# Archdiocese of Chicago

Consolidated Financial Statements as of and
for the Years Ended June 30, 2020 and 2019,
and Independent Accountants’ Review Report

# ARCHDIOCESE OF CHICAGO

## TABLE OF CONTENTS

**Deloitte & Touche LLP**
111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel:+1 312 486 1000
Fax:+1 312 486 1486
www.deloitte.com

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

His Eminence Cardinal Blase J. Cupich
Archbishop of Chicago:

We have reviewed the accompanying consolidated financial statements of the Archdiocese of Chicago (the "Archdiocese"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statement of activities and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Archdiocese's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 26, 2021

# ARCHDIOCESE OF CHICAGO

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AS OF JUNE 30, 2020 AND 2019
## (Dollars in thousands)

| ASSETS | 2020 | 2019 |
|---|---|---|
| CASH AND CASH EQUIVALENTS | $ 290,784 | $ 240,739 |
| RESTRICTED CASH | 53,773 | 72,166 |
| INVESTMENTS | 1,924,110 | 1,928,456 |
| RECEIVABLES: | | |
| Notes, accounts, and pledges receivable—net | 119,181 | 153,266 |
| Cemetery installment contracts | 45,108 | 43,277 |
| Total receivables | 164,289 | 196,543 |
| CEMETERY PROPERTY—Ready and available for use | 55,943 | 55,571 |
| LAND, BUILDINGS, AND EQUIPMENT: | | |
| Undeveloped realty | 26,072 | 26,072 |
| Land | 249,393 | 248,337 |
| Buildings and equipment | 2,798,444 | 2,751,273 |
| Construction in progress | 21,424 | 11,721 |
| Total land, buildings, and equipment | 3,095,333 | 3,037,403 |
| Less accumulated depreciation | (1,798,842) | (1,737,611) |
| Land, buildings, and equipment—net | 1,296,491 | 1,299,792 |
| OTHER ASSETS | 29,327 | 31,203 |
| TOTAL | $ 3,814,717 | $ 3,824,470 |

| LIABILITIES | 2020 | 2019 |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 258,236 | $ 242,492 |
| Deferred revenue | 275,153 | 193,884 |
| Deposits | 3,729 | 2,161 |
| Borrowings (less debt issuance costs of $1,303 and $1,559 for 2020 and 2019, respectively) | 190,148 | 195,162 |
| Insurance claims | 181,686 | 166,082 |
| Unearned rental income | 15,669 | 15,876 |
| Accrued pension cost | 209,570 | 153,151 |
| Postretirement liabilities | 183,424 | 182,614 |
| Asset retirement obligations | 76,848 | 76,288 |
| Accrued cemetery maintenance costs | 620,832 | 539,733 |
| Refundable grant advances | 154,395 | 154,395 |
| Total liabilities | 2,169,690 | 1,921,838 |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Undesignated | (202,682) | (149,582) |
| Designated | 1,617,540 | 1,827,836 |
| Total without donor restrictions | 1,414,858 | 1,678,254 |
| With donor restrictions: | | |
| Temporary in nature | 159,000 | 158,527 |
| Perpetual in nature | 71,169 | 65,851 |
| Total with donor restrictions | 230,169 | 224,378 |
| Total net assets | 1,645,027 | 1,902,632 |
| TOTAL | $3,814,717 | $3,824,470 |

See independent accountants' review report and notes to consolidated financial statements.

## ARCHDIOCESE OF CHICAGO

### CONSOLIDATED STATEMENT OF ACTIVITIES
### FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)
### (Dollars in thousands)

| | 2020 | | | |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | **2019 Total** |
| REVENUES: | | | | |
| Parishes: | | | | |
| Collections and activities | $ 275,484 | $ - | $ 275,484 | $ 298,027 |
| Tuition and related fees | 289,705 | | 289,705 | 305,004 |
| Charitable activities: | | | | |
| Program services | 243,512 | | 243,512 | 227,369 |
| Fund appeals and bequests | 81,704 | 27,865 | 109,569 | 104,034 |
| Cemeteries sales and services | 55,903 | | 55,903 | 49,911 |
| Archdiocesan Pastoral Center | 60,030 | 7,081 | 67,111 | 81,928 |
| PRMAA | 1,385 | | 1,385 | 2,873 |
| Annual Catholic Appeal | 14,249 | | 14,249 | 14,285 |
| TTWCI campaign revenue | 1,248 | | 1,248 | 3,487 |
| Investment income | 24,657 | 365 | 25,022 | 17,182 |
| Other | 9,590 | | 9,590 | 8,280 |
| Net assets released from restrictions | 36,179 | (36,179) | | |
| Total revenues | 1,093,646 | (868) | 1,092,778 | 1,112,380 |
| EXPENSES: | | | | |
| Parishes: | | | | |
| General operations | 275,580 | | 275,580 | 287,517 |
| School programs | 323,903 | | 323,903 | 328,446 |
| Charitable activities | 331,940 | | 331,940 | 318,065 |
| Cemeteries | 50,201 | | 50,201 | 50,362 |
| Archdiocesan Pastoral Center | 127,985 | | 127,985 | 161,952 |
| PRMAA | 9,068 | | 9,068 | 14,550 |
| Annual Catholic Appeal fundraising expenses | 1,276 | | 1,276 | 1,073 |
| Depreciation and accretion | 70,644 | | 70,644 | 70,208 |
| Interest expense | 8,611 | | 8,611 | 9,764 |
| Total expenses | 1,199,208 | - | 1,199,208 | 1,241,937 |
| CHANGE IN NET ASSETS BEFORE OTHER ITEMS | (105,562) | (868) | (106,430) | (129,557) |

