

Combined Financial Statements and
Report of Independent Certified Public
Accountants

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

June 30, 2021 and 2020

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GRANT THORNTON LLP

75 State Street, 13th Floor
Boston, MA 02109

D +1 617 723 7900

F +1 617 723 3640

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 Roman Catholic Bishop of Fall River (A Corporation Sole) – Chancery Office, which comprise the statements of financial position as of June 30, 2021 and June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Bishop of Fall River (A Corporation Sole) – Chancery Office as of June 30, 2021 and June 30, 2020, 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.

Grant Thornton LLP

Boston, Massachusetts
December 23, 2021

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

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2021 | 2020 |
|--|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,592,865 | \$ 4,580,447 |
| Accounts receivable from parishes and other, net | 2,919,404 | 5,860,232 |
| Loans receivable from parishes and others, net | 17,570,334 | 17,656,357 |
| Other receivables, net | 2,275,762 | 1,103,625 |
| Accrued interest, net | 1,028,636 | 1,712,305 |
| Note receivable | 35,471 | 84,385 |
| Prepaid expenses | 828,183 | 892,621 |
| Investments | 49,819,497 | 36,098,233 |
| Land, buildings, and equipment, net | 8,430,920 | 8,673,670 |
| Total assets | \$ 90,501,072 | \$ 76,661,875 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 2,166,407 | \$ 2,928,220 |
| Loans payable | 559,020 | 749,914 |
| Funds on deposit from parishes and others | 52,717,869 | 47,127,942 |
| Funds on deposit from cemetery perpetual care | 18,503,321 | 18,093,150 |
| Interest payable to parishes and others | 68,990 | 315,691 |
| Other payables | 272,500 | 399,133 |
| Agency funds | 163,227 | 126,872 |
| Total liabilities | 74,451,334 | 69,740,922 |
| Net assets | | |
| Without donor restrictions: | | |
| Designated for Capital Projects | 228,173 | 11,613 |
| Designated for Diocesan Endowment | 152,115 | 7,742 |
| Designated for Canon Law Fund | 10,569 | 6,139 |
| Designated for Bishop's Discretionary Fund | 18,810 | 18,810 |
| Undesignated | 10,399,096 | 1,715,282 |
| With donor restrictions | 5,240,975 | 5,161,367 |
| Total net assets | 16,049,738 | 6,920,953 |
| Total liabilities and net assets | \$ 90,501,072 | \$ 76,661,875 |

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

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

COMBINED STATEMENTS OF ACTIVITIES

Year ended June 30, 2021 (with summarized comparative information for the year ended June 30, 2020)

