectively. Obligations due under split-interest agreements totaled \$731,552 and \$699,017 as of June 30, 2020 and 2019, respectively.

***Beneficial Interest in a Trust***

Irrevocable and perpetual assets held in trust are recorded at inception and any change in fair value is recorded in net assets with donor restrictions. The distributed income from these assets are used for specific purposes.

During the year, Chancery became the beneficiary of a charitable perpetual trust held by a third party. As of June 30, 2020, this was \$7,634,571 and is valued at the current market value of the underlying assets. Under the terms of the trust, the income generated would be used to support the formation of seminarians.

***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, 2020 and 2019. 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.

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 the 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:

	<u>Years</u>
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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***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. 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.

***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 30th 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 (c) 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 CARO if the fair value of the liability can be reasonably estimated, even if conditioned on a future event. The Chancery has CAROs primarily associated with the eventual remediation and abatement of asbestos located within the construct of certain of its buildings. As of June 30, 2020 and 2019, the CARO totaled \$2,227,380 and \$2,101,302, respectively. For the years ended June 30, 2020 and 2019, the accretion of interest related to the CAROs totaled \$126,078 and \$118,941, respectively.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Operating Measure***

The Chancery classifies its statements 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.

***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, 2020 and 2019, 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 U.S. 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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Adoption of Accounting Pronouncement***

Effective July 1, 2019, The Chancery adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU No. 2018-08, the Chancery evaluates whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be a contribution, the Chancery evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Chancery is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

***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. The guidance is effective for fiscal year 2021. The guidance permits the use of either a retrospective or cumulative effect transition method.

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 (“ROU”) 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 ROU asset. ASU No. 2016-02 is effective for the Chancery for fiscal year 2023. Early adoption is permitted.

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

***COVID-19 Pandemic***

The COVID-19 pandemic, whose effects became apparent in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Chancery’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present cannot be fully determined. Accordingly, the extent to which COVID-19 may impact the Chancery’s future financial position and changes in net assets and cash flows is uncertain.

***Subsequent Events***

The Chancery evaluated its June 30, 2020 financial statements for subsequent events through November 24, 2020, 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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE, NET**

As of June 30, 2020 and 2019, accounts and loans receivable, net, consist of the following:

	<u>2020</u>	<u>2019</u>
Parishes and schools	\$ 39,082,967	\$ 29,122,421
Interest and dividends	1,286,176	1,129,545
Other notes and loans	<u>1,500,410</u>	<u>1,488,965</u>
Total accounts and loans receivable	41,869,553	31,740,931
Allowance for doubtful accounts - Other	<u>(21,389,279)</u>	<u>(19,021,359)</u>
Accounts and loans receivable, net	<u>\$ 20,480,274</u>	<u>\$ 12,719,572</u>

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, 2020 and 2019, investments (including investments held pursuant to split-interest agreements) consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,635,931	\$ 3,868,051
Fixed income	14,215,856	16,025,448
Equities	144,211,542	161,268,886
Common trust funds	52,463,381	52,391,658
Commingled funds	<u>330,462,093</u>	<u>312,813,557</u>
Subtotal	544,988,803	546,367,600
Less: Trades not yet settled - due from custodian	<u>174,994</u>	<u>250,760</u>
Investments	<u>\$ 545,163,797</u>	<u>\$ 546,618,360</u>

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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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 tables list such investments by major category:

2020							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled fund	Seeks to track and/or outperform the Barclays Capital U.S. Aggregate Bond Index	\$ 330,462,093	3	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
Commingled trust fund	Seeks to track the performance of the Russell 1000 Growth Index	52,463,381	1	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A

2019							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled fund	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
Commingled trust fund	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

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The FASB ASC Topic 820 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

U.S. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on 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; and

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 has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value. The Chancery also measures certain investments using a 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. Investments 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.

The valuation of beneficial interests in perpetual trusts is based on the fair value of the underlying trust assets, subject to Chancery's share of the trust as stated in the gift agreement, and is considered to be based on unobservable inputs. There are no quantitative measurements (i.e., discount rates, market return rates, etc.) used to adjust the fair value of the beneficial interests in perpetual trusts.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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, 2020 and 2019:

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	\$ 3,635,931	\$ -	\$ -	\$ -	\$ 3,635,931
Fixed income	14,215,856	-	-	-	14,215,856
Equities	144,211,542	-	-	-	144,211,542
	162,063,329	-	-	-	162,063,329
Investments valued at NAV:					
Common trust funds*	-	-	-	52,463,381	52,463,381
Commingled funds*	-	-	-	330,462,093	330,462,093
Total investments**	\$ 162,063,329	\$ -	\$ -	\$ 382,925,474	\$ 544,988,803
Perpetual trust	\$ -	\$ -	\$ 7,634,571	\$ -	\$ 7,634,571

  

	2019				
	Level 1	Level 2	Level 3	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

\* 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 from custodian as of June 30, 2020 and 2019.