(Continued)

## ARCHDIOCESE OF CHICAGO

**CONSOLIDATED STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)**
**(Dollars in thousands)**

| | 2020 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2019 Total |
| CHANGE IN NET ASSETS BEFORE OTHER ITEMS | $ (105,562) | $ (868) | $ (106,430) | $ (129,557) |
| NET INVESTMENT RETURN | (23,795) | 1,041 | (22,754) | 53,524 |
| NET GAINS ON PROPERTY SALES | 6,978 | | 6,978 | 116,646 |
| PARISH BUILDING FUND REVENUES | | 5,618 | 5,618 | 8,877 |
| TTWCI REVENUES | (100) | | (100) | 6,494 |
| CHANGE IN FUTURE CEMETERY CARE COSTS | (81,099) | | (81,099) | (29,406) |
| PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COSTS | (68,819) | | (68,819) | (910) |
| POSTRETIREMENT-RELATED CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COSTS | 4,981 | | 4,981 | 1,889 |
| OTHER COMPONENTS OF NET PERIODIC BENEFIT PLAN COST | 4,020 | | 4,020 | (13,533) |
| CHANGE IN NET ASSETS | (263,396) | 5,791 | (257,605) | 14,024 |
| NET ASSETS—Beginning of year | 1,678,254 | 224,378 | 1,902,632 | 1,888,608 |
| NET ASSETS—End of year | $ 1,414,858 | $ 230,169 | $ 1,645,027 | $ 1,902,632 |

See independent accountants' review report and notes to consolidated financial statements.

(Concluded)

# ARCHDIOCESE OF CHICAGO

## CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES: | | | |
| Parishes: | | | |
| Collections and activities | $ 298,027 | $ - | $ 298,027 |
| Tuition and related fees | 305,004 | | 305,004 |
| Charitable activities: | | | |
| Program services | 227,369 | | 227,369 |
| Fund appeals and bequests | 84,808 | 19,226 | 104,034 |
| Cemeteries sales and services | 49,911 | | 49,911 |
| Archdiocesan Pastoral Center | 81,012 | 916 | 81,928 |
| PRMAA | 2,873 | | 2,873 |
| Annual Catholic Appeal | 14,285 | | 14,285 |
| TTWCI campaign revenue | 811 | 2,676 | 3,487 |
| Investment income | 17,153 | 29 | 17,182 |
| Other | 8,280 | | 8,280 |
| Net assets released from restrictions | 36,348 | (36,348) | |
| Total revenues | 1,125,881 | (13,501) | 1,112,380 |
| EXPENSES: | | | |
| Parishes: | | | |
| General operations | 287,517 | | 287,517 |
| School programs | 328,446 | | 328,446 |
| Charitable activities | 318,065 | | 318,065 |
| Cemeteries | 50,362 | | 50,362 |
| Archdiocesan Pastoral Center | 161,952 | | 161,952 |
| PRMAA | 14,550 | | 14,550 |
| Annual Catholic Appeal fundraising expenses | 1,073 | | 1,073 |
| Depreciation and accretion | 70,208 | | 70,208 |
| Interest expense | 9,764 | | 9,764 |
| Total expenses | 1,241,937 | - | 1,241,937 |
| CHANGE IN NET ASSETS BEFORE OTHER ITEMS | (116,056) | (13,501) | (129,557) |

(Continued)