| | 2021 | | | 2020 |
|---|-------------------------------|----------------------------|----------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues and other support | | | | |
| Insurance program fees | | | | |
| Medical and dental premiums | \$ 14,055,954 | \$ - | \$ 14,055,954 | \$ 14,491,430 |
| Other benefits and insurance premiums | 4,233,706 | - | 4,233,706 | 4,271,826 |
| Contributions and bequests | | | | |
| Annual Appeal | 5,885,687 | - | 5,885,687 | 2,344,025 |
| Special collections | 350,410 | - | 350,410 | 380,050 |
| Bequests and other contributions | 340,395 | - | 340,395 | 471,340 |
| Parish assessment | 3,712,167 | - | 3,712,167 | 3,415,297 |
| Interest on loans and notes | 504,384 | - | 504,384 | 220,380 |
| Investment return | 9,232,268 | 294,134 | 9,526,402 | 1,584,472 |
| Gain on sale of real estate | 1,448,160 | - | 1,448,160 | 83,561 |
| Other revenue | 3,173,981 | - | 3,173,981 | 699,787 |
| Net assets released from restriction | 214,526 | (214,526) | - | - |
| | <u>43,151,638</u> | <u>79,608</u> | <u>43,231,246</u> | <u>27,962,168</u> |
| Expenses and losses | | | | |
| Insurance program expenses: | | | | |
| Medical and dental premiums, claims, and expenses | 13,590,616 | - | 13,590,616 | 13,184,816 |
| Other insurance premiums, claims, and expenses | 3,596,207 | - | 3,596,207 | 3,625,175 |
| Program activities: | | | | |
| Pastoral ministries | 2,987,078 | - | 2,987,078 | 2,891,726 |
| Education and Grants | 835,218 | - | 835,218 | 2,497,486 |
| Communications and faith formation | 670,973 | - | 670,973 | 619,133 |
| Support for matriculating seminarians | 422,284 | - | 422,284 | 426,730 |
| Clergy retirement and other support costs | 1,491,458 | - | 1,491,458 | 823,124 |
| Supporting services: | | | | |
| Chancery office | 2,846,721 | - | 2,846,721 | 2,432,965 |
| Professional fees and settlement costs | 1,807,833 | - | 1,807,833 | 2,646,603 |
| Development | 25,674 | - | 25,674 | 4,317 |
| Other supporting services | 3,993,661 | - | 3,993,661 | 1,742,485 |
| Interest on deposits and loans | 1,309,764 | - | 1,309,764 | 1,300,325 |
| Bad debt expense | 84,975 | - | 84,975 | - |
| Depreciation | 258,157 | - | 258,157 | 257,200 |
| Other expenses | 181,841 | - | 181,841 | 296,741 |
| | <u>34,102,460</u> | <u>-</u> | <u>34,102,460</u> | <u>32,748,826</u> |
| CHANGE IN NET ASSETS | 9,049,178 | 79,608 | 9,128,786 | (4,786,658) |
| Net assets, beginning of year | <u>1,759,585</u> | <u>5,161,367</u> | <u>6,920,952</u> | <u>11,707,610</u> |
| Net assets, end of year | <u>\$ 10,808,763</u> | <u>\$ 5,240,975</u> | <u>\$ 16,049,738</u> | <u>\$ 6,920,952</u> |

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

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

COMBINED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenues and other support | | | |
| Insurance program fees | | | |
| Medical and dental premiums | \$ 14,491,430 | \$ - | \$ 14,491,430 |
| Other benefits and insurance premiums | 4,271,826 | - | 4,271,826 |
| Contributions and bequests | | | |
| Annual Appeal | 2,344,025 | - | 2,344,025 |
| Special collections | 380,050 | - | 380,050 |
| Bequests and other contributions | 471,340 | - | 471,340 |
| Parish assessment | 3,415,297 | - | 3,415,297 |
| Interest on loans and notes | 220,380 | - | 220,380 |
| Investment return | 1,275,931 | 308,541 | 1,584,472 |
| Gain on sale of real estate | 83,561 | - | 83,561 |
| Other revenue | 699,787 | - | 699,787 |
| Net assets released from restriction | 293,299 | (293,299) | - |
| | <u>27,946,926</u> | <u>15,242</u> | <u>27,962,168</u> |
| Expenses and losses | | | |
| Insurance program expenses: | | | |
| Medical and dental premiums, claims, and expenses | 13,184,816 | - | 13,184,816 |
| Other insurance premiums, claims, and expenses | 3,625,175 | - | 3,625,175 |
| Program activities: | | | |
| Pastoral ministries | 2,891,726 | - | 2,891,726 |
| Education and Grants | 2,497,486 | - | 2,497,486 |
| Communications and faith formation | 619,133 | - | 619,133 |
| Support for matriculating seminarians | 426,730 | - | 426,730 |
| Clergy retirement and other support costs | 823,124 | - | 823,124 |
| Supporting services: | | | |
| Chancery office | 2,432,965 | - | 2,432,965 |
| Professional fees and settlement costs | 2,646,603 | - | 2,646,603 |
| Development | 4,317 | - | 4,317 |
| Other supporting services | 1,742,485 | - | 1,742,485 |
| Interest on deposits and loans | 1,300,325 | - | 1,300,325 |
| Bad debt expense | - | - | - |
| Depreciation | 257,200 | - | 257,200 |
| Other expenses | 296,741 | - | 296,741 |
| | <u>32,748,826</u> | <u>-</u> | <u>32,748,826</u> |
| | (4,801,900) | 15,242 | (4,786,658) |
| Net assets, beginning of year | <u>6,561,485</u> | <u>5,146,125</u> | <u>11,707,610</u> |
| Net assets, end of year | <u>\$ 1,759,585</u> | <u>\$ 5,161,367</u> | <u>\$ 6,920,952</u> |

