

Financial Statements and Report of
Independent Certified Public
Accountants

**Roman Catholic Bishop of Fall River
(A Corporation Sole) - Chancery Office**

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Schedule of functional expenses	8
Statements of cash flows	9
Notes to Financial Statements	10

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY
10017-2013

D 212 599 0100
F 212 370 4520
S [linkd.in/granthorntonus](https://www.linkedin.com/company/granthornton)
twitter.com/granthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend Edgar M. da Cunha, S.D.V.
Bishop of Fall River

We have audited the accompanying financial statements of the Diocese of Fall River - Chancery Office, which comprise the financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, 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 Diocese of Fall River - Chancery Office as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 2, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Boston, Massachusetts
February 14, 2020

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

STATEMENTS OF FINANCIAL POSITION

June 30,

	2019	2018
		(as restated)
ASSETS		
Cash and cash equivalents	\$ 21,287,241	\$ 24,199,223
Accounts receivable from parishes and other, net	5,877,382	4,764,845
Loans receivable from parishes and others, net	11,808,171	11,719,244
Other receivables, net	697,230	511,416
Accrued interest, net	1,036,880	1,844,619
Note receivable, net	118,000	193,806
Prepaid expenses	-	3,000
Investments	29,798,795	27,836,455
Land, buildings, and equipment, net	<u>8,820,916</u>	<u>9,091,335</u>
 Total Assets	 <u>\$ 79,444,615</u>	 <u>\$ 80,163,943</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,337,431	\$ 2,158,241
Funds on deposit from parishes and others	46,569,078	47,569,109
Funds on deposit from cemetery perpetual care	17,834,247	17,586,952
Interest payable to parishes and others	325,562	478,645
Other payables	289,637	856,260
Agency funds	<u>381,050</u>	<u>2,000,951</u>
Total Liabilities	<u>67,737,005</u>	<u>70,650,158</u>
 NET ASSETS		
Without donor restrictions	6,561,485	4,414,305
With donor restrictions	<u>5,146,125</u>	<u>5,099,480</u>
Total net assets	<u>11,707,610</u>	<u>9,513,785</u>
 Total Liabilities and Net Assets	 <u>\$ 79,444,615</u>	 <u>\$ 80,163,943</u>

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

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

STATEMENTS OF ACTIVITIES

Year ended June 30, 2019 with summarized comparative information for the year ended June 30, 2018

	2019			2018 (as restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Insurance program fees				
Medical and dental premiums	\$ 16,173,796	\$ -	\$ 16,173,796	\$ 16,984,430
Other benefits and insurance premiums	4,387,536	-	4,387,536	4,423,550
Contributions and bequests				
Catholic Charities Appeal	5,225,504	-	5,225,504	4,479,174
Special collections	2,171,514	-	2,171,514	696,978
Bequests and other contributions	153,434	-	153,434	336,931
Parish assessment	3,839,901	-	3,839,901	3,904,438
Interest on loans and notes	396,033	-	396,033	639,072
Investment return	1,991,132	127,208	2,118,340	208,118
Rental income	166,363	-	166,363	177,230
Gain on sale of real estate	79,190	-	79,190	2,114,097
Other revenue	517,837	-	517,837	390,406
Net assets released from restriction	80,563	(80,563)	-	-
Total revenues and other support	<u>\$ 35,182,803</u>	<u>\$ 46,645</u>	<u>\$ 35,229,448</u>	<u>\$ 34,354,424</u>
Expenses and losses				
Insurance program expenses:				
Medical and dental premiums, claims, and expenses	\$ 16,561,343	\$ -	\$ 16,561,343	\$ 16,347,060
Other insurance premiums, claims, and expenses	3,593,443	-	3,593,443	3,207,951
Program activities:				
Pastoral ministries	2,782,607	-	2,782,607	2,942,164
Education and grants	528,960	-	528,960	535,951
Ministry to the sick	-	-	-	-
Communications and faith formation	614,832	-	614,832	650,266
Support for matriculating seminarians	339,283	-	339,283	380,027
Clergy retirement and other support costs	900,298	-	900,298	1,104,245
Supporting services:				
Chancery office	2,223,441	-	2,223,441	2,533,183
Professional fees and settlement costs	1,072,072	-	1,072,072	1,156,000
Development	24,819	-	24,819	479,672
Other supporting services	1,598,319	-	1,598,319	1,179,243
Interest on deposits and loans	1,322,561	-	1,322,561	1,843,761
Bad debt expense	1,141,824	-	1,141,824	401,022
Depreciation	270,419	-	270,419	290,994
Other expenses	61,402	-	61,402	70,769
Total expenses and losses	<u>\$ 33,035,623</u>	<u>\$ -</u>	<u>\$ 33,035,623</u>	<u>\$ 33,122,308</u>
Change in net assets	2,147,180	46,645	2,193,825	1,232,116
Net assets, beginning of year	<u>4,414,305</u>	<u>5,099,480</u>	<u>\$ 9,513,785</u>	<u>8,281,669</u>
Net assets, end of year	<u>\$ 6,561,485</u>	<u>\$ 5,146,125</u>	<u>\$ 11,707,610</u>	<u>\$ 9,513,785</u>