# ARCHDIOCESE OF CHICAGO

## CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2019
## (Dollars in thousands)

| | 2019 | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| CHANGE IN NET ASSETS BEFORE OTHER ITEMS | $ (116,056) | $ (13,501) | $ (129,557) |
| NET INVESTMENT RETURN | 50,682 | 2,842 | 53,524 |
| NET GAINS ON PROPERTY SALES | 116,646 | | 116,646 |
| PARISH BUILDING FUND REVENUES | | 8,877 | 8,877 |
| TTWCI REVENUES | 6,494 | | 6,494 |
| CHANGE IN FUTURE CEMETERY CARE COSTS | (29,406) | | (29,406) |
| PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COSTS | (910) | | (910) |
| POSTRETIREMENT-RELATED CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COSTS | 1,889 | | 1,889 |
| OTHER COMPONENT OF NET PERIODIC BENEFIT PLAN COST | (13,533) | | (13,533) |
| CHANGE IN NET ASSETS | 15,806 | (1,782) | 14,024 |
| NET ASSETS—Beginning of year | 1,662,448 | 226,160 | 1,888,608 |
| NET ASSETS—End of year | $ 1,678,254 | $ 224,378 | $ 1,902,632 |

See independent accountants' review report and notes to consolidated financial statements.

(Concluded)

# ARCHDIOCESE OF CHICAGO

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
## (Dollars in thousands)

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | (257,605) | 14,024 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Changes in defined benefit pension and postretirement plans other than periodic pension and postretirement expense | 63,838 | (979) |
| Provision for future care | 81,099 | 29,406 |
| Net gains on property sales | (6,978) | (113,983) |
| Net investment return | 22,093 | (41,484) |
| Depreciation and accretion | 70,644 | 70,208 |
| Permanently restricted contributions and contributions for parish property | (711) | (668) |
| Other | (851) | (1,078) |
| Changes in assets and liabilities: | | |
| Receivables | 30,146 | 35,542 |
| Cemetery property ready and available for use | (372) | (139) |
| Other assets | 1,876 | (4,585) |
| Deposits and accounts payable and accrued expenses | 16,425 | 1,554 |
| Deferred revenue | 81,269 | 5,903 |
| Insurance claims | 15,604 | 9,894 |
| Unearned rental income | (207) | (218) |
| Asset retirement obligations | 560 | 1,159 |
| Accrued pension and postretirement costs | (6,609) | 16,900 |
| Net cash provided by operating activities | 110,221 | 21,456 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of investments | 847,572 | 553,222 |
| Purchases of investments | (864,375) | (533,970) |
| Proceeds from sales of property | 12,932 | 121,438 |
| Purchases of land, buildings, and equipment | (72,503) | (75,203) |
| Net cash used in investing activities | (76,374) | 65,487 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of borrowings | (7,414) | (29,871) |
| Issuance of borrowings | 2,400 | 9,349 |
| Promisory Note Receipts | 2,108 | |
| Permanently restricted contributions and contributions for parish property | 711 | 668 |
| Net cash provided by financing activities | (2,195) | (19,854) |
| CHANGE IN CASH AND SHORT TERM INVESTMENTS | 31,652 | 67,089 |
| CASH AND CASH EQUIVALENTS—Beginning of year, including restricted cash | 312,905 | 245,816 |
| CASH AND CASH EQUIVALENTS—End of year, including restricted cash | $344,557 | $312,905 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 11,647 | $ 10,600 |
| Accounts payable for construction and fixed asset purchases | $ 4,904 | $ 4,017 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: | | |
| Cash and cash equivalents—end of year | 290,784 | 240,739 |
| Restricted cash—end of year | 53,773 | 72,166 |
| TOTAL | $344,557 | $312,905 |

See independent accountants' review report and notes to consolidated financial statements.

## 1. NATURE OF OPERATIONS

The consolidated financial statements include the accounts of certain organizations which are overseen by The Catholic Bishop of Chicago (CBC) and which operate under the auspices of the Archdiocese of Chicago (the "Archdiocese") as follows:

***Parishes and Related Schools***—Parishes of the Archdiocese ("Parishes") include the parishes, schools, and various shrines and oratories operated in Cook and Lake counties of Illinois. These sites minister to the spiritual, social, and educational needs of the faithful. They provide catechesis for people at all age levels—from young children to the elderly—as part of the educational ministry of the Archdiocese. Parishes' fiscal operations include sacramental services, religious education training, formal preschool through 12th grade educational instruction, fundraising, and investment of reserve funds. Operating support is derived primarily from parishioners' contributions, tuition and fees, and fundraising activities.

***Archdiocesan Pastoral Center***—The Archdiocesan Pastoral Center (the "Pastoral Center") is the ministerial and administrative center for the Archdiocese. Its purpose is to provide support and services to Parishes and other church agencies in Cook and Lake counties. It operates the Archdiocesan Bank, which provides savings and loan services to Parishes; administers a centralized employee benefit and property and casualty insurance program; provides financial support to those parishes unable to sustain themselves; operates a seminary system for the education of priests; provides a nutritional lunch and breakfast program for students; publishes a biweekly newspaper and various liturgical-related publications; and invests available funds. Operating support is derived primarily from Parishes and Catholic Cemeteries (the "Cemeteries") assessments, employee benefit and property and casualty insurance program assessments, contributions and bequests, food service revenue, interest on loans to Parishes, the Annual Catholic Appeal, and investment earnings.

