Combined Financial Statements and Report of Independent Certified Public Accountants

ROMAN CATHOLIC BISHOP OF FALL RIVER (A Corporation Sole) - Chancery Office

June 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion
We have audited the financial statements of the Roman Catholic Bishop of Fall River (A Corporation Sole) - Chancery Office (the "Diocese"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Diocese as of June 30, 2023 and 2022, 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.

Basis for opinion
We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Boston, Massachusetts
December 19, 2023

ROMAN CATHOLIC BISHOP OF FALL RIVER
(A Corporation Sole) - Chancery Office

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,415,114	$ 4,260,127
Accounts receivable from parishes and other, net	3,172,955	2,988,599
Loans receivable from parishes and others, net	18,409,921	18,305,775
Other receivables, net	3,159,835	2,730,298
Accrued interest, net	506,952	553,165
Prepaid expenses	566,281	1,535,345
Investments	48,898,176	44,607,387
Land, buildings, and equipment, net	10,210,252	8,187,973
Total assets	$ 88,339,487	$ 83,168,669
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,255,976	$ 2,354,386
Interest payable to parishes and others	65,743	64,490
Other payables	282,500	297,500
Funds on deposit from parishes and others	59,938,075	55,627,099
Agency funds	185,013	159,363
Funds on deposit from cemetery perpetual care	19,800,967	19,215,645
Loans payable	1,431,865	759,521
Total liabilities	83,960,139	78,478,004
Net assets		
Without donor restrictions		
Designated for capital projects	228,173	228,173
Designated for Diocesan Endowment	152,115	152,115
Designated for Canon Law Fund	19,490	16,404
Designated for Bishop's Discretionary Fund	17,559	22,909
Designated for Faith Formation	184,898	160,296
Undesignated	(1,551,649)	(1,313,557)
With donor restrictions	5,328,761	5,424,325
Total net assets	4,379,348	4,690,665
Total liabilities and net assets	$ 88,339,487	$ 83,168,669

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, 2023 (with summarized comparative information for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Insurance program fees:				
Medical and dental premiums	$ 13,246,570	$ -	$ 13,246,570	$ 13,757,810
Other benefits and insurance premiums	3,765,933	-	3,765,933	3,622,307
Contributions and bequests:				
Annual appeal	4,325,150	-	4,325,150	4,271,795
Special collections	502,388	-	502,388	419,013
Bequests and other contributions	419,456	-	419,456	1,216,181
Parish assessment	3,334,206	-	3,334,206	3,385,100
Interest on loans and notes	277,578	-	277,578	296,329
Investment return	5,309,811	157,429	5,467,240	(6,744,882)
Gain on sale of real estate	1,074,149	-	1,074,149	8,135
Other revenue	2,339,175	-	2,339,175	1,649,844
Net assets released from restriction	252,994	(252,994)	-	-
Total revenues and other support	34,847,410	(95,565)	34,751,845	21,881,632
EXPENSES AND LOSSES				
Insurance program expenses:				
Medical and dental premiums, claims, and expenses	13,817,592	-	13,817,592	12,856,804
Other insurance premiums, claims, and expenses	3,475,898	-	3,475,898	3,246,807
Program activities:				
Pastoral ministries	3,002,968	-	3,002,968	2,933,541
Education and grants	1,135,529	-	1,135,529	920,910
Communications and faith formation	996,329	-	996,329	938,207
Support for matriculating seminarians	294,902	-	294,902	412,873
Clergy retirement and other support costs	1,320,499	-	1,320,499	1,171,791
Supporting services:				
Chancery office	3,295,563	-	3,295,563	2,967,366
Professional fees and settlement costs	2,361,245	-	2,361,245	4,053,040
Development	96,529	-	96,529	99,278
Other supporting services	2,736,402	-	2,736,402	2,687,381
Interest on deposits and loans	1,331,524	-	1,331,524	1,438,557
Bad debt expense	740	-	740	(57,033)
Depreciation	264,472	-	264,472	258,274
Other expenses	932,972	-	932,972	228,400
Total expenses and losses	35,063,162	-	35,063,162	34,156,197
CHANGE IN NET ASSETS	(215,752)	(95,565)	(311,317)	(12,274,566)
Net assets, beginning of year	(733,660)	5,424,325	4,690,665	16,049,738
Transfer of net assets	-	-	-	915,493
Net assets, end of year	$ (949,412)	$ 5,328,761	$ 4,379,348	$ 4,690,665