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 6 - 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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Interpretation of Relevant Law***

The Chancery has interpreted the 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.

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 \$159,716,574 and \$155,770,411 at June 30, 2020 and 2019, respectively, and consists of the following net assets:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 159,716,574	\$ 159,716,574
	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 155,770,411	\$ 155,770,411

Excluded from net assets with donor restrictions in the tables above at June 30, 2020 and 2019 are \$178,234 and \$172,408 of pooled life income funds, respectively, \$1,384,936 and \$3,190,718 of pledges receivable, net, respectively, and \$18,131,827 of property and equipment each year.

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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 155,770,411	\$ 155,770,411
Dividends and interest on endowment investments	-	3,421,319	3,421,319
Net realized and unrealized depreciation in fair value of endowment investments	-	1,666,879	1,666,879
New gifts	-	566,263	566,263
Collection of pledges receivable	-	671,037	671,037
Endowment return used for operations	-	(2,379,335)	(2,379,335)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 159,716,574</b>	<b>\$ 159,716,574</b>
	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)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 155,770,411</b>	<b>\$ 155,770,411</b>

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. As of June 30, 2020 and 2019, there were no endowment funds below the level required to be maintained by law or donor restriction.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 7 - CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET**

Contributions and pledges receivable, net, consist of unconditional promises to give cash, which are reported as net assets with donor restrictions based on donor-imposed stipulations.

Contributions receivable is expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 6,091,884	\$ 6,958,271
One to five years	660,000	489,000
Over five years	<u>300,000</u>	<u>-</u>
	7,051,884	7,447,271
Allowance for uncollectible pledges	<u>(3,812,985)</u>	<u>(2,736,440)</u>
Net contributions receivable	<u>\$ 3,238,899</u>	<u>\$ 4,710,831</u>

**NOTE 8 - 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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

Property and equipment, net, consists of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and building and land improvements	\$ 59,818,891	\$ 59,804,641
Machinery, equipment, vehicles, furniture and computers	5,500,846	5,405,981
Leasehold improvements	3,951,725	3,951,725
	<u>69,271,462</u>	<u>69,162,347</u>
Less: Accumulated depreciation	<u>(48,234,327)</u>	<u>(46,632,381)</u>
	21,037,135	22,529,966
Land	7,742,365	7,742,365
Construction/work-in-process	166,500	147,900
	<u>7,908,865</u>	<u>7,890,265</u>
Property and equipment, net	<u>\$ 28,946,000</u>	<u>\$ 30,420,231</u>

Depreciation expense of \$1,788,337 and \$1,811,840 for the years ended June 30, 2020 and 2019, respectively, was provided for on a straight-line basis. At June 30, 2020 and 2019, 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 9 - 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 6.75% 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 6.75% 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, 2020 and 2019 amounted to approximately \$1,392,000 and \$1,429,000, respectively.

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

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 10 - SCHEDULE OF FUNCTIONAL EXPENSES**

The following is a schedule of functional expenses for the year ended June 30, 2020:

	PROGRAM EXPENSES						Total	Management and General	Fundraising	2020 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
Salaries benefits and related expenses	\$ 7,721,151	\$ 4,116,823	\$ 1,363,892	\$ 1,886,102	\$ 911,975	\$ 1,643,775	\$ 17,643,719	\$ 5,338,324	\$ 826,019	\$ 23,808,062
Parish, school and other subsidies	679,629	5,978,384	2,586,156	547,478	-	-	9,791,647	-	-	9,791,647
Professional fees	107,141	736,645	4,942	314,362	125,205	317,755	1,606,050	2,186,005	281,932	4,073,987
Conferences, transportation and meals	900,259	126,515	16,570	134,395	3,684	344,879	1,526,303	203,865	48,587	1,778,755
Contributions, donations and grants	36,295	183,268	1,064	474	100	709,833	931,034	2,132,105	3,717	3,066,856
Repairs and maintenance	801,246	189	72,211	32,885	-	550,125	1,456,656	4,706	-	1,461,362
Utilities	505,656	9,959	6,969	29,289	8,049	346,562	906,485	35,657	4,359	946,500
Tuition and fees	16,415	-	1,321	938,742	-	-	956,478	-	-	956,478
Printing, postage and shipping	85,976	61,405	5,803	27,253	417,656	25,940	624,032	213,438	380,815	1,218,285
Office furniture, fixtures and equipment (non-cap)	47,690	13,107	280	5,343	75	64,802	131,297	495,435	41,351	668,082
Security	38,656	-	-	-	-	325,959	364,615	157,473	-	522,087
Insurance, taxes, assessments and fees	393,742	3,114	2,310	1,875	1,766	239,098	641,905	18,523	-	660,428
Office and liturgical services	80,521	16,740	3,784	18,868	11,776	14,710	146,399	64,061	4,217	214,677
Depreciation and amortization	1,161,452	45,804	-	108,721	20,825	66,212	1,403,014	372,263	13,060	1,788,337
Bad debt	-	-	-	-	-	-	-	3,725,615	-	3,725,615
Others	631,591	510,196	1,504	111,317	22,005	(63,146)	1,213,467	65,678	66,584	1,345,729
	<u>\$ 13,207,420</u>	<u>\$ 11,802,149</u>	<u>\$ 4,066,807</u>	<u>\$ 4,157,104</u>	<u>\$ 1,523,116</u>	<u>\$ 4,586,504</u>	<u>\$ 39,343,101</u>	<u>\$ 15,013,147</u>	<u>\$ 1,670,640</u>	<u>\$ 56,026,887</u>