***Catholic Cemeteries***—Cemeteries assists the CBC in caring for the faithful departed by performing the most ancient corporal work of mercy—the burial of the dead. Cemeteries further assists the CBC by providing appropriate facilities for burial and for celebration of the funeral rites for members of the Catholic community. Operating support is derived primarily from the sale of easements providing for graves, crypts, and burial services, and from investment earnings.

***Charitable Activities***—The charitable activities organizations, which consist of Catholic Charities ("Charities"), Maryville Academy ("Maryville"), Misericordia Home ("Misericordia"), and Mission of Our Lady of Mercy (also known as Mercy Home for Boys and Girls) ("Mercy"), provide assistance to people in need through four primary service areas. Senior services provide in-home or personal care and residential and health care facilities. Children's services protect children from abuse and provide education, health care, and counseling. Basic human needs services include emergency shelter, food, and clothing. Family and individual services help address unemployment, poverty, inadequate housing, illness, addiction, physical limitations, and domestic violence. A significant portion of the funding for several of the programs is received from federal, state, and local governmental agencies.

***Priests' Retirement and Mutual Aid Association***—The Priests' Retirement and Mutual Aid Association (PRMAA) administers retirement, disability, health, and other benefits for the priests of the Archdiocese. Operating support is derived primarily from Parishes assessments and contributions from priests.

All interorganizational balances and transactions have been eliminated. The activities of religious orders, lay societies, and religious organizations that operate within the Archdiocese, but are not fiscally responsible to the CBC, are not included in the accompanying consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Use of Estimates**—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**—The Archdiocese evaluated subsequent events through March 26, 2021, the date the consolidated financial statements were available for issuance and determined that there are no events that require adjustment to, or disclosure in, these consolidated financial statements.

**COVID-19 Impact**—On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigations measures worldwide. As of June 30, 2020, the Archdiocese believes the current impacts of the COVID-19 pandemic has not had significant impacts on the Archdiocese's results of operations. However, the Pastoral Center cannot reasonably estimate the length or severity of this pandemic, or the extent to which a disruption may materiality impact the Archdiocese's financial position, results of operations or cash flows for the year ending June 30, 2021.

**Paycheck Protection Program**—In the year ended June 30, 2020, approximately 300 parishes of the Archdiocese of Chicago applied for and received Paycheck Protection Program (PPP) loans from the Small Business Administration under the Coronavirus Aid Relief and Economic Security Act (CARES Act) in the average amount of approximately $230,000 per parish for payroll, utilities and other operating expenses that qualify for forgiveness under the provisions of the PPP. The loan can be forgiven once the funds have been fully used for their intended purposes by applying for loan forgiveness. The parishes of the Archdiocese of Chicago will apply for loan forgiveness in the year ending June 30, 2021. Therefore, the balance of the loans have been included in the current portion of deferred revenue on the statement of financial position as of June 30, 2020.

**Cash and Cash Equivalents**—Cash equivalents are defined as all liquid investments with original maturities of three months or less used for the operating activities of the Archdiocese of Chicago and are stated at cost, which approximates fair value. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Management does not expect losses on these balances to occur. Temporary cash reserves held by portfolio investment managers are presented as invested cash within investments.

**Restricted Cash**—Restricted cash includes amounts included in a separate bank account for the benefit of lenders for debt service in accordance with a debt agreement.

**Investments**—Investments are carried at fair value. This includes marketable securities, which are valued based upon observable market inputs, and other investments that do not have readily determinable fair values, which are carried at net asset value (NAV) as a practical expedient.

Investments valued at NAV are based on estimates provided by external investment managers and are examined through a valuation review process performed by management. After this review, management may determine that an adjustment to the external managers' valuations is appropriate in recording the investment's fair value at June 30. A range of possible values exists for these investments, and therefore, the estimated values may differ from the values that would have been used had an active market for these investments existed.

The Pastoral Center, Catholic Cemeteries (Cemeteries), Parishes, Priests Retirement & Mutual Aid Association (PRMAA), and Mercy Home for Boys and Girls, manage a portion of their investments through a pooled investment fund.

Investment return consists of realized gains and losses, unrealized gains and losses, dividends and interest and is recorded when earned, and is shown net of investment management fees. Realized gains and losses are determined on the basis of the carrying value of the specific investments sold, and investment transactions are recorded on a trade-date basis. Unrealized gains and losses are determined based on changes in the fair value of investments.