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

ROMAN CATHOLIC BISHOP OF FALL RIVER
(A Corporation Sole) - Chancery Office

COMBINED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Insurance program fees:			
Medical and dental premiums	$ 13,757,810	$ -	$ 13,757,810
Other benefits and insurance premiums	3,622,307	-	3,622,307
Contributions and bequests:			
Annual appeal	4,271,795	-	4,271,795
Special collections	419,013	-	419,013
Bequests and other contributions	900,903	315,278	1,216,181
Parish assessment	3,385,100	-	3,385,100
Interest on loans and notes	296,329	-	296,329
Investment return	(6,817,712)	72,830	(6,744,882)
Gain on sale of real estate	8,135	-	8,135
Other revenue	1,649,844	-	1,649,844
Net assets released from restriction	204,757	(204,757)	-
Total revenues and other support	21,698,282	183,350	21,881,632
EXPENSES AND LOSSES			
Insurance program expenses:			
Medical and dental premiums, claims, and expenses	12,856,804	-	12,856,804
Other insurance premiums, claims, and expenses	3,246,807	-	3,246,807
Program activities:			
Pastoral ministries	2,933,541	-	2,933,541
Education and grants	920,910	-	920,910
Communications and faith formation	938,207	-	938,207
Support for matriculating seminarians	412,873	-	412,873
Clergy retirement and other support costs	1,171,791	-	1,171,791
Supporting services:			
Chancery office	2,967,366	-	2,967,366
Professional fees and settlement costs	4,053,040	-	4,053,040
Development	99,278	-	99,278
Other supporting services	2,687,381	-	2,687,381
Interest on deposits and loans	1,438,557	-	1,438,557
Bad debt expense	(57,033)	-	(57,033)
Depreciation	258,274	-	258,274
Other expenses	228,400	-	228,400
Total expenses and losses	34,156,197	-	34,156,197
CHANGE IN NET ASSETS	(12,457,916)	183,350	(12,274,566)
Net assets, beginning of year	10,808,763	5,240,975	16,049,738
Transfer of net assets	915,493	-	915,493
Net assets, end of year	$ (733,660)	$ 5,424,325	$ 4,690,665

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

ROMAN CATHOLIC BISHOP OF FALL RIVER
(A Corporation Sole) - Chancery Office

COMBINED SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2023 (with summarized comparative information for the year ended June 30, 2022)

	2023								2022
	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	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,817,592	$ 13,817,592	$ 12,856,804
Insurance premiums, claims and expenses	-	-	-	-	-	-	3,475,898	3,475,898	3,246,807
Total insurance program expenses	-	-	-	-	-	-	17,293,490	17,293,490	16,103,610
Program activities									
Pastoral ministries	1,122,180	-	-	-	1,864,197	16,591	-	3,002,968	2,933,541
Education and grants	-	-	-	-	1,135,529	-	-	1,135,529	920,910
Communications and faith formation	474,990	-	175,110	-	51,482	294,746	-	996,328	938,207
Support for matriculating seminarians	-	-	-	294,902	-	-	-	294,902	412,873
Clergy retirement and other support costs	311,577	42,419	293,873	-	672,631	-	-	1,320,500	1,171,791
Total program activities	1,908,747	42,419	468,983	294,902	3,723,839	311,337	-	6,750,227	6,377,324
Supporting services									
Chancery office	3,295,563	-	-	-	-	-	-	3,295,563	2,967,366
Professional fees and settlement costs	-	-	2,361,245	-	-	-	-	2,361,245	4,053,040
Development	-	-	-	-	-	96,529	-	96,529	99,278
Other supporting services	-	900,628	999,648	-	-	836,125	-	2,736,402	2,687,381
Total administration expenses	3,295,563	900,628	3,360,893	-	-	932,654	-	8,489,737	9,807,065
Interest and deposits on loans	-	-	-	-	-	1,331,524	-	1,331,524	1,438,557
Bad debt expense	-	-	-	-	-	740	-	740	(57,033)
Depreciation	-	-	-	-	-	264,472	-	264,472	258,274
Other	-	-	50,000	-	-	882,972	-	932,972	228,400
Total expense	$ 5,204,310	$ 943,048	$ 3,879,876	$ 294,902	$ 3,723,839	$ 3,723,698	$ 17,293,490	$ 35,063,162	$ 34,156,197