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

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

	PROGRAM EXPENSES						Total	Management and General	Fundraising	2019 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
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
Parish, school and other subsidies	2,707,711	12,241,830	3,485,156	417,957	-	-	18,852,654	-	-	18,852,654
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
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
Contributions, donations and grants	24,342	48,126	1,798	8,061	-	759,764	842,091	2,058,753	6,528	2,907,372
Repairs and maintenance	1,121,743	531	10,725	54,890	-	830,120	2,018,009	9,692	-	2,024,971
Utilities	514,252	14,612	10,821	38,097	6,546	384,386	968,714	21,339	6,503	996,616
Tuition and fees	23,437	210	1,372	954,644	-	1,000	980,663	-	-	980,663
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
Office furniture, fixtures and equipment (non-cap)	112,409	19,230	655	6,434	3,837	(1,437)	141,128	421,279	39,753	602,160
Security	51,036	-	-	-	-	288,907	339,943	239,957	-	579,900
Insurance, taxes, assessments and fees	377,602	3,660	2,200	1,830	-	253,143	638,435	17,595	-	656,030
Office and liturgical services	139,139	18,501	7,252	14,737	13,9808	17,317	210,854	77,204	9,215	297,273
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
Bad debt	-	-	-	-	1,959	-	1,959	(49,263)	-	(47,304)
Others	685,395	566,067	7,453	87,725	24,994	57,438	1,429,072	59,522	125,796	1,614,390
	<u>\$ 15,903,753</u>	<u>\$ 18,688,539</u>	<u>\$ 5,008,905</u>	<u>\$ 4,284,905</u>	<u>\$ 1,273,308</u>	<u>\$ 4,958,415</u>	<u>\$ 50,117,825</u>	<u>\$ 11,560,597</u>	<u>\$ 1,992,910</u>	<u>\$ 63,671,332</u>

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 11 - 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, 2020 and 2019.

**NOTE 12 - MORTGAGE NOTE RECEIVABLE**

In October 2015, a 30-year mortgage was extended to Bistrate 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, 2020 and 2019, the receivable balance is \$655,121 and \$679,170, 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, 2020 and 2019, the mortgage note has a balance of \$1,360,000. This was subsequently paid in full in July 2020.

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, 2020 and 2019, the receivable balance is \$678,741 and \$910,940, respectively.

**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.

**Roman Catholic Archdiocese of Newark Chancery Office**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**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.

	As of June 30,	
	2020	2019
Cash and cash equivalents	\$ 36,423,666	\$ 23,775,858
Investments	545,163,797	546,618,360
Contributions and pledges receivables, net	3,238,899	4,710,831
Accounts and loans receivables, net	20,480,274	12,719,572
Mortgage receivables	2,693,862	2,950,110
Total financial assets	608,000,498	590,774,731
Receivables to be collected in more than one year		
Contributions and pledges receivable	(1,988,000)	(3,880,000)
Accounts and loans receivables, net	(15,505,464)	(6,653,572)
Mortgage receivables	(1,300,617)	(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	(81,133,722)	(76,937,795)
Subject to appropriation and satisfaction of donor restrictions, net of amounts not yet collected and therefore not included in financial assets	(90,430,896)	(88,502,315)
Held as a fiscal agent for others (custodial funds)	(347,548,431)	(332,918,754)
Board designations:		
Designated for schools and education	(22,207,075)	(21,597,811)
Designated for Cathedral Health Pension	(9,400,000)	(11,500,000)
Parish loan fund	(11,000,000)	(11,000,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 27,486,293	\$ 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 are approved by the Archbishop of Newark, the Archdiocesan Budget Review Committee and the Archdiocesan Finance Council.