



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

February 25, 2021

Dear Sisters and Brothers in Christ,

I am pleased to provide you with our audited financial statements for the fiscal year ended June 30, 2020 for Chancery Office Operations.

This past year the global pandemic presented our Diocese with numerous and unprecedented challenges. I am so grateful for all of our Diocesan priests, employees and lay volunteers that work in our parishes, schools, nursing homes and affiliated ministries. Your work is essential in spreading the Gospel and our solemn work to rebuild in faith and hope.

Despite these challenges the critical work of the Diocese must continue. The FY20 audit completes the fifth consecutive audit of Chancery Operations by Grant Thornton, LLP with a clean or unmodified opinion. As previously promised, our commitment to transparency continued this year with the publication of the *State of the Diocese of Fall River Report* in July 2020. The report highlighted Diocesan accomplishments over the past 5 years, including detailed financials. This report and the Audited Statements for Fiscal Year Ending 6-30-20, are now available on the Diocesan website at www.fallriverdiocese.org.

I would like to thank the Finance Department staff that is responsible for creating the financial reports and assisting Grant Thornton with their review. Additionally, I want to recognize the members of the Diocesan Audit Committee and Finance Council for their work reviewing and approving the audit. We are so fortunate to have such committed professionals that bring a wealth of experience and knowledge to the process.

Please see an additional letter from Kevin R. Kiley, Chancellor, with more details regarding these statements. Please direct any questions you have to his office.

May God bless you and your families and keep you safe during this Lenten season.

Sincerely yours in Christ,

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



DIOCESE OF FALL RIVER
CHANCERY OFFICE

OFFICE OF THE CHANCELLOR

February 25, 2021

To the Catholic Community of the Diocese of Fall River,

Under Bishop da Cunha's direction and commitment to financial transparency, the Diocese presents the audited financial statements and report of independent certified accountants for Roman Catholic Bishop of Fall River (a corporation sole) – **Chancery Office** for the fiscal year ended June 30, 2020, with comparative statements for fiscal 2019. These statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) and were given an unmodified or "clean" opinion from our auditors, Grant Thornton, LLP. A copy of the complete financial statement is included on the Diocesan website, www.fallriverdiocese.org.

In March 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. The financial impact of the pandemic was unprecedented to parishes, schools, and businesses across the country. In response, Bishop da Cunha announced several measures to support parishes, including waiving the April 2020 parish assessment and deferring payments for May and June. The Annual Appeal which typically runs from May-June, was delayed. Finally, the Chancery Office created reserves to address expected difficulties parishes and schools would have in paying their share of insurance and other programs run through the Chancery Office.

From FY19 to FY20, Chancery Office net assets decreased by \$4.8M, from \$11.7M (FY19) to \$6.9M (FY20), largely due to the pandemic. Chancery revenues decreased \$7.3M from \$35.2M (FY19) to \$27.9M (FY20). Insurance revenues declined year over year due to a drop in participants in our self-insured program, as well as the accounts receivable reserves noted above. Annual Appeal revenues were down \$2.9M due to the delay of the campaign. We expect to see some improvement in FY21. Finally, Parish Assessment revenues declined due to the April 2020 waiver. Expenses were down \$287K. We realized a sharp decline in insurance expenses (down \$3.4M) due to participant declines and Chancery efforts to reduce prescription costs and leverage Medicare options for eligible plan participants. This was offset by a spike in Education Grants (up \$2M) and Professional Fees (up \$1.5M). The grants were needed to subsidize operating deficits at select schools. In the face of such deficits the Diocese made the difficult decision to close Coyle and Cassidy Middle and High School and Saint Margaret's Primary School at the end of the school year. Professional fees spiked largely due to the preparation of the recently released list of credibly and publicly accused priests, along with other significant and ongoing projects.

In addition to reviewing the initial audit plan, the Diocesan Audit Committee reviews and approves the audited statements of Chancery Office operations each year. The report of the Audit Committee is presented to the Diocesan Finance Council for final acceptance. The Finance Council meets quarterly and approves the annual operating budget and includes representatives of the Diocesan Audit, Investment, and Real Estate Committees. The knowledge and experience the individuals on these committees bring to the Diocese have been fundamental in our efforts to increase financial transparency and professionally manage the resources entrusted to the Diocese.