The accompanying notes are an integral part of this combined financial statement.

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

COMBINED SCHEDULES OF FUNCTIONAL EXPENSES

Year ended June 30, 2021 (with summarized comparative information for the year ended June 30, 2020)

| | 2021 | | | | | | | 2020 | |
|--|--------------------|-----------------|-----------------------|--------------------------|--------------|--------------|-------------------------------|----------------|----------------|
| | Compensation Costs | Occupancy Costs | Professional Services | Professional Development | Stipends | Other Costs | Insurance Premiums and Claims | Total Expenses | Total Expenses |
| Expenses and losses | | | | | | | | | |
| Insurance program expenses | | | | | | | | | |
| Medical and dental claims, premiums and expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,590,616 | \$ 13,590,616 | \$ 13,184,816 |
| Insurance premiums, claims and expenses | - | - | - | - | - | - | 3,596,207 | 3,596,207 | 3,625,175 |
| Subtotal: insurance program expenses | - | - | - | - | - | - | 17,186,823 | 17,186,823 | 16,809,991 |
| Program activities | | | | | | | | | |
| Pastoral ministries | 893,893 | - | 971 | - | 2,084,672 | 7,542 | - | 2,987,078 | 2,891,726 |
| Education and grants | - | - | - | - | 835,218 | - | - | 835,218 | 2,497,486 |
| Communications and faith formation | 390,854 | - | 136,132 | - | 92,973 | 51,014 | - | 670,973 | 619,133 |
| Support for matriculating Seminarians | - | - | - | 422,284 | - | - | - | 422,284 | 426,730 |
| Clergy retirement and other support costs | 121,131 | - | 715,727 | - | 654,600 | - | - | 1,491,458 | 823,124 |
| Subtotal: program activities | 1,405,878 | - | 852,830 | 422,284 | 3,667,463 | 58,556 | - | 6,407,011 | 7,258,199 |
| Supporting services | | | | | | | | | |
| Chancery office | 2,846,721 | - | - | - | - | - | - | 2,846,721 | 2,432,965 |
| Professional fees and settlement costs | - | - | 1,807,833 | - | - | - | - | 1,807,833 | 2,646,603 |
| Development | - | - | - | - | - | 25,674 | - | 25,674 | 4,317 |
| Other supporting services | - | 655,286 | 895,274 | - | - | 2,443,101 | - | 3,993,661 | 1,742,485 |
| Total administration expenses | 2,846,721 | 655,286 | 2,703,107 | - | - | 2,468,775 | - | 8,673,889 | 6,826,370 |
| Interest and deposits on loans | - | - | - | - | - | 1,309,764 | - | 1,309,764 | 1,300,325 |
| Bad debt expense | - | - | - | - | - | 84,975 | - | 84,975 | - |
| Depreciation | - | - | - | - | - | 258,157 | - | 258,157 | 257,200 |
| Other | - | - | 50,000 | - | - | 131,841 | - | 181,841 | 296,741 |
| Total expense | \$ 4,252,599 | \$ 655,286 | \$ 3,605,937 | \$ 422,284 | \$ 3,667,463 | \$ 4,312,068 | \$ 17,186,823 | \$ 34,102,460 | \$ 32,748,826 |