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

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

STATEMENTS OF ACTIVITIES

Year ended June 30, 2018 (as restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Insurance program fees			
Medical and dental premiums	\$ 16,984,430	\$ -	\$ 16,984,430
Other benefits and insurance premiums	4,423,550	-	4,423,550
Contributions and bequests			
Catholic Charities Appeal	4,479,174	-	4,479,174
Special collections	696,978	-	696,978
Bequests and other contributions	336,931	-	336,931
Parish assessment	3,904,438	-	3,904,438
Interest on loans and notes	639,072	-	639,072
Investment return	118,584	89,534	208,118
Rental income	177,230	-	177,230
Gain on sale of real estate	2,114,097	-	2,114,097
Other revenue	390,406	-	390,406
Net assets released from restriction	116,826	(116,826)	-
Total revenues and other support	<u>\$ 34,381,716</u>	<u>\$ (27,292)</u>	<u>\$ 34,354,424</u>
Expenses and losses			
Insurance program expenses:			
Medical and dental premiums, claims, and expenses	\$ 16,347,060	\$ -	\$ 16,347,060
Other insurance premiums, claims, and expenses	3,207,951	-	3,207,951
Program activities:			
Pastoral ministries	2,942,164	-	2,942,164
Education and grants	535,951	-	535,951
Ministry to the sick	-	-	-
Communications and faith formation	650,266	-	650,266
Support for matriculating seminarians	380,027	-	380,027
Clergy retirement and other support costs	1,104,245	-	1,104,245
Supporting services:			
Chancery office	2,533,183	-	2,533,183
Professional fees and settlement costs	1,156,000	-	1,156,000
Development	479,672	-	479,672
Other supporting services	1,179,243	-	1,179,243
Interest on deposits and loans	1,843,761	-	1,843,761
Bad debt expense	401,022	-	401,022
Depreciation	290,994	-	290,994
Other expenses	70,769	-	70,769
Total expenses and losses	<u>\$ 33,122,308</u>	<u>\$ -</u>	<u>\$ 33,122,308</u>
Change in net assets	1,259,408	(27,292)	1,232,116
Net assets, beginning of year - restated	<u>3,154,897</u>	<u>5,126,772</u>	<u>8,281,669</u>
Net assets, end of year - restated	<u>\$ 4,414,305</u>	<u>\$ 5,099,480</u>	<u>\$ 9,513,785</u>

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

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2019 with summarized comparative information for the year ended June 30, 2018

	2019							Total Expenses	2018 (as restated) Total Expenses
	Compensation Costs	Occupancy Costs	Professional Services	Professional Development	Stipends	Other Costs	Insurance Premiums and Claims		
Expenses and Losses									
Insurance Program Expenses									
Medical and dental claims, premiums and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,561,343	\$ 16,561,343	\$ 16,347,060
Insurance premiums, claims and expenses	-	-	-	-	-	-	3,593,443	3,593,443	3,207,951
Subtotal: Insurance program expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,154,786	\$ 20,154,786	\$ 19,555,011
Program activities									
Pastoral ministries	\$ 280,398	\$ -	\$ 910	\$ -	\$ 2,466,710	\$ 34,588	\$ -	\$ 2,782,606	\$ 2,942,164
Education and grants	-	-	-	-	528,960	-	-	528,960	535,951
Communications and faith formation	88,496	7	110,262	-	416,067	-	-	614,832	650,266
Support for matriculating seminarians	-	-	-	339,283	-	-	-	339,283	380,027
Clergy retirement and other support costs	141,780	588,000	134,784	-	-	23,116	12,618	900,298	1,104,245
Subtotal: Program activities	\$ 510,674	\$ 588,007	\$ 245,956	\$ 339,283	\$ 3,411,737	\$ 57,704	\$ 12,618	\$ 5,165,979	\$ 5,612,653
Supporting Services									
Chancery office	\$ 2,120,341	\$ -	\$ -	\$ 3,100	\$ -	\$ 100,000	\$ -	\$ 2,223,441	\$ 2,533,183
Professional fees and settlement costs	-	-	1,072,072	-	-	-	-	1,072,072	1,156,000
Development	-	-	-	-	-	24,819	-	24,819	479,672
Other supporting services	3,707	398,402	757,239	-	-	438,972	-	1,598,320	1,179,243
Total administration expenses	\$ 2,124,048	\$ 398,402	\$ 1,829,311	\$ 3,100	\$ -	\$ 563,791	\$ -	\$ 4,918,652	\$ 5,348,098
Interest and deposits on loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,322,561	\$ -	\$ 1,322,561	\$ 1,843,761
Bad debt expense	-	-	-	-	-	1,141,824	-	1,141,824	401,022
Depreciation	-	-	-	-	-	270,419	-	270,419	290,994
Other	-	-	50,000	-	-	11,402	-	61,402	70,769
Total expense	\$ 2,634,722	\$ 986,409	\$ 2,125,267	\$ 342,383	\$ 3,411,737	\$ 3,367,701	\$ 20,167,404	\$ 33,035,623	\$ 33,122,308