February 25, 2021

Finally, I invite you to review the ***State of the Diocese of Fall River Report*** that was released in July 2020 and is also available on the Diocese's website. The report is a retrospective of Bishop da Cunha's first five years and chronicles the many accomplishments of our Diocese in recent years. If you have any questions on these or other Chancery matters, please do not hesitate to contact my office at 508-675-1311.

Sincerely,



Kevin R. Kiley
Chancellor and Chief Financial Officer
Diocese of Fall River

KRK/dmj

**Financial Statements and Report of
Independent Certified Public
Accountants**

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

June 30, 2020 and 2019

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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 financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 22, 2020

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

STATEMENTS OF FINANCIAL POSITION

June 30,

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,580,447	\$ 21,287,241
Accounts receivable from parishes and other, net	5,860,232	5,877,382
Loans receivable from parishes and others, net	17,656,357	11,808,171
Other receivables, net	1,103,625	816,222
Accrued interest, net	1,712,305	1,036,880
Note receivable	84,385	118,000
Prepaid expenses	892,621	-
Investments	36,098,233	29,798,795
Land, buildings, and equipment, net	8,673,670	8,820,916
Total assets	\$ 76,661,875	\$ 79,563,607
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,928,220	\$ 2,456,423
Loans payable	749,914	-
Funds on deposit from parishes and others	47,127,942	46,569,078
Funds on deposit from cemetery perpetual care	18,093,150	17,834,247
Interest payable to parishes and others	315,691	325,562
Other payables	399,133	289,637
Agency funds	126,872	381,050
Total liabilities	69,740,922	67,855,997
NET ASSETS		
Without donor restrictions:		
Designated for Canon Law Fund	11,613	-
Designated for Capital Projects	7,742	-
Designated for Diocesan Endowment	6,139	-
Designated for Bishop's Discretionary Fund	18,810	18,810
Undesignated	1,715,282	6,542,675
With donor restrictions	5,161,367	5,146,125
Total net assets	6,920,953	11,707,610
Total liabilities and net assets	\$ 76,661,875	\$ 79,563,607

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

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 (with summarized comparative information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Insurance program fees				
Medical and dental premiums	\$ 14,491,430	\$ -	\$ 14,491,430	\$ 16,173,796
Other benefits and insurance premiums	4,271,826	-	4,271,826	4,387,536
Contributions and bequests				
Catholic Charities Appeal	2,344,025	-	2,344,025	5,225,504
Special collections	380,050	-	380,050	2,171,514
Bequests and other contributions	471,340	-	471,340	153,434
Parish assessment	3,415,297	-	3,415,297	3,839,901
Interest on loans and notes	220,380	-	220,380	396,033
Investment return	1,275,931	308,541	1,584,472	2,118,340
Rental income	189,900	-	189,900	166,363
Gain on sale of real estate	83,561	-	83,561	79,190
Other revenue	509,887	-	509,887	517,837
Net assets released from restriction	293,299	(293,299)	-	-
	<u>27,946,926</u>	<u>15,242</u>	<u>27,962,168</u>	<u>35,229,448</u>
Expenses and losses				
Insurance program expenses:				
Medical and dental premiums, claims, and expenses	13,184,816	-	13,184,816	16,561,343
Other insurance premiums, claims, and expenses	3,625,175	-	3,625,175	3,593,443
Program activities:				
Pastoral ministries	2,891,726	-	2,891,726	2,782,607
Education and Grants	2,497,486	-	2,497,486	528,960
Communications and faith formation	619,133	-	619,133	614,832
Support for matriculating Seminarians	426,730	-	426,730	339,283
Clergy retirement and other support costs	823,124	-	823,124	900,298
Supporting services:				
Chancery office	2,432,965	-	2,432,965	2,223,441
Professional fees and settlement costs	2,646,603	-	2,646,603	1,072,072
Development	4,317	-	4,317	24,819
Other supporting services	1,742,485	-	1,742,485	1,598,319
Interest on deposits and loans	1,300,325	-	1,300,325	1,322,561
Bad debt expense	-	-	-	1,141,824
Depreciation	257,200	-	257,200	270,419
Other expenses	296,741	-	296,741	61,402
	<u>32,748,826</u>	<u>-</u>	<u>32,748,826</u>	<u>33,035,622</u>
			-	
Change in net assets	(4,801,900)	15,242	(4,786,657)	2,193,826
Net assets, beginning of year	<u>6,561,485</u>	<u>5,146,125</u>	<u>11,707,610</u>	<u>9,513,785</u>
Net assets, end of year	<u>\$ 1,759,585</u>	<u>\$ 5,161,367</u>	<u>\$ 6,920,952</u>	<u>\$ 11,707,610</u>