**Capital Campaign**—The To Teach Who Christ Is (TTWCI) capital fundraising campaign is an effort to raise $350,000 in funds to support parishes, Catholic education and faith formation initiatives over a five year period. The campaign is being managed in two distinct areas: a major gift portion with a fundraising goal of $100,000 and a parish phase seeking $250,000. Within the parish phase, 60% of the goal amount ($150,000) will be retained at parishes for parish specific needs; 40% ($100,000) will be allocated to Archdiocese level needs. Overall, the campaign is expected to provide $150,000 for parishes, $150,000 for a scholarship endowment, $30,000 for urgent capital repairs, $12,000 for religious education programs, and $8,000 for academic excellence in Catholic schools. An independent trust, Catholic Education Scholarship Trust (CEST), has been established to oversee and manage the scholarship endowment. CEST receives some contributions directly from donors.

TTWCI revenue for the Pastoral Center is presented as a component of total revenues on the consolidated statement of activities. Since TTWCI revenue for Parishes will primarily be used to address their capital needs, TTWCI revenue for Parishes is presented as an Other Item on the consolidated statement of activities. TTWCI expenses are included in Archdiocesan Pastoral Center expenses in the consolidated statements of activities and were $6,965 and $14,118 in 2020 and 2019, respectively.

**Parish Building Fund Pledges Receivable**—From time to time, individual parishes solicit funds from parishioners to assist in the financing of parish capital projects. Management makes assumptions regarding the ultimate collectibility of these receivables. Actual results could differ from those estimates.

**Cemetery Property—Ready and Available for Use**—Developed graves and crypts are carried at average cost, which includes land and construction costs. Such costs are expensed when easements for graves and crypts are sold.

**Land, Buildings, and Equipment**—Undeveloped realty represents sites held for future development and is carried at cost.

Land, buildings, and equipment represent active property and are carried at cost. Where historical cost is unavailable, buildings are carried at the reported insurable value as of July 1, 1980, with subsequent additions recorded at cost. Land is carried at the estimated fair values as of July 1, 1980, with subsequent additions recorded at cost. Depreciation is recorded on buildings and equipment.

Buildings, equipment, major improvements, and betterments are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to 50 years. Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

In March 2019, the Pastoral Center closed on the sale of multiple parcels of property known as “One Chicago Square”. The sales price of $120,000 included $12,500 in non-refundable earnest money classified as other liabilities on the statement of financial position in the previous year. This property sale included receipt of an interest-bearing promissory note for $20,000 due March 2020 and subsequently extended to September 2020 at which time it was paid in full. The Pastoral Center recognized a net property gain of $110,854 from this transaction.

In April 2020, the Pastoral Center closed on the purchase of the Guerin College Preparatory High School property. The property was subsequently sold in September 2020 for $6,570. The Pastoral Center recorded a deferred gain of $744 from the transaction.

**Asset Impairment**—The Archdiocese reviews long-lived assets for impairment by comparing the future cash flows expected from the asset to the carrying value of the asset when certain conditions exist or events occur. The Archdiocese did not record an impairment loss on long-lived assets in 2020 or 2019.

**Accrued Cemetery Maintenance**—The amount recorded as accrued cemetery maintenance costs in the statements of financial position represents the liability for the estimated cost to maintain the Cemeteries’ existing graves, crypts, and niches in the future, discounted to present value. For this estimate, the discount rates used for the years ended June 30, 2020 and 2019, are 3.34% and 4.00%, respectively, and current maintenance costs are assumed to escalate 2.00% and 2.00% for 2020 and 2019, respectively. The undiscounted estimated costs may vary materially from actual future costs. Annually, management updates its estimates and assumptions, including the discount rate. Any change in the present value of the estimated future costs is recorded in the year such change is made. Such changes may be material to the consolidated financial statements.

Pursuant to cemetery maintenance agreements and commitments, a portion of the proceeds from sales of easement of graves, crypts, and niches is invested by Cemeteries in the Fund. Interest and dividends earned on such investments are withdrawn to fund current maintenance costs.

**Insurance**—Insurance claims reserves are an accumulation of the estimated amounts necessary to settle outstanding claims, including incurred but not reported claims, based on the facts in each case and the Archdiocese’s experience with similar cases. These estimates are reviewed and updated regularly and any resulting adjustments are reflected in current operations.

Property/casualty risks of Parishes and participating religious organizations of the Archdiocese are covered in part by self-insurance programs administered through the Pastoral Center.

Property/casualty losses in excess of self-insured retention levels are insured under commercial excess policies. Medical and health insurance for employees are provided through a combination of HMO and self-insured PPO plans. The Pastoral Center assesses Parishes and participating religious organizations of the Archdiocese to fund the costs of such programs.