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

ROMAN CATHOLIC BISHOP OF FALL RIVER
(A Corporation Sole) - Chancery Office

COMBINED SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	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	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,856,804	$ 12,856,804
Insurance premiums, claims and expenses	-	-	-	-	-	-	3,246,807	3,246,807
Total insurance program expenses	-	-	-	-	-	-	16,103,610	16,103,610
Program activities								
Pastoral ministries	1,072,411	-	4,800	-	1,846,805	9,525	-	2,933,541
Education and grants	-	-	-	-	920,910	-	-	920,910
Communications and faith formation	443,895	-	202,583	-	42,178	249,552	-	938,207
Support for matriculating seminarians	-	-	-	412,873	-	-	-	412,873
Clergy retirement and other support costs	164,328	24,442	399,882	-	583,140	-	-	1,171,791
Total program activities	1,680,634	24,442	607,265	412,873	3,393,032	259,077	-	6,377,323
Supporting services								
Chancery office	2,967,366	-	-	-	-	-	-	2,967,366
Professional fees and settlement costs	-	-	4,053,040	-	-	-	-	4,053,040
Development	-	-	-	-	-	99,278	-	99,278
Other supporting services	-	686,748	1,165,803	-	-	834,830	-	2,687,381
Total administration expenses	2,967,366	686,748	5,218,843	-	-	934,107	-	9,807,065
Interest and deposits on loans	-	-	-	-	-	1,438,557	-	1,438,557
Bad debt expense	-	-	-	-	-	(57,033)	-	(57,033)
Depreciation	-	-	-	-	-	258,274	-	258,274
Other	-	-	50,000	-	-	178,400	-	228,400
Total expense	$ 4,648,000	$ 711,190	$ 5,876,108	$ 412,873	$ 3,393,032	$ 3,011,383	$ 16,103,610	$ 34,156,197

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 June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (311,317)	$ (11,359,073)
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities:		
Unrealized realized gains/(losses) on investments	(4,535,726)	7,599,537
Depreciation	264,472	258,274
Bad debt provision	296,028	(52,340)
Changes in operating assets and liabilities:		
Accounts receivable from parishes and others, net	(184,356)	(69,195)
Other receivables, net	(589,226)	(454,536)
Accrued interest receivable, net	46,212	475,472
Prepaid expenses	969,065	(707,162)
Land, buildings, and equipment, net	(2,286,751)	(15,327)
Accounts payable and accrued expenses	(98,410)	187,979
Interest payable to parishes and others	1,253	(4,500)
Agency funds	25,650	(3,863)
Other payables	(15,000)	25,000
Net cash used in operating activities	(6,418,107)	(4,119,736)
Cash flows from investing activities:		
Change in depository offsets	-	(633,977)
Net payments received on notes receivable	-	35,471
Proceeds from sales of investments	15,845,944	14,026,551
Purchases of investments	(15,601,008)	(16,413,978)
Net cash provided by (used in) investing activities	244,937	(2,985,932)
Cash flows from financing activities:		
Change in funds on deposit from parishes and others	4,310,977	2,909,230
Change in funds on deposit from cemetery perpetual care	585,322	712,324
New loans issued	(2,062,994)	(2,421,090)
Receipt of funds from new loans	672,344	200,501
Loan payments	1,822,510	2,371,966
Net cash provided by financing activities	5,328,158	3,772,930
NET CHANGE IN CASH AND CASH EQUIVALENTS	(845,013)	(3,332,738)
Cash and cash equivalents, beginning of year	4,260,127	7,592,865
Cash and cash equivalents, end of year	$ 3,415,114	$ 4,260,127

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

NOTE 1 - ORGANIZATION

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Basis of Presentation

The Chancery Office reports its financial position and activities within three 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 include what were formerly classified as temporarily or permanently restricted funds. This includes assets that are subject to donor-imposed stipulations.