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

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Insurance program fees			
Medical and dental premiums	\$ 16,173,796	\$ -	\$ 16,173,796
Other benefits and insurance premiums	4,387,536	-	4,387,536
Contributions and bequests			
Catholic Charities Appeal	5,225,504	-	5,225,504
Special collections	2,171,514	-	2,171,514
Bequests and other contributions	153,434	-	153,434
Parish assessment	3,839,901	-	3,839,901
Interest on loans and notes	396,033	-	396,033
Investment return	1,991,132	127,208	2,118,340
Rental income	166,363	-	166,363
Gain on sale of real estate	79,190	-	79,190
Other revenue	517,837	-	517,837
Net assets released from restriction	80,563	(80,563)	-
	<u>35,182,803</u>	<u>46,645</u>	<u>35,229,447</u>
Expenses and losses			
Insurance program expenses:			
Medical and dental premiums, claims, and expenses	16,561,343	-	16,561,343
Other insurance premiums, claims, and expenses	3,593,443	-	3,593,443
Program activities:			
Pastoral ministries	2,782,607	-	2,782,607
Education and Grants	528,960	-	528,960
Communications and faith formation	614,832	-	614,832
Support for matriculating Seminarians	339,282	-	339,283
Clergy retirement and other support costs	900,298	-	900,298
Supporting services:			
Chancery office	2,223,441	-	2,223,441
Professional fees and settlement costs	1,072,072	-	1,072,072
Development	24,819	-	24,819
Other supporting services	1,598,319	-	1,598,319
Interest on deposits and loans	1,322,561	-	1,322,561
Bad debt expense	1,141,824	-	1,141,824
Depreciation	270,419	-	270,419
Other expenses	61,402	-	61,402
	<u>33,035,623</u>	<u>-</u>	<u>33,035,623</u>
Change in net assets	2,147,180	46,645	2,193,825
Net assets, beginning of year	<u>4,414,305</u>	<u>5,099,480</u>	<u>9,513,785</u>
Net assets, end of year	<u>\$ 6,561,485</u>	<u>\$ 5,146,125</u>	<u>\$ 11,707,610</u>

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

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

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2020 (with summarized comparative information for the year ended June 30, 2019)

	2020						2019	
	Compensation Costs	Occupancy Costs	Professional Services	Professional Development	Stipends	Other Costs	Insurance Premiums and Claims	Total Expenses
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
Total insurance program expenses	-	-	-	-	-	-	16,809,991	16,809,991
Program activities								
Pastoral ministries	774,328	-	4,730	-	2,104,910	7,788	-	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 Seminarians	-	-	-	426,730	-	-	-	426,730
Clergy retirement and other support costs	88,898	589,680	134,090	10,455	-	-	-	823,124
Total program activities	1,173,298	589,680	200,935	437,186	4,791,008	66,090	-	7,258,198
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	3,391,352	-	45,000	444,151	-	6,826,371
Interest and deposits on loans								
Bad debt expense	-	-	-	-	-	1,300,325	-	1,300,325
Depreciation	-	-	-	-	-	257,200	-	257,200
Other	-	-	55,000	-	-	241,741	-	296,741
Total expense	\$ 3,606,263	\$ 1,102,583	\$ 3,647,287	\$ 437,186	\$ 4,836,008	\$ 2,309,507	\$ 16,809,991	\$ 32,748,826
								\$ 33,035,623