During 2020 and 2019, the Pastoral Center paid multiple legal claims related to allegations of past professional misconduct by priests with settlements paid totaling $16,282 and $12,785, respectively. Subsequent to June 30, 2020, the Pastoral Center paid an additional $5,380 in settlement claims. The costs of these subsequent settlements are included in the insurance claims accrual at June 30, 2020.

During 2020, Maryville accrued $1,518 of future legal claims related to allegations of past professional misconduct by staff. This accrual is included in the insurance claims accrual at June 30, 2020.

**Asset Retirement Obligations**—Management records all known asset retirement obligations for which the fair value can be reasonably estimated. A liability is initially recorded at fair value if the fair value of the obligation to retire an asset can be reasonably estimated.

**Unearned Rental Income**—In May 2008, the CBC executed a land lease agreement for the site of the then Pastoral Center operational headquarters building. The lease has a term of 99 years commencing January 1, 2009, and gives the tenant the right to renew the term of the lease for two additional 25-year periods. The agreement allows for escalating rental payments during each rent adjustment year. In addition, base rent will be adjusted annually by a factor of the percentage increase in the Consumer Price Index, not to exceed 5% annually, commencing with the third lease year. The tenant made an initial rent payment of $18,000 at the inception of the agreement, which will be recognized on a straight-line basis over the 99-year lease term.

**Refundable Grant Advances**—Development and construction are being or have been substantially funded under non-interest-bearing mortgage agreements with the US Department of Housing and Urban Development (HUD). The residences are not required to make principal or interest payments on the mortgage notes, provided they maintain housing in accordance with the Capital Advance Program Use and Regulatory Agreements. If all requirements continue to be met, the grant advances will be considered earned between 40 years or an earlier date if approved by HUD. The refundable grant advances are collateralized by the residences' property and equipment associated with the advance.

**Revocable Estates**—From time to time, the Archdiocese is named as beneficiary of a revocable estate. It is the Archdiocese's policy to recognize revenue on such estate when either the cash is received or the commitment from the estate becomes irrevocable.

**Revenue Recognition**—Unconditional promises to give cash and other assets to the Archdiocese are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the earlier of the date the contribution is received or when the promise becomes unconditional. Fair value from unconditional promises to give is measured at net realizable value for pledges due within one year and at net present value for pledges to be collected in future years. Parishes, Cemeteries, Parishes for PRMAA, and insurance assessments are recorded as revenue when billed. Food service revenue is recognized when the food is delivered to customers. Seminary tuition revenue is recognized during the related academic year. Gift annuity contributions are recognized when the contract is signed and the assets are received. From time to time, the Pastoral Center is named as a beneficiary of a revocable estate. It is the Pastoral Center's policy to recognize revenue on such estate when either the cash is received or the commitment from the estate becomes irrevocable.

The Cemeteries sells easements providing for graves and crypts and optional and complete cemetery services (including related merchandise) on a preneed basis. The entire portion of the sales price allocated to grave or crypt (as well as graves and crypts that are sold without additional services) is recorded as revenue at the date of sale, 95% of the optional and complete cemetery services is recorded as deferred revenue until the related service is performed, and the remaining 5% is recognized as revenue at the time of the sale to cover certain administrative expenses. The sales price allocated to entombment services associated with preneed crypt sales is recorded as deferred revenue at the time of sale and recorded as revenue in the period performed. Interment and entombment services sold at time of need are recorded as revenue in the period performed. A sales allowance has been established to reflect estimated returns. This amount is recorded as a contra-receivable in the consolidated statements of financial position.

**Contributions**—Contribution revenue includes gifts from donors and government-funded programs. Unconditional promises to give cash and other assets to the Archdiocese are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value and revenue recognition is deferred until the applicable barriers are met if a right of return exists. Unconditional promises to give are reported as either temporary in nature or perpetual in nature if they are received with donor-imposed restrictions that restrict the use of the donated assets. In the absence of donor-imposed restrictions, the Archdiocese classifies the unconditional promises to give as without donor restrictions. Government-funded programs are supported by grants received from the federal, state, and local governments and are considered conditional until the related grant expenditure has been incurred. Conditional promises to give and indications of intentions to give are reported at fair value and revenue recognition is deferred until the applicable barriers are met if a right of return exists.

**Classification of Net Assets**—The net assets of the Archdiocese are classified into different classifications according to external donor imposed restrictions and management designations as follows:

***Without Donor Restrictions***

*Undesignated*—Net assets that are free of donor-imposed restrictions and are expendable for any purpose in performing the primary objectives of the organization. The undesignated net assets of the Pastoral Center are primarily derived from parish and Cemeteries assessments, insurance program assessments, sale of real estate, and investment returns. The undesignated net assets of the Cemeteries are primarily derived from the sales of graves, crypts and niches. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as undesignated without donor restrictions.