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

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

STATEMENTS OF CASH FLOWS

Year ended June 30, 2019 with summarized comparative information for the year ended June 30, 2018

	<u>2019</u>	<u>2018</u> <u>(as restated)</u>
Cash flows from operating activities		
Change in net assets	\$ 2,193,825	\$ 1,232,116
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Unrealized/Realized (gains)/losses on investments	(1,374,255)	532,359
Bad debt expense	1,141,825	401,022
Depreciation	270,419	290,994
Changes in operating assets and liabilities		
Accounts receivable from parishes and others, net	(2,152,617)	(643,895)
Other receivables, net	(185,814)	91,171
Accrued interest receivable, net	705,994	(250,419)
Prepaid expenses	3,000	40,662
Accounts payable and accrued expenses	179,189	112,992
Deferred revenue	-	-
Interest payable to parishes and others	(153,083)	(29,123)
Agency funds	(1,619,901)	(89,613)
Other payables	(566,622)	294,602
Net cash (used in)/provided by operating activities	<u>(1,558,040)</u>	<u>1,982,868</u>
Cash flows from investing activities		
Change in net loans receivable from parishes and others	(88,927)	(78,051)
Net payments received on notes receivable, net	75,806	50,748
Proceeds from sales of investments	4,787,124	36,478,037
Purchases of investments	(5,375,208)	(37,268,237)
Net cash used in investing activities	<u>(601,205)</u>	<u>(817,503)</u>
Cash flows from financing activities		
Change in funds on deposit from parishes and others	(1,000,031)	(640,788)
Change in funds on deposit from cemetery perpetual care	247,295	253,465
Net cash used in financing activities	<u>(752,736)</u>	<u>(387,323)</u>
 Net change in cash and cash equivalents	 (2,911,981)	 778,042
Cash and cash equivalents, beginning of year	<u>24,199,221</u>	<u>23,421,179</u>
Cash and cash equivalents, end of year	<u>\$ 21,287,240</u>	<u>\$ 24,199,221</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 1,322,561</u>	<u>\$ 1,843,761</u>

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

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 - ORGANIZATION

The Roman Catholic Bishop of Fall River, a Massachusetts corporation sole, was founded in 1904, and together with the parishes, schools, cemeteries and other affiliated agencies and entities in southeast Massachusetts, operate as the Roman Catholic Diocese of Fall River (the "Diocese"). Refer to www.fallriverdiocese.org for a complete list of entities included in the Diocese.

The Chancery Office is an entity within the Diocese that provides administrative services and programmatic and financial support to those Diocesan entities, institutions, and affiliates identified above, each of which operate independently and account for their operations separately.

These financial statements include the assets, liabilities, and net assets of the Chancery Office only. These financial statements do not include the assets, liabilities, and net assets of the parishes, schools, cemeteries and other affiliated agencies and entities of the Diocese.

The Chancery Office administers the various employee benefit programs of the Diocese, including the medical and dental self-insurance programs, and other purchased insurance coverages in addition to providing administrative, legal and human resources support as needed. In addition, the Chancery Office provides loans to and holds deposits of excess funds for the parishes, schools, cemeteries and other affiliated agencies and entities of the Diocese. Substantially all program fee revenue is derived from parishes, schools, cemeteries and other affiliated agencies and entities of the Diocese.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

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

Basis of Presentation

The Chancery Office reports its financial position and activities within two classes of net assets:

Net assets without donor restrictions - This includes net assets that are not subject to donor-imposed stipulations. These unrestricted net assets may be designated for a specific purpose by action of the Bishop or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions - Net assets subject to donor imposed restrictions includes what were formerly classified as temporarily or permanently restricted funds. This includes assets that are subject to donor-imposed stipulations.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Restatement

The accompanying financial statements include three adjustments to the previously released financial statements. The first two are considered corrections of errors and the third is due to a change in accounting principle.

- (1) During fiscal year 2019, a detailed review of outstanding accounts receivable from parishes, schools, and other diocesan entities was performed. Based on this analysis, management determined that the reserve for bad debts was incorrect and needed to be adjusted, for periods prior to fiscal year 2018 as well as during fiscal year 2018.
- (2) During fiscal 2019 management completed an in-depth review of accounting for special collections which had been reported as agency funds within liabilities in prior years. Management has determined that there was an error in the previously issued financial statements as a result of this assessment and therefore an adjustment to the liability of \$4.4 million should be recorded on the fiscal year 2018 beginning net assets to present those amounts as net assets without donor restrictions rather than a liability. Additionally, adjustments of \$3,000 and \$60,000 were made to Agency Funds revenue and expense for fiscal year 2018 related to immaterial items.
- (3) In connection with the adoption of Financial Accounting Standards Board (FASB), 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, \$206,000 was reclassified from net assets without donor restrictions to net assets with donor restrictions. Refer to page 17 for further discussion of the adoption of this new accounting pronouncement.