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

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

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	2019							
	Compensation Costs	Occupancy Costs	Professional Services	Professional Development	Stipends	Other Costs	Insurance Premiums and Claims	Total Expenses
Expenses and losses								
Insurance program expenses								
Medical and dental claims, premiums and expenses			\$ -	\$ -	\$ -	\$ -	\$ 16,561,343	\$ 16,561,343
Insurance premiums, claims and expenses							3,593,443	3,593,443
Total insurance program expenses							20,154,786	20,154,786
Program activities								
Pastoral ministries	280,398		910		2,466,710	34,588		2,782,606
Education and grants					528,960			528,960
Communications and faith formation	88,496	7	110,262		416,067			614,832
Support for matriculating Seminarians				339,283				339,283
Clergy retirement and other support costs	141,780	588,000	134,784			23,116	12,618	900,298
Total program activities	510,674	588,007	245,956	339,283	3,411,737	57,704	12,618	5,165,979
Supporting Services								
Chancery office	2,120,341			3,100		100,000		2,223,441
Professional fees and settlement costs			1,072,072					1,072,072
Development						24,819		24,819
Other supporting services	3,707	398,402	757,239			438,972		1,598,320
Total administration expenses	2,124,048	398,402	1,829,311	3,100		563,791		4,918,652
Interest and deposits on loans						1,322,561		1,322,561
Bad debt expense						1,141,824		1,141,824
Depreciation						270,419		270,419
Other			50,000			11,402		61,402
Total expense	\$ 2,634,722	\$ 986,409	\$ 2,125,267	\$ 342,383	\$ 3,411,737	\$ 3,367,701	\$ 20,167,404	\$ 33,035,623

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

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

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (4,786,657)	\$ 2,193,825
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized/realized gains on investments	(806,250)	(1,374,255)
Bad debt expense	-	1,141,825
Depreciation	257,200	270,419
Changes in operating assets and liabilities		
Accounts receivable from parishes and others, net	17,150	(2,152,617)
Other receivables, net	(287,402)	(304,807)
Accrued interest receivable, net	(675,424)	705,994
Prepaid expenses	(892,621)	3,000
Land, buildings, and equipment, net	(109,954)	-
Accounts payable and accrued expenses	471,796	298,182
Interest payable to parishes and others	(9,871)	(153,083)
Agency funds	(254,178)	(1,619,901)
Other payables	109,495	(566,622)
	<u>(6,966,716)</u>	<u>(1,558,040)</u>
Cash flows from investing activities:		
Change in net loans receivable from parishes and others	(5,848,186)	(88,927)
Net payments received on notes receivable, net	33,615	75,806
Proceeds from sales of investments	18,127,495	4,787,124
Purchases of investments	(23,620,683)	(5,375,208)
	<u>(11,307,758)</u>	<u>(601,205)</u>
Cash flows from financing activities:		
Change in funds on deposit from parishes and others	558,864	(1,000,031)
Change in funds on deposit from cemetery perpetual care	258,903	247,295
Proceeds from issuance of loan	749,914	-
	<u>1,567,681</u>	<u>(752,736)</u>
Net cash provided by (used in) financing activities		
	<u>(16,706,794)</u>	<u>(2,911,981)</u>
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>21,287,241</u>	<u>24,199,223</u>
Cash and cash equivalents, end of year	<u>\$ 4,580,447</u>	<u>\$ 21,287,242</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, 2020 and 2019

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 (the "Chancery") 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 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 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 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 - RISKS AND UNCERTAINTIES (COVID-19)

In March 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. All facets of life in the United States were impacted. The Universal Church and the Diocese of Fall River were no exception. In mid-March, state-imposed restrictions forced the unprecedented shut down of churches throughout the Diocese. In response, the Bishop offered several relief measures for impacted parishes, including the Chancery waiving assessment fees to parishes for the month of April 2020, and deferring payment on all Chancery invoices for April and May.