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

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

COMBINED SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

| | <u>Compensation Costs</u> | <u>Occupancy Costs</u> | <u>Professional Services</u> | <u>Professional Development</u> | <u>Stipends</u> | <u>Other Costs</u> | <u>Insurance Premiums and Claims</u> | <u>Total Expenses</u> |
|--|-------------------------------|----------------------------|----------------------------------|-------------------------------------|---------------------|---------------------|--|-----------------------|
| Expenses and losses | | | | | | | | |
| Insurance program expenses | | | | | | | | |
| Medical and dental claims, premiums and expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,184,816 | \$ 13,184,816 |
| Insurance premiums, claims and expenses | - | - | - | - | - | - | 3,625,175 | 3,625,175 |
| Subtotal: Insurance program expenses | - | - | - | - | - | - | 16,809,991 | 16,809,991 |
| Program activities | | | | | | | | |
| Pastoral ministries | 774,328 | - | 4,730 | - | 2,104,910 | 7,758 | - | 2,891,726 |
| Education and grants | - | - | - | - | 2,497,486 | - | - | 2,497,486 |
| Communications and faith formation | 310,073 | - | 62,116 | - | 188,613 | 58,331 | - | 619,133 |
| Support for matriculating Seminararians | - | - | - | 426,730 | - | - | - | 426,730 |
| Clergy retirement and other support costs | 88,898 | 589,680 | 134,090 | 10,456 | - | - | - | 823,124 |
| Subtotal: Program activities | 1,173,299 | 589,680 | 200,936 | 437,186 | 4,791,009 | 66,089 | - | 7,258,199 |
| Supporting services | | | | | | | | |
| Chancery office | 2,432,965 | - | - | - | - | - | - | 2,432,965 |
| Professional fees and settlement costs | - | - | 2,646,603 | - | - | - | - | 2,646,603 |
| Development | - | - | - | - | 45,000 | (40,683) | - | 4,317 |
| Other supporting services | - | 512,903 | 744,748 | - | - | 484,834 | - | 1,742,485 |
| Total administration expenses | 2,432,965 | 512,903 | 3,391,351 | - | 45,000 | 444,151 | - | 6,826,370 |
| Interest and deposits on loans | - | - | - | - | - | 1,300,325 | - | 1,300,325 |
| Bad debt expense | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | 257,200 | - | 257,200 |
| Other | - | - | 50,000 | - | - | 241,741 | - | 291,741 |
| Total expense | <u>\$ 3,606,264</u> | <u>\$ 1,102,583</u> | <u>\$ 3,642,287</u> | <u>\$ 437,186</u> | <u>\$ 4,836,009</u> | <u>\$ 2,309,506</u> | <u>\$ 16,809,991</u> | <u>\$ 32,743,826</u> |

The accompanying notes are an integral part of this combined financial statement.

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

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31,

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 9,128,786 | \$ (4,786,657) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Unrealized/realized gains on investments | (8,918,538) | (806,250) |
| Depreciation | 258,157 | 257,200 |
| PPP Loan Forgiveness | (749,914) | - |
| Bad debt write-offs | 4,498,341 | 10,506,133 |
| Change in allowance for bad debt | (4,191,364) | (8,798,158) |
| Changes in operating assets and liabilities | | |
| Accounts receivable from parishes and others, net | 2,940,828 | 17,150 |
| Other receivables, net | (1,172,137) | (287,402) |
| Accrued interest receivable, net | 683,669 | (675,424) |
| Prepaid expenses | 64,439 | (892,621) |
| Land, buildings, and equipment, net | (15,407) | (109,954) |
| Accounts payable and accrued expenses | (761,812) | 471,796 |
| Interest payable to parishes and others | (246,701) | (9,871) |
| Agency funds | 36,354 | (254,178) |
| Other payables | (126,633) | 109,495 |
| | <u>1,428,068</u> | <u>(5,258,741)</u> |
| Net cash provided by (used in) operating activities | | |
| Cash flows from investing activities: | | |
| Change in depository offsets | (107,035) | (868,903) |
| Net payments received on notes receivable, net | 48,915 | 33,615 |
| Proceeds from sales of investments | 25,046,138 | 18,127,495 |
| Purchases of investments | (29,848,864) | (23,620,683) |
| | <u>(4,860,846)</u> | <u>(6,328,476)</u> |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Change in funds on deposit from parishes and others | 5,589,927 | 558,864 |
| Change in funds on deposit from cemetery perpetual care | 410,171 | 258,903 |
| New loans issued | (2,840,532) | (8,280,909) |
| Receipt of funds from new loans | 659,220 | 749,914 |
| Loan payments | 2,626,410 | 1,593,651 |
| | <u>6,445,196</u> | <u>(5,119,577)</u> |
| Net cash provided by financing activities | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 3,012,418 | (16,706,794) |
| Cash and cash equivalents, beginning of year | 4,580,447 | 21,287,241 |
| Cash and cash equivalents, end of year | \$ 7,592,865 | \$ 4,580,447 |