*Designated*—Net assets that are designated for the use of the specific consolidated entity, for seminary operations, and the Catholic Bishop of Chicago's Archdiocesan Pastoral Tranche I Bond principal and future landfill obligations.

***With Donor Restrictions***

*Temporary in Nature*—Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When donor-imposed restrictions are met, temporarily restricted net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

*Perpetual in Nature*—Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. The restricted portion of the Seminary Endowment

Fund has been classified as with donor restrictions perpetual in nature. This fund is the recipient of contributions that specify that only the earnings of the fund may be spent in support of seminaries' operations.

**Tax-Exempt Status**—The Internal Revenue Service has determined that the Catholic Bishop of Chicago is exempt from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

**Accounting Standards Update Adopted in the Current Year**—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The Archdiocese implemented ASU 2018-08 commencing July 1, 2019 on a modified prospective basis. The adoption of this standard did not have a material impact on the statements of financial position and the statements of activities and changes in net assets, and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, which amends Accounting Standard Codification section 230 to add and clarify guidance on the classification and presentation of restricted cash in the statement of cash flows ("ASU 2016-18"). The ASU requires that amounts described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The entities implemented ASU 2016-18 commencing July 1, 2019. The adoption of this standard changed the statements of cash flows for the current year and the prior year has been restated by $72,166 to reflect the implementation of ASU 2016-18 retrospectively.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). This standard requires reporting the service cost component of net periodic pension in operating expenses, while all other components of net periodic pension costs are reported as part of non-operating revenues and expenses. The Archdiocese implemented ASU 2017-07 commencing on July 1, 2019. The adoption of this standard reclassified the components of the net periodic pension expense, except for service costs, from operating expenses to a separate line outside of income from operations titled "Other components of net periodic benefit plan cost" on the statement of activities and change in net assets. Fiscal year 2019 statement of activities and changes in net assets and functional expenses footnote have been restated to reflect the implementation of the new guidance retrospectively, which was $13,533.

**Accounting Standards Updates Issued Not Yet Adopted**—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* (“ASU 2020-05”), deferred the effective date of ASU 2014-09. ASU 2014-09 is now effective for the Archdiocese beginning on July 1, 2020. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). This guidance eliminates, modifies, and adds certain disclosures on fair value measurements. ASU 2018-13 is effective for the Archdiocese beginning on July 1, 2020. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation–Retirement Benefits—Defined Benefit Plans–General (Subtopic 715-20): Disclosure Framework–Changes to the Disclosure Requirements for Defined Benefit Plans*. This standard modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 is effective for the Archdiocese beginning on July 1, 2021. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. ASU 2020-05 deferred the effective date of ASU 2016-02. ASU 2016-02 is now effective for the Archdiocese beginning on July 1, 2022. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). This standard changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates*, (“ASU 2019-10”), deferred the effective date of ASU 2016-13. ASU 2016-13 is effective for the Archdiocese beginning on July 1, 2023. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”). ASU 2020-07 aims to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP’s programs and other activities. ASU 2020-07 is effective for the Archdiocese for the year beginning on July 1, 2021. The Archdiocese has not yet determined the impact on its financial statements and disclosures.

## 3. PARISHES

**Revenues**—Contributions at the parish level are one of the most significant sources of funds for the Archdiocese. In addition to being used to pay local church, school, and general parish operating costs, they also provide funds for the Archdiocesan assessment.

Included in collections are special parish collections for building funds, school support, and memorials. Not included in this latter category are various annual collections, either for national campaign or local Archdiocesan causes. The Pastoral Center usually receives the proceeds from each parish's special collections and undertakes the distribution of the funds to the applicable office, program, or national campaign.

**Expenses**—General Operations—For the years ended June 30, 2020 and 2019, the summary of the general operations, other than for the school programs, prior to consolidation, eliminations, and reclassifications, is as follows:

| | 2020 | 2019 |
|---|---|---|
| Salaries, wages, and benefits | $ 134,890 | $ 137,327 |
| Utilities, repairs, and insurance | 77,657 | 90,283 |
| Religious education (CCD)—including salaries and expenses | 18,537 | 19,050 |
| Other expenses—including administrative, depreciation, church and rectory operating costs | 106,066 | 109,355 |
| Total expenses—general operations | $ 337,150 | $ 356,015 |

Each parish pays an annual assessment to the Pastoral Center for continuing Archdiocesan programs. Ordinary income is the main factor considered in arriving at the individual assessments. The assessment is used to support the activities of the Pastoral Center and amounted to $24,788 and $24,972 in 2020 and 2019, respectively. This assessment is eliminated in the consolidated financial statements.