With respect to the Chancery, the pandemic has had several impacts. In addition to waiving one month of assessment fees, revenues were greatly impacted by the delay in the Catholic Charities Appeal ("Annual Appeal"). The Annual Appeal typically starts on May 1 and ends June 30. In fiscal 2020, the beginning of the campaign was delayed until June 1, and the campaign did not end until August 30. Since the Diocese's fiscal year ends on June 30, much of the campaign revenue from 2020 will not be recognized until FY21, and the Diocese expects the campaign's results to be impacted. Also impacting FY20 results, the Chancery has reserved \$562K related to FY20 parish and school invoices assuming some parishes and schools are unable to meet 100% of their obligations. Finally, Diocesan investments were subject to the same market fluctuations that have been well chronicled across the country. The Diocese works closely through its Investment Committee with professional advisors to ensure its investments are well taken care of, but there remains a measure of risk.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Diocese expects the financial impact of the pandemic to continue, and perhaps even increase in FY21. The Chancery has worked closely with the Catholic Foundation of Southeastern MA to raise emergency funds for parish schools, the Foundation to Advance Catholic Education has allocated additional funds for scholarships, the Bishop has requested that the Chancery budget include special aid provisions for schools, and the Catholic Schools Office has been working closely with philanthropic organizations and lobbying groups to access pandemic assistance for the Diocese's schools. However, the Diocese is concerned that the continued limits on church attendance and the stresses on its schools, nursing homes, and other entities will increase in FY21. Management believes the Diocese has taken appropriate actions to limit the impact of the pandemic moving forward but recognizes that the full impact of COVID-19 cannot be fully estimated at June 30, 2020 and through the date of this report.

NOTE 3 - 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 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.

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 statements of activities as net assets released from restrictions.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Revenues are broadly categorized as follows:

Insurance program fees: The Chancery 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 because of creditworthiness of certain entities being billed, revenue may not be recognized. At the point in time when collection is reasonably assured, which in some cases is when cash is received, revenue is recognized.

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

Annual Appeal: The Annual Appeal typically begins in May and concludes at the end of the fiscal year. Due to the COVID-19 pandemic, the start of the appeal for 2020 was postponed until June, and the Appeal continued until the end of August. The FY20 revenues include contributions made or pledges received through the end of June 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 United States Conference of Catholic Bishops ("USCCB")'s Office of National Collections and the Apostolic Nunciature.

Bequests and Other Contributions: Bequests received are recorded when all conditions are met 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. Details on how the assessment is calculated are published on the Diocese website. Revenue is recognized as services are performed.

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, 2020, the default rate on Chancery loans was 4.00% (the rate was last changed in July 2018 when it was increased from 3.35%).

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 released from restrictions.

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 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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

Expense Recognition

Expenses are reported as decreases in net assets. The Chancery expenses are shown on a functional (i.e. programmatic) basis within the statements of activities. In the schedule of functional expenses, the Chancery 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 include:

Insurance Program Expenses: The Chancery 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.

Program Activities: Includes programs largely supported by the Annual Appeal and Diocesan Special Collections. A complete list of ministries supported by the Annual 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 incurs expenses related to stipends paid to diocesan ministries and are reported as stipend expenses in the statements of functional expenses.

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 administering 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% (the rate was last changed in July 2018 when it was decreased from 2.70%). 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 also maintains cash balances in money market funds which are not insured. The Chancery has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

The Chancery 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, 2020 and 2019

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 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 was 4.00% at June 30, 2020 and 2019.

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 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 when those recoveries are probable. 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, 2020 and 2019

Land, Buildings, and Equipment

Select land, buildings and building improvements, and equipment are stated at cost at the 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 receives deposits from cemetery entities within the Diocese and pays a stated rate of interest on these deposits (2.00% as of June 30, 2020 and 2019). The funds are available to pay for the future care of these cemeteries when needed.

Reserve for Losses

Reserves for losses include several types of losses and the liability associated with these losses is reported in Accounts Payable and Accrued Expenses within the Statement of Financial Position.

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. 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 statements 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 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 has evaluated the impact of all subsequent events through December 22, 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. Refer to disclosures of risks and uncertainties due to the impact of COVID-19 in the Risks and Uncertainties disclosure.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Implementation of Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions made and received. This ASU was issued to help organizations evaluate whether transactions should be considered as contributions (nonreciprocal transactions), and whether those transactions were conditional (including rights of return and measurable barriers). This standard was adopted in fiscal 2020 by the Diocese and there was no impact upon adoption.