Net asset transfers - An equity transfer between non-profit organizations is a nonreciprocal transaction similar to an ownership transaction between a for-profit parent and its subsidiary (e.g., a capital contribution). In general, transactions are classified as equity transfers if (a) they occur between non-profit organization and one organization controls the other or they are both under common control, and (b) the transferor does not receive anything of immediate economic value and has no expectation of repayment. In a transaction that is an equity transfer, the transferee does not recognize a step-up in basis of the assets received; rather, the assets are measured using the basis of the assets transferred by the transferor. Equity transfers are reported separately as changes in net assets in the statement of activities

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:

<u>Annual Appeal</u>: The Annual Appeal typically begins in May and concludes in June at the end of the fiscal year. Cash gifts are recognized when received. An accrual for pledges made, but not received was $463,761 and $568,354 at June 30, 2023 and 2022, respectively.

<u>Special Collections</u>: 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") Office of National Collections and the Apostolic Nunciature. Revenues are recognized as collection funds are remitted to the Chancery by the various parishes.

<u>Bequests and Other Contributions</u>: 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.

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 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/. One-twelfth of annual assessment revenues are billed to parishes each month. Like 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 paid on loans provided by the Chancery to parishes, schools, and other entities. As of June 30, 2023, the default rate on Chancery loans was 4.00% (the rate was last changed in July 2018 when it was increased from 3.35%). Due to the significant increase in interest rates over the past year the Chancery was reviewing its default rate at fiscal year-end. In select cases the Chancery may grant loans at reduced rates to assist parishes and schools in need.

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.

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 and investment management fees related to Diocesan ministries and programs, as well as rental income from retired priests in residence at the Cardinal Medeiros Center. Revenues are earned as goods or services are provided. Revenues are 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 *Combined Statement of Activities*. In the *Combined 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 like 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 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 Catholic

Charities Appeal (outsourced to the Catholic Foundation of Southeast Massachusetts in FY19) are included in this category.

Other Expenses: Includes interest on parish, school, and other entity deposits held by the Chancery. As of June 30, 2023, the rate of interest paid on these deposits was 1.85% (in February of 2023, the Chancery announced that the rate paid on deposits will increase to 2.00% in October 2023). 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. All Chancery Office investments are overseen by the Diocesan Investment Committee. The charter of the Investment Committee includes monitoring the return on Diocesan investments as well as ensuring that funds are invested in compliance with USCCB socially responsible investing guidelines.

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 may be 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 accrued interest on Chancery investments, as well as an accrued interest balance on a loan from a related party.

Allowance for Doubtful Accounts

The allowances for doubtful accounts for accounts receivable, loans receivable, and other receivables 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, and other receivables are written off in whole or in part when, in management's opinion, collectability is considered remote and are reviewed on a case-by-case basis. The Chancery Office will continue to work with parishes, schools, and related entities to assess their ability to address outstanding debt. Proceeds from property sales by entities with delinquent account balances (including closed and merged parishes) may be applied against outstanding balances at the discretion of the Bishop. A listing of all property sales and the use of said funds are also reviewed with the Diocesan Finance Council. All transactions are reviewed to ensure compliance with civil and church (canon) law, 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, and other receivables, 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 (1.75% as of June 30, 2023). The funds are available to pay for the future care of these cemeteries when needed.

Reserve for Losses

Property and General Liability Insurance

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

Health and Dental Insurance

The Diocese is self-insured for losses related to health benefits for its employees. The program is administered by the Chancery Office. Medical claim losses in excess of the self-insured retention level are insured under a commercial excess policy ("stop-loss" insurance). 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 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 19, 2023, the date the financial statements were available to be issued and notes that on December 1, 2023, the Chancery Office closed on the sale of the former Coyle and Cassidy High School with the City of Taunton. The sale of the property will now allow for the continued productive use of the building and its facilities for the good of the City of Taunton and its residents. A portion of the $6M sale proceeds will be offset against debt previously placed in abeyance by the Chancery Office and will result in a one-time gain to the Chancery books in Fiscal Year 2024. There were no other events requiring adjustment or disclosure on the financial statements.