The three adjustments are summarized in the tables below:

	Fiscal Year 2018		
	Without donor restrictions	With donor restrictions	Total
Beginning net assets (as reported)	\$ 9,894,240	\$ 4,920,962	\$ 14,815,202
Re-allocation of bad debt reserves to beginning net assets	(10,973,338)	-	(10,973,338)
Agency fund reclassification	4,439,805	-	4,439,805
Adoption of ASU 2016-14	(205,810)	205,810	-
Beginning net assets (as restated)	<u>\$ 3,154,897</u>	<u>\$ 5,126,772</u>	<u>\$ 8,281,669</u>
 Change in net assets	 <u>1,259,408</u>	 <u>(27,292)</u>	 <u>1,232,116</u>
Ending net assets (as restated)	<u>\$ 4,414,305</u>	<u>\$ 5,099,480</u>	<u>\$ 9,513,785</u>

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The financial statement line items impacted by the restatement as of and for the year ended June 30, 2018 are as follows:

	<u>As reported</u>	<u>Adjustments</u>	<u>As restated</u>
Statement of Financial Position			
Assets			
Accounts receivable from parishes and other, net	\$ 6,061,879	\$ (1,297,034)	\$ 4,764,845
Loans receivable from parishes and others, net	13,815,260	(2,096,016)	11,719,244
Other receivables, net	2,569,784	(2,058,368)	511,416
Accrued interest, net	4,370,402	(2,525,783)	1,844,619
Total assets	88,141,145	(7,977,202)	80,163,943
Liabilities			
Agency funds	6,378,716	(4,377,765)	2,000,951
Total liabilities	75,027,924	(4,377,767)	70,650,157
Net Assets			
Without donor restrictions	8,219,551	(3,805,246)	4,414,305
With donor restrictions	4,893,670	205,810	5,099,480
Statement of Activities			
Bad debt expense	3,397,159	(2,996,137)	401,022
Total expenses	36,467,956	(3,345,648)	33,122,308
Change in net assets	(1,701,979)	2,934,095	1,232,116
Statement of Cash Flows			
Change in net assets	(1,701,979)	2,934,095	1,232,116
Bad debt expense	3,397,159	(2,996,137)	401,022
Agency funds	(151,655)	62,042	(89,613)
Net cash provided by operating activities	1,990,030	(7,162)	1,982,868

In addition to the aforementioned adjustments, certain information in the fiscal 2018 statement of activities has been reclassified to conform to the fiscal 2019 presentation.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed stipulations. Additionally, gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Upon the expirations of restrictions on net assets due to time or purpose; that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, such net assets are released from restrictions and reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues are broadly categorized as follows:

Insurance program fees: The Chancery Office acts on behalf of participating parishes and other related entities to procure insurance coverage, including medical, dental, property/liability, automobile, and worker's compensation insurance. The costs of the premiums and related expenses are billed to the participating entities.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Contributions and Bequests: Contributions and Bequests revenue include the following:

Catholic Charities Appeal ("Appeal"): The Annual Appeal begins in May and concludes at the end of each fiscal year. The Appeal provides financial support for various programs and agencies of the Diocese.

Special Collections: Special collections are contributions received during diocesan collections held periodically at each parish and used to support diocesan initiatives, including supporting the priest's retirement facility, and seminarians. The nature, purpose and timing of the diocesan collections are communicated to the parishes each year when the new collections schedule is released.

Bequests and Other Contributions: Bequests received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Parish assessment: Parishes within the Diocese are assessed a fee to help support the mission of the Diocese of Fall River as permitted by canon law. The annual parish assessment is based upon a percentage of all recurring revenue, including offertory, rent, and fundraising.

Interest on Loans and Notes: This includes interest earned on loans provided by the Chancery to parishes, schools, and other entities. As of June 30, 2019, the default rate on Chancery loans was 4.00% (rate was 3.35% in fiscal year 2018).

Investment Return: Investment revenues include dividends, interest, and realized/unrealized gains(losses) on diocesan money market and investment accounts. Investment earnings on funds with donor-imposed stipulations are classified as with donor restrictions, until the restrictions are satisfied and the earnings are disbursed.

Rental Income: Includes rental income recognized by the Chancery including fees paid by retired priests housed at the Cardinal Medeiros Center.

Gain on Sale of Real Estate: This includes any gains on Diocesan properties. Note that as a corporation sole, all properties are owned by the Roman Catholic Bishop of Fall River; however, the financial statements of the Chancery Office generally do not include proceeds from the sale of properties at parishes, schools, or other related entities. Proceeds from liquidating these assets may be used to offset outstanding debt the local entity has with the Chancery or remitted to the local entity.

Other Revenue: Includes miscellaneous revenues recognized by the Chancery Office, including service fees paid by related entities to the Chancery Office.

Expense Recognition

Expenses are reported as decreases in net assets. Chancery Office expenses are shown on a functional (i.e., programmatic) basis within the Statement of Activities. In the Schedule of Functional Expenses, the Chancery Office provides transparency into the natural expense breakdown (i.e., Compensation, Occupancy, etc.) of each functional expense unit.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The major functional expense units within the Chancery Office include:

Insurance Program Expenses: The Chancery Office acts on behalf of participating parishes and other related entities to procure insurance coverage, including medical, dental, property/liability, automobile, and worker's compensation insurance. The Diocese is self-insured for medical insurance, so costs are largely related to claims processed. While the Diocese does have stop-loss provisions in its plans, a significant increase in claims costs could negatively impact financial results. The property/liability program also includes significant deductibles at the diocesan level and therefore acts similar to a self-insured program. In 2018, the Diocese moved worker's compensation coverages to the Massachusetts Catholic Self-Insurance Group.