In May 2020, the Financial Accounting Standards Board approved a deferral of the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, by one year to annual reporting periods beginning after December 15, 2019. The Diocese therefore deferred adoption of the standard in the current fiscal year.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Chancery Office assets available within one year of the statement of financial position date to fund general operating expenditures, without donor restrictions or Diocesan designations, include the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 4,580,447	\$ 21,287,241
Investments	36,098,233	29,798,795
Pledges receivable, due within one year	294,451	681,727
Accounts receivable, due within one year	5,860,232	2,833,417
Loans receivable, due within one year	1,183,265	1,106,208
	48,016,628	55,707,387
Less amounts unavailable within one year:		
Funds with donor restrictions	(5,161,367)	(5,146,125)
Assets available to meet cash needs for general expenditures or withdrawal of parish funds within one year	42,855,261	50,561,262
Less funds on deposit from parishes and other	(47,127,942)	(46,569,078)
Less funds on deposit from cemetery perpetual care	(18,093,150)	(17,834,247)
Assets available excluding Chancery depository funds	\$ (22,365,831)	\$ (13,842,063)

The Chancery 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 5 - ACCOUNTS RECEIVABLE, LOANS RECEIVABLE, OTHER RECEIVABLES, ACCRUED INTEREST, AND NOTE RECEIVABLE

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

	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 amounts receivable	(141,115)	(741,011)	(29,209)	(129,675)	-
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>
	2019				
	Accounts receivable	Loans receivable	Other receivable	Accrued interest	Note receivable
Gross receivable	\$ 13,475,871	\$ 26,621,975	\$ 4,429,834	\$ 7,618,640	\$ 140,460
Less: allowance for doubtful accounts	(5,709,239)	(13,203,890)	(3,505,732)	(6,316,172)	-
Subtotal	7,766,632	13,418,085	924,102	1,302,468	140,460
Depository savings payable to those entities with amounts receivable	(1,889,250)	(1,609,914)	(107,880)	(265,588)	(22,460)
Net receivable	<u>\$ 5,877,382</u>	<u>\$ 11,808,171</u>	<u>\$ 816,222</u>	<u>\$ 1,036,880</u>	<u>\$ 118,000</u>

A roll forward of the allowance for doubtful accounts related to the above receivables for the year ended June 30 is as follows:

	2020			
	Accounts receivable	Loans receivable	Other receivable	Accrued interest
Beginning of year	\$ 5,709,239	\$ 13,203,890	\$ 3,505,732	\$ 6,316,172
Current year provision	561,697	-	-	-
Write-offs net of recoveries	(3,262,133)	(9,820,913)	(1,081,655)	(4,823,056)
End of year	<u>\$ 3,008,803</u>	<u>\$ 3,382,977</u>	<u>\$ 2,424,077</u>	<u>\$ 1,493,116</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	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	\$ 5,709,239	\$ 13,203,890	\$ 3,505,732	\$ 6,316,172

NOTE 6 - INVESTMENTS

Investments consist of the following at June 30:

	2020	2019
Money market funds	\$ 1,771,689	\$ 1,167,716
Mutual funds	5,228,374	10,510,322
Corporate bonds	10,789,307	4,968,338
Common stock	18,308,863	13,152,419
	\$ 36,098,233	\$ 29,798,795

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

	2020	2019
Interest and dividends	\$ 778,222	\$ 744,086
Realized losses on investments	(3,163,673)	(78,272)
Unrealized gains on investments	3,969,923	1,452,526
Total investment income	\$ 1,584,472	\$ 2,118,340

Investment income is shown net of investment management fees. For the years ended June 30, 2020 and 2019, the Chancery Office paid \$101,577 and \$77,120, respectively, in investment management fees.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT

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

	Estimated useful life	2020 cost	2019 cost
Land	N/A	\$ 4,175,827	\$ 4,175,827
Buildings and improvements	20 - 40 years	10,893,624	10,796,274
Equipment	3 years	121,036	121,036
Furniture	10 years	12,604	-
		<u>15,203,091</u>	<u>15,093,137</u>
Less: accumulated depreciation		<u>(6,529,421)</u>	<u>(6,272,221)</u>
		<u>\$ 8,673,670</u>	<u>\$ 8,820,916</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

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

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Chancery Office paid professional fees totaling \$210,912 and \$238,706, respectively, to the firm.