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, 2023, (with comparative information from June 30, 2022):

	2023	2022
Cash and cash equivalents	$ 3,415,114	$ 4,260,127
Investments	48,898,176	44,607,387
Pledges receivable, due within one year	463,761	568,354
Accounts receivable, due within one year	3,172,955	2,988,599
Loans receivable, due within one year	1,194,301	1,200,289
Other receivables, due within one year	694,440	598,214
	57,838,747	54,222,969
Less amounts unavailable within one year:		
Funds with donor restrictions	(5,328,761)	(5,424,325)
Assets available to meet cash needs for general expenditures or withdrawal of parish funds within one year	52,509,987	48,798,644
Less funds on deposit from parishes and other	(59,938,075)	(55,627,099)
Less funds on deposit from cemetery perpetual care	(19,800,967)	(19,215,645)
Assets available excluding Chancery depository funds	$ (27,229,055)	$ (26,044,099)

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.

In September 2020, the Chancery secured a $5,000,000 line of credit with a local bank to further insulate itself from any short-term liquidity issues. At June 30, 2023, the line of credit remained available to the Chancery. The Chancery has never drawn from this line of credit.

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

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

	2023			
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest
Gross receivable	$ 3,421,914	$18,624,293	$ 3,319,524	$ 506,952
Less: allowance for doubtful accounts	(105,180)	(214,372)	(159,689)	-
Subtotal	3,316,734	18,409,921	3,159,835	506,952
Depository savings payable to those entities with accounts receivable	(143,779)	-	-	-
Net receivable	$ 3,172,955	$18,409,921	$ 3,159,835	$ 506,952

	2022			
	Accounts Receivable	Loans Receivable	Other Receivable	Accrued Interest
Gross receivable	$ 3,547,205	$18,383,808	$ 2,730,298	$ 553,165
Less: allowance for doubtful accounts	(421,213)	(78,033)	-	-
Subtotal	3,125,993	18,305,775	2,730,298	553,165
Depository savings payable to those entities with accounts receivable	(137,393)	-	-	-
Net receivable	$ 2,988,599	$18,305,775	$ 2,730,298	$ 553,165

A roll forward of the allowance for doubtful accounts related to the above receivables for the years ended June 30, 2023 and 2022 is as follows:

	2023		
	Accounts Receivable	Loans Receivable	Other Receivable
Beginning of the year	$ 421,213	$ 78,033	$ -
Current year provision	-	136,339	159,689
Write-offs net of recoveries	(316,033)	-	-
End of year	$ 105,180	$ 214,372	$ 159,689

	2022		
	Accounts Receivable	Loans Receivable	Other Receivable
Beginning of the year	$ 837,426	$ 78,033	$ -
Write-offs net of recoveries	(416,213)	-	-
End of year	$ 421,213	$ 78,033	$ -

NOTE 5 - INVESTMENTS

Investments consist of the following at June 30:

	2023	2022
Money market funds	$ 2,517,512	$ 1,379,830
Mutual funds	6,423,519	6,365,589
Corporate bonds	9,380,002	10,293,003
Common stock	30,577,143	26,568,965
	$ 48,898,176	$ 44,607,387

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

	2023	2022
Interest and dividends	$ 931,514	$ 854,654
Realized gains (losses) on investments	(712,896)	1,166,509
Unrealized gains (losses) on investments	5,248,623	(8,766,046)
Total investment income/(loss)	$ 5,467,240	$ (6,744,882)

Per ASU 2016-14 investment income is shown net of investment management fees. For the years ended June 30, 2023 and 2022, the Chancery Office paid $160,468 and $180,114, respectively, in investment management fees.

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	2023	2022
Land	N/A	$ 4,700,372	$ 4,175,827
Buildings and improvements	20 - 40 years	11,118,736	10,904,250
Equipment	3 years	52,599	65,888
Furniture	10 years	135,454	14,404
Construction in progress	Varies	1,419,698	8,177
		17,426,858	15,168,546
Less: accumulated depreciation		(7,216,606)	(6,980,573)
Total land, buildings, and equipment		$ 10,210,252	$ 8,187,973

NOTE 7 - 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, 2023 and 2022.