Program Activities: Includes programs largely supported by the Catholic Charities Appeal and Diocesan Special Collections. A complete list of ministries supported by the Catholic Charities Appeal is published annually by the Catholic Foundation of Southeastern Massachusetts. Within the pastoral ministries, education and grants, and communications and faith formation programs, the Chancery Office incurs expenses related to stipends paid to diocesan ministries and are reported as stipend expenses in the statement of functional expense.

Supporting Services: Includes costs related to the central administration of the Diocese, including the following departments: Bishop's Office, Chancellor's Office, Finance, Human Resources, Payroll, Insurance, and Tribunal. Supporting services includes all professional fees, including legal, audit, information technology, and other consulting services. All costs related to running the annual Catholic Charities Appeal (outsourced to the Catholic Foundation of Southeast Massachusetts in FY19) are included in this category.

Other Expenses: Includes interest on parish, school, and other entity deposits held by the Chancery. As of June 30, 2019, the rate of interest paid on these deposits was 2.00% (2.70% in 2018). Adjustments to the allowance for bad debt are also included in this category. Miscellaneous expenses, including depreciation on Chancery Office assets, are included also.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of operating funds deposited in cash management accounts, and other investments with maturities at the time of purchase of 90 days or less, and are carried at market value. Cash and cash equivalents held in the investment portfolio are reported as investments.

The Chancery Office maintains cash balances at several banks in excess of federally insured limits. The Chancery Office also maintains cash balances in money market funds which are not insured. The Chancery Office has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

The Chancery Office reports investments at fair value. The fair value of publicly traded securities is based upon quoted market prices as of the measurement date. Purchases and sales of investments are recorded on a trade-date basis. Gains or losses from the sale of investment securities are computed on the specific identification method, or on the average cost basis.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Accounts Receivable, Loans Receivable, Other Receivables, and Accrued Interest

Accounts receivable from parishes and others include amounts due from related organizations for insurance and other central services and have been reduced to their estimated net realizable value through an allowance for doubtful accounts. Additionally accounts receivable are shown net of any depository savings held on their behalf by the Chancery Office because there is a right of offset associated with these depository savings accounts.

Loans receivable from parishes and others represent advances to related organizations. Loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Generally, loans are granted for specific periods of time and contain specific provisions regarding payment terms and collateral.

Other receivables include cash advances and project-related costs extended to parishes and schools. Also included are real estate clearing costs, where expenses on closed buildings are incurred pending repayment when the asset is sold or re-purposed.

Accrued interest includes interest on outstanding loans. Interest income on loans is accrued on the respective unpaid principal balance, at a stated rate, which at June 30, 2019 was 4.00% and at June 30, 2018 was 3.35%.

Allowance for doubtful accounts

The allowances for doubtful accounts for accounts receivable, loans receivable, other receivables, and accrued interest are maintained at a level believed by management to be representative of inherent losses estimated on the basis of factors such as risk characteristics of the borrowers, potential collateral and current economic conditions that may affect the borrower's ability to pay. Loans, accounts receivable, other receivables, and accrued interest are written off in whole or in part when, in management's opinion, collectability is considered remote and are reviewed on a case by case basis. The Chancery Office will continue to work with parishes, schools, and related entities to assess their ability to address outstanding debt. Proceeds from property sales by entities with delinquent account balances (including closed and merged parishes) may be applied against outstanding balances at the discretion of the Bishop. A listing of all property sales and the use of said funds are also reviewed with the Diocesan Finance Council. All transactions are reviewed to ensure compliance with civil and church (canon) law. The allowance is reduced by an estimate for these planned recoveries. The Chancery Finance Office also works directly with select locations and parish finance councils to re-structure debt where appropriate.

Though the current reserve is substantial and appropriate there are numerous factors that make it difficult to assess the appropriateness of a reserve and in particular, an entity's ability to service re-structured debt payments or long-term loans. These include future parish mergers or collaboratives that may result from ongoing parish planning initiatives, pastor transitions due to retirements or ministerial issues, general trends around church attendance, and socio-economic changes to the population demographic in southeast Massachusetts. Future fiscal years could be negatively impacted if some of the assumptions on payment of current receivables or recognition of various debt offsets (including asset sales and debt restructure agreements) are adversely impacted. The Chancery Finance Office will continue to evaluate the reserve and make adjustments in future periods as appropriate.

While management uses available information to establish the allowances for accounts receivable, loans receivable, other receivables and accrued interest, future additions or reductions to the allowances may become necessary if circumstances differ from the assumptions used in making the evaluation as of each reporting date.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Land, Buildings, and Equipment

Select land, buildings and building improvements, and equipment are stated at cost at date of acquisition or, if donated, at the market value on the date of the gift, less accumulated depreciation.