NOTE 9 - FAIR VALUE MEASUREMENTS

The Chancery measures 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, 2020 and 2019.

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

June 30, 2020 and 2019

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:

	Level 1	Level 2	Total
Money market funds	\$ 1,771,689	\$ -	\$ 1,771,689
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>

	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	<u>\$ 24,830,457</u>	<u>\$ 4,968,338</u>	<u>\$ 29,798,795</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	Net assets with donor restrictions	
	2020	2019
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 (endowment)	4,434,736	4,434,736
Catholic Charities Appeal (Monsignor Considine Fund)	319,699	171,048
Guild for the Blind (Regina Collopy Trust)	118,290	112,221
Catholic Memorial Home (Joseph Parks Memorial)	-	155,747
Education of priests (O'Donnell Fund appreciation)	65,518	57,384
Various	173,124	214,989
Catholic Social Services	50,000	-
Total	<u>\$ 5,161,367</u>	<u>\$ 5,146,125</u>

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

June 30, 2020 and 2019

Net assets released from restrictions for the periods ending June 30 included the following:

	2020	2019
Duchaine	\$ 80,563	\$ 80,563
Catholic Charities Appeal (Monsignor Considine Fund)	14,915	-
Catholic Memorial Home (Joseph Parks Memorial)	155,750	-
Catholic Memorial Home (Margaret Hurley Fund)	42,071	-
Total	\$ 293,299	\$ 80,563

NOTE 11 - ENDOWMENTS

The Chancery 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 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 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 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, (7) the Chancery investment policies and (8) any expressed wishes of the respective donors.

Investment Return Objectives, Risk Parameters and Strategies

The Chancery 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.

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

June 30, 2020 and 2019

Spending Policy

A spending policy has been adopted by the Finance Council providing for a spending rate of approximately 4% for the years ended June 30, 2020 and 2019. The amount available for spending each fiscal year is determined by utilizing a rolling calendar three-year trailing average total market value of the portfolio. The Diocese has chosen not to withdraw funds from these accounts in either year due to sufficient cash being on hand to meet current obligations. A roll-forward of net assets with donor restrictions with balances as of June 30, 2020 and June 30, 2019 is as follows:

	Without donor restriction	With donor restriction - time/purpose	With donor restriction - perpetuity	Total
Endowment net assets, June 30, 2018	\$ -	\$ 664,744	\$ 4,434,736	\$ 5,099,480
Investment return	-	127,208	-	127,208
Amounts appropriated for expenditure	-	(80,563)	-	(80,563)
Endowment net assets, June 30, 2019	-	711,389	4,434,736	5,146,125
Investment return	-	258,541	-	308,541
New donations	-	50,000	-	-
Amounts appropriated for expenditure	-	(293,299)	-	(293,299)
Endowment net assets, June 30, 2020	\$ -	\$ 726,631	\$ 4,434,736	\$ 5,161,367

NOTE 12 - 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, 2020 and 2019, this reserve totaled \$290,000 and \$170,000, 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 13 - PENSION PLANS

Lay Plan

The Chancery 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; and
- 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.

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

June 30, 2020 and 2019

The plan in which the Chancery 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.

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 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 may make additional contributions to the plan each year. For the years ended June 30, 2020 and 2019, Chancery lay pension contributions were \$38,710 and \$200,000, respectively, and were reported as Chancery 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. 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, 2020 and 2019, the Chancery contributed \$103,591 and \$99,549 to these plans, respectively.

Priests Plan

The Diocese has a pension plan (the "Priests' Plan") which is administered by the Chancery 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, 2020 and 2019, the Chancery contributed \$19,355 and \$100,000, respectively, to the new Priests' Plan.

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