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 combined financial statements include the assets, liabilities, and net assets of the Chancery Office only. These combined 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.

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. The impact of the reclassifications made to prior year amounts are not material and did not affect net income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined 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 combined 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 combined 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that permit the Chancery Office to use or expend the donated assets as specified and that are satisfied by either the passage of time or by actions of the Chancery Office. Also included are the net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Chancery Office or by a third-party foundation or trustee for the benefit of the Chancery Office. Generally, the donors of these assets permit the Chancery Office to use, all or in part, the income earned on related investments for general or specific purposes.

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 combined 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. To the extent collectability of revenues is not reasonably assured revenue may not be recognized.

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

- Annual Appeal: This was formerly noted as the "Catholic Charities Appeal" but has been re-branded to avoid any confusion the nationally recognized *Catholic Charities* brand. The Annual Appeal typically begins in May and concludes in June at the end of the fiscal year. In FY20 the start and end of the Appeal was delayed due to the COVID-19 pandemic. As a result, a portion of revenues related to the 2020 campaign were recognized in FY21. The 2021 campaign started and ended in the normal May-June timeframe. Cash gifts are recognized when received. An accrual for pledges made, but not received at June 30, 2021 was also booked as income in FY21 (similar to the pledge accrual made at June 30, 2020).
- 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. Not included in these financial statements are special collections on behalf of, and remitted to certain national and international agencies including the USCCB's Office of National Collections and the Apostolic Nunciature. Revenues are recognized as collection funds are remitted to the Chancery by the various parishes.
- 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. Revenues are recognized when the gifts are received.

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

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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. Details on how the history of the assessment, how it is calculated, and what it funds, are included on the Diocesan website at www.fallriverdiocese.org/chancery-finance-office/. 1/12th of annual assessment revenues are billed to parishes each month. Similar to insurance program fees, management reviews receivables and makes an appropriate adjustment to the allowance reserve as needed.

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, 2021, the default rate on Chancery loans was 4.00% (The rate was last changed in July 2018 when it was increased from 3.35%). In select cases, the Chancery may grant loans at reduced rates to assist parishes and schools in need. Revenues are booked quarterly based on interest payments made by parishes, schools, and related entities.

Investment Return: Investment revenues include dividends, interest, and realized/unrealized gains (losses) on diocesan money market and investment accounts, net of associated service fees. Investment earnings on funds with donor-imposed stipulations are classified as With Donor Restrictions, until the restrictions are satisfied and the earnings are disbursed. Revenues recognized include any interest dividends and gains/losses (realized and unrealized) each quarter. An entry for accrued interest is also made at year end.

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. Revenues are recognized upon sale of an asset.

Other Revenue: Includes miscellaneous revenues recognized by the Chancery Office, including service fees paid by related entities to the Chancery Office. Also includes rental income recognized by the Chancery including fees paid by retired priests housed at the Cardinal Medeiros Center. Revenue is earned as goods or services are provided.

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.

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 and stop-loss premiums. 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.