Perpetual Care Funds on Deposit

The Chancery Office receives deposits from cemetery entities within the Diocese and pays a stated rate of interest on these deposits (2.00% as of June 30, 2019 and 2.70% as of June 30, 2018). The funds are available to pay for the future care of these cemeteries when needed.

Reserve for Losses

Property and General Liability Insurance

The Diocese is insured for various risks incidental to the normal course of its activities. Such risks include fire damage, general liability claims, theft losses and sudden accidental occurrences to boilers and related equipment. The Diocese also permits related organizations within the Diocese of Fall River to participate in its risk management program. A charge is assessed to these entities based on the type of risks shared among these organizations. The typical risk areas in which the other organizations participate include automobile liability, physical property damage and general liability.

Health and Dental Insurance

The Diocese is self-insured for losses related to health benefits for its employees. The program is administered by the Chancery Office. Medical claim losses in excess of the self-insured retention level are insured under a commercial excess policy. A reserve for health and dental claims incurred but not reported is included in accounts payable and accrued expenses on the statement of financial position. The reserve is based on claims reported, historical experience and estimates of future trends claim severity and frequency and other factors, which could vary as claims are ultimately settled. The actual amount of losses and loss adjustment expenses may vary from the estimated amounts included in the financial statements.

Income Taxes

The Diocese is a religious organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Diocese is included in the United States Conference of Catholic Bishops ("USCCB") group ruling and listed in the Official Catholic Directory. The Diocese is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Subsequent Events

The Chancery Office has evaluated the impact of all subsequent events through February 14, 2020, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Implementation of Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs – Contracts with Customers (Subtopic 340-40). The ASU introduces a single framework for revenue recognition under which revenue is recognized reflective of the consideration to which the entity expects to be entitled to exchange for goods and services. The effective date for the Diocese is June 30, 2020 and management is in the process of evaluating the impact of adoption.

In May 2014, the FASB issued ASU No. 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the scope and accounting guidance for reciprocal and nonreciprocal transactions, as well as determining if a contribution is conditional. The effective date for the Diocese is June 30, 2020 and management is in the process of evaluating the impact of adoption.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This standard made certain improvements to the reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the previously required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The standard is effective for annual financial statements beginning after December 15, 2017. The Diocese adopted the standard for the fiscal year ended June 30, 2019. The effects on the Diocese financial statements were changing from three net asset classes to two, adding a statement of functional expenses and a new liquidity and availability of resources footnote (Note 3).

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Chancery Office assets available within one year of the Statement of Financial Position date, without donor restrictions or Diocesan designations, include the following:

	<u>2019</u>
Cash and cash equivalents	\$ 21,287,241
Investments	29,798,795
Pledges receivable, due within one year	681,727
Accounts receivable, due within one year	2,833,416
Loans receivable, due within one year	<u>1,106,208</u>
Financial assets available within one year	55,707,387
Less amounts unavailable within one year:	
Funds with donor restrictions	<u>(5,146,125)</u>
Assets available to meet cash needs for general expenditures or withdrawal of parish funds within one year	50,561,262
Less funds on deposit from parishes and other	(46,569,078)
Less funds on deposit from cemetery perpetual care	<u>(17,834,247)</u>
Assets available excluding Chancery depository funds	<u>\$ (13,842,063)</u>

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Chancery Office manages liquidity by developing annual budgets which are updated and reviewed quarterly with the Diocesan Finance Council. Excess cash reserves are placed in investment accounts. Requests to withdraw money from accounts on deposit at the Chancery are subject to review and approval by the Bishop and Chancellor.

NOTE 4 - ACCOUNTS RECEIVABLE, LOANS RECEIVABLE, OTHER RECEIVABLES, ACCRUED INTEREST, AND NOTE RECEIVABLE

At June 30, the accounts receivable from parishes and others, net, consists of the following:

	2019				
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest	Note Receivable
Gross receivable	\$ 13,475,871	\$ 26,621,975	\$ 4,310,841	\$ 7,618,640	\$ 140,460
Less: Allowance for doubtful accounts	(5,709,239)	(13,203,890)	(3,505,732)	(6,316,172)	-
Subtotal	<u>7,766,632</u>	<u>13,418,085</u>	<u>805,109</u>	<u>1,302,468</u>	<u>140,460</u>
Depository savings payable to those entities with accounts receivable	(1,889,250)	(1,609,914)	(107,879)	(265,588)	(22,460)
Net Receivable	<u>\$ 5,877,382</u>	<u>\$ 11,808,171</u>	<u>\$ 697,230</u>	<u>\$ 1,036,880</u>	<u>\$ 118,000</u>
	2018 (as restated)				
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest	Note Receivable
Gross receivable	\$ 10,906,402	\$ 26,788,055	\$ 4,657,659	\$ 8,809,176	\$ 193,806
Less: Allowance for doubtful accounts	(4,669,159)	(13,203,890)	(3,505,732)	(6,656,900)	-
Subtotal	<u>6,237,243</u>	<u>13,584,165</u>	<u>1,151,927</u>	<u>2,152,276</u>	<u>193,806</u>
Depository savings payable to those entities with accounts receivable	(1,472,398)	(1,864,921)	(640,511)	(307,656)	-
Net Receivable	<u>\$ 4,764,845</u>	<u>\$ 11,719,244</u>	<u>\$ 511,416</u>	<u>\$ 1,844,620</u>	<u>\$ 193,806</u>