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:

	2023		
	Level 1	Level 2	Total
Money market funds	$ 2,517,512	$ -	$ 2,517,512
Mutual funds	6,423,519	-	6,423,519
Corporate bonds	-	9,380,002	9,380,002
Common stock	30,577,143	-	30,577,143
Total	$ 39,518,174	$ 9,380,002	$ 48,898,176

	2022		
	Level 1	Level 2	Total
Money market funds	$ 1,379,830	$ -	$ 1,379,830
Mutual funds	6,365,589	-	6,365,589
Corporate bonds	-	10,293,003	10,293,003
Common stock	26,568,965	-	26,568,965
Total	$ 34,314,384	$ 10,293,003	$ 44,607,387

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	Net Assets With Donor Restrictions	
	2023	2022
Restricted uses:		
Catholic Charities Appeal (Paul Duchaine Fund corpus)	$ 4,343,294	$ 4,343,294
Education of priests (Joseph O'Donnell Fund corpus)	406,720	406,720
Total restricted in perpetuity	4,750,014	4,750,014
Catholic Charities Appeal (Monsignor Considine Fund)	230,871	282,680
Guild for the Blind (Regina Collopy Trust)	441	51,721
Father Peyton cause for saint-hood	1,650	1,650
Education of priests (O'Donnell Fund appreciation)	89,311	81,787
Elderly in the Diocese	35,000	35,000
Various - Fd 625 (Hurley, Conboy, St. Johns Day)	171,474	173,124
Catholic Social Services - Carney donation	50,000	50,000
Total	$ 5,328,761	$ 5,424,325

NOTE 9 - 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.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ -	$ 5,240,975	$ 5,240,975
Contributions received	-	315,278	315,278
Income	-	72,830	72,830
Amounts appropriated for expenditure	-	(204,757)	(204,757)
Endowment net assets, June 30, 2022	-	5,424,325	5,424,325
Income	-	157,429	157,429
Amounts appropriated for expenditure	-	(252,994)	(252,994)
Endowment net assets, June 30, 2023	$ -	$ 5,328,761	$ 5,328,761

Investment Return Objectives, Risk Parameters and Strategies

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

Spending Policy

Net assets released from restrictions for the periods ending June 30, 2023 and 2022, included:

	2023	2022
Duchaine	$ 80,351	$ 81,168
Catholic Charities Appeal (Monsignor Considine Fund)	74,777	-
Guild for the Blind (Regina Collopy Trust)	47,865	73,590
Catholic Social Services - Carney donation	50,000	50,000
Total	$ 252,994	$ 204,757

NOTE 10 - CONTINGENCIES

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

NOTE 11 - PENSION PLANS

Lay Plan

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

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

b. If a participating employer stops contributing to a multiemployer plan, generally the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers, on a case-by-case basis.

c. If a participating entity chooses to stop participating in a multiemployer plan, the participating entity may be required to pay the multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

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

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

The Diocese works with an outside actuarial firm to regularly review if the plan has been appropriately funded to meet future payment obligations. In 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. No Chancery contributions were made for the 2022 or 2023 plan years.

The following is a summary of the Lay Plan information as of June 30, 2023:

	2023
Present value of accumulated plan assets	$ 71,488,774
Fair value of plan assets	(49,556,495)
Accumulated unfunded benefit obligation	$ 21,932,279
Funding ratio	69.3%

The present value of accumulated plan assets was calculated using the Pri-2012 Total Dataset Mortality with Generational MP-2021 mortality tables, and assuming a discount rate of 5.20%, with no cost-of-living adjustment.

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 Internal Revenue Service Code. All lay employees of the participating Diocesan agencies and other related entities are eligible to make contributions immediately upon employment. During the years ended June 30, 2023 and 2022, the Chancery contributed $155,652 and $121,861 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, 2023 and 2022, the Chancery contributed $0 and $250,000 respectively, to the new Priests’ Plan.

The following is a summary Plan information as of June 30, 2023:

	2023
Present value of accumulated plan assets	$ 13,851,187
Fair value of plan assets	(3,419,611)
Accumulated unfunded benefit obligation	$ 10,431,576
Funding ratio	24.7%

The present value of accumulated plan assets was calculated using the Pri-2012 Total Dataset Mortality with Generational MP-2021 mortality tables, and assuming a discount rate of 5.18%, with no cost-of-living adjustment.

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.

NOTE 12 - INTERNAL LOAN

At June 30, 2023, the Chancery has borrowed $1M of net assets with donor restrictions to fund operations. The Chancery plans to restore the full amount borrowed. The specific timing and amount of repayment on this borrowing is currently being developed and will be dependent on various factors, including the availability of unrestricted funds.