Program Activities: Includes programs largely supported by the Annual Appeal and Diocesan Special Collections. A complete list of ministries supported by the Annual Appeal are listed on the website of the Catholic Foundation at www.catholicfoundationsema.org/areas-supported-by-the-appeal/. Within the

**Roman Catholic Bishop of Fall River
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

pastoral ministries, education and grants, and communications and faith formation programs, the Chancery Office incurs expenses directly or pays stipends to diocesan ministries that maintain their own books and records.

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 Appeal are included in this category.

Other Expenses: Includes interest on parish, school, and other entity deposits held by the Chancery. As of June 30, 2020, the rate of interest paid on these deposits was 2.00%. Adjustments to the allowance for bad debt, depreciation and expenses related to assets released from restrictions are included in this category as well.

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 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.

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, typically 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 as stated previously was 4.00% at both June 30, 2021 and June 30, 2020.

**Roman Catholic Bishop of Fall River
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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. All transactions are reviewed to ensure compliance with civil and church (canon) law, and in consideration of canon law, select sales must first be approved by the Diocese of Fall River's College of Consultors. 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.

There are numerous factors that make it difficult to assess the appropriateness of a reserve and in particular, an entities 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.

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, 2021 and June 30, 2020). 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.

**Roman Catholic Bishop of Fall River
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 combined 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 combined 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 December 23, 2021, the date the combined financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the combined financial statements.

Implementation of Accounting Pronouncements

Effective July 1, 2020, the Organization adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). The core principle of the guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As appropriate, organizations are asked to (1) identify contracts with customers (2) identify any performance obligations in the contract (3) determine the transaction price (4) allocate the transaction price to the performance obligations in the contract (5) recognize the revenue when (or as) the organization satisfies the performance obligations. Topic 606 did not materially affect the accounting for the organization's revenues.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 at June 30, 2021 (with comparative information as of June 30, 2020):

| | 2021 | 2020 |
|--|-----------------|-----------------|
| Cash and cash equivalents | \$ 7,592,865 | \$ 4,580,447 |
| Investments | 49,819,497 | 36,098,233 |
| Pledges receivable, due within one year | 473,900 | 294,451 |
| Accounts receivable, due within one year | 2,919,404 | 5,860,232 |
| Loans receivable, due within one year | 1,165,080 | 1,183,265 |
| Other receivables, due within one year | 847,941 | - |
| | 62,818,687 | 48,016,627 |
| Less amounts unavailable within one year: funds with donor restrictions | (5,240,975) | (5,161,367) |
| Assets available to meet cash needs for general expenditures or withdrawal of parish funds within one year | 57,577,712 | 42,855,261 |
| Less funds on deposit from parishes and other | (52,717,869) | (47,127,942) |
| Less funds on deposit from cemetery perpetual care | (18,503,321) | (18,093,150) |
| Assets available excluding Chancery depository funds | \$ (13,643,478) | \$ (22,365,832) |

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.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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:

| | 2021 | | | | |
|---|------------------------|----------------------|---------------------|---------------------|--------------------|
| | Accounts Receivable | Loans Receivable | Other Receivable | Accrued Interest | Note Receivable |
| Gross receivable | \$ 3,820,777 | \$ 18,282,344 | \$ 2,289,035 | \$ 1,074,476 | \$ 35,471 |
| Less: allowance for doubtful accounts | (837,426) | (78,033) | - | - | - |
| Subtotal | 2,983,351 | 18,204,311 | 2,289,035 | 1,074,476 | 35,471 |
| Depository savings payable to those entities with accounts/loans receivable | (63,946) | (633,977) | (13,273) | (45,840) | - |
| Net receivable | <u>\$ 2,919,404</u> | <u>\$ 17,570,334</u> | <u>\$ 2,275,762</u> | <u>\$ 1,028,636</u> | <u>\$ 35,471</u> |
| | 2020 | | | | |
| | Accounts Receivable | Loans Receivable | Other Receivable | Accrued Interest | Note Receivable |
| Gross receivable | \$ 9,048,704 | \$ 22,666,765 | \$ 3,245,029 | \$ 2,722,003 | \$ 84,385 |
| Less: allowance for doubtful accounts | (3,047,357) | (4,269,397) | (2,112,195) | (880,023) | - |
| Subtotal | 6,001,347 | 18,397,368 | 1,132,834 | 1,841,980 | 84,385 |
| Depository savings payable to those entities with accounts receivable | (141,114) | (741,012) | (29,209) | (129,674) | - |
| Net receivable | <u>\$ 5,860,232</u> | <u>\$ 17,656,357</u> | <u>\$ 1,103,625</u> | <u>\$ 1,712,305</u> | <u>\$ 84,385</u> |