A roll forward of the allowance for doubtful accounts related to the above receivables for the years ended June 30, 2019 and 2018 is as follows:

	2019			
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest
Beginning of year	\$ 4,669,159	\$ 13,203,890	\$ 3,505,732	\$ 6,656,900
Current year provision	1,040,080	-	-	101,745
Write-offs net of recoveries	-	-	-	(442,473)
End of year	<u>\$ 5,709,239</u>	<u>\$ 13,203,890</u>	<u>\$ 3,505,732</u>	<u>\$ 6,316,172</u>

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

	2018 (as restated)			
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest
Beginning of year	\$ 3,792,399	\$ 13,203,890	\$ 3,505,732	\$ 6,489,601
Current year provision	176,564	-	-	217,299
Write-offs net of recoveries	700,196	-	-	(50,000)
End of year	<u>\$ 4,669,159</u>	<u>\$ 13,203,890</u>	<u>\$ 3,505,732</u>	<u>\$ 6,656,900</u>

The figures included above reflect the bad debt reserve adjustments referenced in footnote 2- Restatement.

NOTE 5 - INVESTMENTS

Investments consist of the following at June 30:

	2019	2018
Money market funds	\$ 1,167,716	\$ 993,623
Mutual funds	10,510,322	9,047,089
Corporate bonds	4,968,338	5,085,064
Common stock	13,152,419	12,710,679
	<u>\$ 29,798,795</u>	<u>\$ 27,836,455</u>

Net investment return for the year ended June 30, is as follows:

	2019	2018
Interest and dividends	\$ 744,085	\$ 740,477
Realized gains (losses) on investments	(78,271)	7,142,060
Unrealized gains (losses) on investments	1,452,526	(7,674,419)
Total Investment Income	<u>\$ 2,118,340</u>	<u>\$ 208,118</u>

Per ASU 2016-14 investment income is shown net of investment management fees. For the years ended June 30, 2019 and 2018, the Chancery Office paid \$77,120 and \$61,897, respectively, in investment management fees.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment recorded by the Chancery Office at June 30 consist of the following:

	Estimated Useful Life	2019 Cost	2018 Cost
Land	N/A	\$ 4,175,827	\$ 4,175,827
Buildings and improvements	20 - 40 years	10,796,274	10,796,274
Equipment	3 years	121,036	121,036
		<u>\$ 15,093,137</u>	<u>\$ 15,093,137</u>
Less: accumulated depreciation		<u>(6,272,221)</u>	<u>(6,001,802)</u>
		<u>\$ 8,820,916</u>	<u>\$ 9,091,335</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The Chancery Office, by its nature, engages in transactions with other Diocesan entities which are considered to be related party transactions.

For the years ended June 30, 2019 and 2018, a member of the Chancery Office's Finance Council was employed as a partner at a law firm, which provides legal counsel to the Chancery Office. During the years ended June 30, 2019 and 2018, the Chancery Office paid professional fees totaling \$238,706 and \$196,936, respectively, to the firm.

A member of the Investment Committee of the Finance Council is an employee of an investment company which holds investments on behalf of the Diocese. Fees paid to this investment company during the year ended June 30, 2019 and 2018 were \$47,192 and \$23,115, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

The Chancery Office measures the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A fair value hierarchy has been established to prioritize the inputs used in valuation techniques to measure fair value. The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Inputs to the valuation methodology are other observable inputs, including quoted prices for similar assets and liabilities in active or non-active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are not directly observable, but are corroborated by observable market data.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability. There are no level 3 fair value instruments as of June 30, 2019 and 2018.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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. As of June 30, assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	2019		
	Level 1	Level 2	Total
Money market funds	\$ 1,167,716	\$ -	\$ 1,167,716
Mutual funds	10,510,322	-	10,510,322
Corporate bonds	-	4,968,338	4,968,338
Common stock	13,152,419	-	13,152,419
Total	\$ 24,830,457	\$ 4,968,338	\$ 29,798,795

	2018		
	Level 1	Level 2	Total
Money market funds	\$ 993,623	\$ -	\$ 993,623
Mutual funds	9,047,089	-	9,047,089
Corporate bonds	-	5,085,064	5,085,064
Common stock	12,710,679	-	12,710,679
Total	\$ 22,751,391	\$ 5,085,064	\$ 27,836,455

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 included the following:

	Net Assets With Donor Restrictions	
	2019	2018
Restricted uses:		
Catholic Charities Appeal (Paul Duchaine Fund corpus)	\$ 4,028,016	\$ 4,028,016
Education of priests (Joseph O'Donnell Fund corpus)	406,720	406,720
Subtotal: Restricted in perpetuity	4,434,736	4,434,736
Catholic Charities Appeal (Monsignor Considine Fund)	171,048	163,903
Guild for the Blind (Regina Collopy Trust)	112,221	102,262
Catholic Memorial Home (Joseph Parks Memorial)	155,747	155,732
Father Peyton cause for saint hood	1,650	1,650
Education of priests (O'Donnell Fund appreciation)	57,384	36,358
Various	213,339	204,839
Total	\$ 5,146,125	\$ 5,099,480