A roll forward of the allowance for doubtful accounts related to the above receivables for the years ended June 30, 2021 and 2020 is as follows:

| | 2021 | | | |
|------------------------------|------------------------|---------------------|---------------------|---------------------|
| | Accounts Receivable | Loans Receivable | Other Receivable | Accrued Interest |
| Beginning of the year | \$ 3,047,357 | \$ 4,269,397 | \$ 2,112,195 | \$ 880,023 |
| Current year provision | 315,025 | 78,033 | 6,942 | - |
| Write-offs net of recoveries | (2,524,956) | (4,269,397) | (2,119,137) | (880,023) |
| End of year | <u>\$ 837,426</u> | <u>\$ 78,033</u> | <u>\$ -</u> | <u>\$ -</u> |

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

| | 2020 | | | |
|------------------------------|------------------------|---------------------|---------------------|---------------------|
| | Accounts Receivable | Loans Receivable | Other Receivable | Accrued Interest |
| Beginning of the year | \$ 5,709,239 | \$ 13,203,890 | \$ 3,505,732 | \$ 6,316,172 |
| Current year provision | 561,697 | - | - | - |
| Write-offs net of recoveries | (3,223,579) | (8,934,493) | (1,393,537) | (5,436,149) |
| End of year | \$ 3,047,357 | \$ 4,269,397 | \$ 2,112,195 | \$ 880,023 |

NOTE 5 - INVESTMENTS

Investments consist of the following at June 30:

| | 2021 | 2020 |
|--------------------|---------------|---------------|
| Money market funds | \$ 1,868,131 | \$ 1,771,688 |
| Mutual funds | 9,782,356 | 5,228,374 |
| Corporate bonds | 11,701,808 | 10,789,307 |
| Common stock | 26,467,202 | 18,308,863 |
| | \$ 49,819,497 | \$ 36,098,232 |

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

| | 2021 | 2020 |
|--|--------------|--------------|
| Interest and dividends | \$ 607,865 | \$ 778,222 |
| Realized gains (losses) on investments | 3,533,226 | (3,116,083) |
| Unrealized gains on investments | 5,385,312 | 3,922,333 |
| Total investment return | \$ 9,526,402 | \$ 1,584,472 |

Investment income is shown net of investment management fees. For the years ended June 30, 2021 and 2020, the Chancery Office paid \$143,599 and \$101,577, respectively, in investment management fees.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 | 2021 Cost | 2020 Cost |
|--------------------------------|--------------------------|--------------|--------------|
| Land | N/A | \$ 4,175,827 | \$ 4,175,827 |
| Buildings and improvements | 20 - 40 years | 10,904,250 | 10,893,624 |
| Equipment | 3 years | 121,036 | 121,036 |
| Furniture | 10 years | 7,254 | 12,604 |
| | | 15,208,367 | 15,203,091 |
| Less: accumulated depreciation | | (6,777,447) | (6,529,421) |
| | | \$ 8,430,920 | \$ 8,673,670 |

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, 2021 and 2020, 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, 2021 and 2020, the Chancery Office paid professional fees totaling \$102,387 and \$199,247, respectively, to the firm. The term for this member of the Finance Council ended in September 2020.

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, 2021 and 2020.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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:

| | 2021 | | |
|--------------------|----------------------|----------------------|----------------------|
| | Level 1 | Level 2 | Total |
| Money market funds | \$ 1,868,131 | \$ - | \$ 1,868,131 |
| Mutual funds | 9,782,356 | - | 9,782,356 |
| Corporate bonds | - | 11,701,808 | 11,701,808 |
| Common stock | 26,467,202 | - | 26,467,202 |
| Total | <u>\$ 38,117,689</u> | <u>\$ 11,701,808</u> | <u>\$ 49,819,497</u> |
| | | | |
| | 2020 | | |
| | Level 1 | Level 2 | Total |
| Money market funds | \$ 1,771,688 | \$ - | \$ 1,771,688 |
| Mutual funds | 5,228,374 | - | 5,228,374 |
| Corporate bonds | - | 10,789,307 | 10,789,307 |
| Common stock | 18,308,863 | - | 18,308,863 |
| Total | <u>\$ 25,308,926</u> | <u>\$ 10,789,307</u> | <u>\$ 36,098,233</u> |

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | Net Assets With Donor Restrictions | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| 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) | 347,453 | 319,699 |
| Guild for the Blind (Regina Collopy Trust) | 127,010 | 118,290 |
| Catholic Memorial Home (Joseph Parks Memorial) Father Peyton cause for saint-hood | 1,650 | 1,650 |
| Education of priests (O'Donnell Fund appreciation) | 73,652 | 65,518 |
| Elderly in the Diocese | 35,000 | - |
| Various - (Hurley, Conboy, St. Johns Day) | 171,474 | 171,474 |
| Catholic Social Services - Carney donation | 50,000 | 50,000 |
| Total | <u>\$ 5,240,975</u> | <u>\$ 5,161,367</u> |

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

A rollforward of net assets with donor restrictions as of June 30, 2021 and June 30, 2020 is as follows:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--|---|--|---------------------|
| Net assets with donor restrictions, June 30, 2019 | \$ - | \$ 5,146,125 | \$ 5,146,125 |
| Income | - | 308,541 | 308,541 |
| Amounts appropriated for expenditure | - | (293,299) | (293,299) |
| Net assets with donor restrictions, June 30, 2020 | - | 5,161,367 | 5,161,367 |
| Income | - | 294,134 | 294,134 |
| Amounts appropriated for expenditure | - | (214,526) | (214,526) |
| Net assets with donor restrictions, June 30, 2021 | <u>\$ -</u> | <u>\$ 5,240,975</u> | <u>\$ 5,240,975</u> |

NOTE 10 - ENDOWMENTS

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.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Spending Policy

Net assets released from restrictions under the spending policy for the periods ended June 30, 2021 and June 30, 2020, included:

| | 2021 | 2020 |
|--|------------|------------|
| Duchaine | \$ 80,563 | \$ 80,563 |
| Catholic Charities Appeal (Monsignor Considine Fund) | 57,600 | 14,915 |
| Guild for the Blind (Regina Collopy Fund) | 26,363 | - |
| Catholic Memorial Home (Josephs Parks Memorial) | - | 155,750 |
| Catholic Social Services - Carney donation | 50,000 | - |
| Catholic Memorial Fund (Margaret Hurley Fund) | - | 42,071 |
| | \$ 214,526 | \$ 293,299 |
| Total | | |

NOTE 11 - 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. At June 30, 2021 and June 30, 2020 this reserve totaled \$272,500 and \$290,000 respectively. 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.

NOTE 12 - 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:

- Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- 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.
- 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020, Chancery lay pension contributions were \$721,865 and \$38,710, respectively, and were reported as Chancery Office expenses.

For financial reporting purposes within these combined 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 combined 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 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, 2021 and 2020, the Chancery contributed \$126,466 and \$103,591 to these plans, respectively.

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. During the years ended June 30, 2021 and 2020, the Chancery contributed \$360,933 and \$19,355, 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 combined statement of financial position.