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Chancery Office follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted in the Commonwealth of Massachusetts and its own governing documents in handling permanently restricted gifts. The Chancery Office has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chancery Office classifies as net assets restricted in perpetuity: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted by time or purpose until those amounts are appropriated for expenditure by the Chancery Office in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Chancery Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Chancery Office; (7) the Chancery Office's investment policies and (8) any expressed wishes of the respective donors.

Investment Return Objectives, Risk Parameters and Strategies

The Chancery Office has adopted an investment policy for donor-restricted assets that attempts to provide a predictable stream of funding to programs supported by its funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds any distributions made, with acceptable levels of risk.

Spending Policy

Net assets released from restrictions in fiscal year 2019 totaled \$80,563 and were directly related to the Duchaine endowment. It is the policy of the Diocese to release all earnings related to the Duchaine endowment in the year earned. Spend policies on other endowments are currently being reviewed by the Chancery Office.

NOTE 10 - CONTINGENCIES

The Diocese is involved in various other legal proceedings in the normal course of business that are generally incidental to its business, including claims related to clergy misconduct. The Diocese has recorded an estimate to reserve for loss based on misconduct claims. As it relates to any other potential unknown claims, while it is not feasible to predict or determine the outcome of the proceedings at this time, management does not believe that they will result in a material adverse effect on the Chancery's financial position, changes in net assets, or liquidity.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 11 - PENSION PLANS

Lay Plan

The Chancery Office previously participated with other Diocesan related and affiliated non-profit entities in a contributory, defined-benefit plan covering substantially all full-time lay employees. The risks of participating in multiemployer plans differ from single-employer plans in various ways:

- a. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to a multiemployer plan, generally the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers, on a case-by-case basis.
- c. If a participating entity chooses to stop participating in a multiemployer plan, the participating entity may be required to pay the multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

The plan in which the Chancery Office participates is the Retirement Plan for Full-Time Lay Employees of Roman Catholic Bishop of Fall River, Corporation Sole (the "Lay Plan"). Benefits under the Lay Plan are provided through a pension plan administered by the Chancery Office.

Effective December 31, 2015, the Diocese froze this Lay Plan. Accordingly, no new participants could be admitted to the plan after this date, and current participants will not earn additional benefits.

The Diocese works with an outside actuarial firm to regularly review if the plan has been appropriately funded to meet future payment obligations. As of January 2017, the Lay Plan included assets equal to 58.1% of the present value of accumulated benefits. In July 2017, the Chancery Office initiated billing for a "frozen pension" fee to each entity with covered participants. The Diocese applies proceeds from these bills to the unfunded liability. Additionally, the Chancery Office may make additional contributions to the plan each year. For the years ended June 30, 2019 and 2018, Chancery lay pension contributions were \$200,000 and \$400,000, respectively, and were reported as Chancery Office expenses.

For financial reporting purposes within these financial statements, the Lay Plan is accounted for as a multiemployer plan and as such, the accumulated benefit obligation is not reflected in the accompanying statement of financial position.

Defined Contribution Plan

The Diocese offers a defined contribution deferred retirement savings option to various Diocesan agencies and other related entities of the Diocese. The Roman Catholic Bishop of Fall River, Corporation Sole Voluntary 403(b) Plan and the Diocesan Separately Incorporated Entities Voluntary 403(b) Plan (collectively the "Plans") are administered by the Chancery Office. The Plans are based on total compensation and qualify under Section 403(b) of the Internal Revenue Service Code. All lay employees of the participating Diocesan agencies and other related entities are eligible to make contributions immediately upon employment. During the years ended June 30, 2019 and 2018, the Chancery contributed \$91,725 and \$60,799 to these plans, respectively.

Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Priests Plan

The Diocese has a pension plan (the "Priests' Plan") which is administered by the Chancery Office covering substantially all priests who are incardinated in the Diocese. As of October 31, 2013, accumulated funding was utilized to purchase annuity contracts for the retired clergy of the Diocese receiving benefit payments at that time. Effective November 1, 2013, a new plan was created for future retirees. Funding of the Priests' Plan is assumed by the parishes or the affiliated agency or entity to which a priest is assigned.

At June 30, 2019 and 2018, the affiliated agencies and other related entities owed the Chancery Office \$268,360 and \$248,819, respectively, for new Plan contributions paid on their behalf. This amount is included in accounts receivable from parishes and other, net, on the statement of financial position. During the years ended June 30, 2019 and 2018, the Chancery contributed \$100,000 and \$200,000, respectively, to the new Priests' Plan.

For financial reporting purposes within these financial statements, the Priests' Plan is accounted for as multiemployer plans and as such, the accumulated benefit obligation is not reflected in the accompanying statement of financial position.