**Expenses—School Programs**—As of June 30, 2020, the Archdiocese and Parishes operated 169 elementary schools and 3 high schools. A summary of school programs expenses for the years ended June 30, 2020 and 2019, prior to consolidation, eliminations, and reclassifications is as follows:

| | 2020 | 2019 |
|---|---|---|
| Salaries, wages, and benefits | $ 268,362 | $ 267,524 |
| Utilities, repairs, and insurance | 28,449 | 30,982 |
| Books and instructional materials | 10,162 | 11,934 |
| Depreciation and other expenses | 33,572 | 34,552 |
| Total expenses—school programs | $ 340,545 | $ 344,992 |

Expenses exceeded school revenues (tuition and related fees) by $50,840 and $39,770 in 2020 and 2019, respectively. These excess costs were financed from general parish revenues and reserves, special fundraising activities, and grants from the Archdiocese. The data above does not include 8 private elementary schools and 29 private high schools within Cook and Lake counties of Illinois operated by various religious orders.

## 4. LIQUIDITY AND AVAILABILITY

**Pastoral Center**—The following reflects the Pastoral Center's financial assets available for general expenditure within one year of the balance sheet date, June 30, 2020 and June 30, 2019, respectively. These liquid assets are reduced by amounts not available for general use due to donor-imposed restrictions and designations, which supports parish and school programs and obligations. Cash and investment assets also include parish, school, and seminary funds.

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 35,924 | $ 54,359 |
| Investments available within one year | 328,351 | 327,243 |
| Loans to parishes | 1,510 | 1,891 |
| Pledge receivables | 19,781 | 9,344 |
| Note receivable | 5,994 | 20,426 |
| Other receivables | 471 | 1,130 |
| Other assets | 2,919 | 2,845 |
| | 394,950 | 417,238 |
| Less amounts unavailable for general expenditures: | | |
| Donor-imposed restrictions: | | |
| Temporary in nature | (13,874) | (17,920) |
| Perpetual in nature | (4,201) | (1,355) |
| | 376,875 | 397,963 |
| Management designated: | | |
| Parish and school funds | (201,921) | (212,723) |
| Seminary and affiliate investment funds | (71,362) | (75,169) |
| Pastoral Center funds to support parishes, education and faith formation | (31,516) | (31,717) |
| Required to meet self-insurance program obligations | (39,284) | (44,285) |
| Total financial assets available within one year for general expenditure | $ 32,792 | $ 34,069 |

The Pastoral Center's investments include donor-imposed restricted endowments and funds designated by management as endowments from fund-raising efforts and parish, school and affiliate funds. Donor-imposed restricted endowment funds are not available for general expenditures and, thus, excluded in calculating liquid assets.

The Pastoral Center manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due during the annual operating budget period and in subsequent years. Actual performance is reported and monitored in comparison to budget. Adjustments are made to plan as needed to ensure adequate liquidity. Management's liquidity plan includes investing cash and savings program balances in short-term investments.

**Cemeteries**—The following represents the Cemeteries financial assets available for general expenditures within one year of the balance sheet date, June 30, 2020 and June 30, 2019, respectively. These liquid assets are reduced by amounts not available for general use due to designations:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 9,383 | $ 7,451 |
| Installment contracts receivable | 11,906 | 11,449 |
| Investments available within one year | 490,496 | 534,107 |
| | 511,785 | 553,007 |
| Less amounts unavailable for general expenditures—designated funds | (83,116) | (89,041) |
| Total financial assets available within one year for general expenditure | $428,669 | $463,966 |

The Cemeteries goal is to maintain available financial assets to meet one year of budgeted operating and capital expenditures. Cash is monitored on a daily basis (receipts & disbursements) to meet 30 days of normal operating expenses. Installment Contracts Receivable includes contractual payments due from customers for the next twelve months. Investments include funds designed by management related to Trache I Bond Principal and Future Landfill Obligations. A portion of the designated landfill investment is not available for general use within one year of the balance sheet date due to the nature of the underlying investments and therefore is excluded from the calculation above.

**Charitable Activities**—The following reflects the Charitable activities' financial assets available for general expenditure within one year of the balance sheet date, June 30, 2020 and June 30, 2019, respectively. These liquid assets are reduced by amounts not available for general use due to Board designation and donor-imposed restrictions:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 59,226 | $ 42,271 |
| Investments | 835,093 | 834,268 |
| Accounts Receivable | 34,448 | 32,690 |
| Contributions and Pledge Receivables | 14,066 | 17,499 |
| Other Receivables | 3,669 | 3,344 |
| Other Assets | 3,270 | 2,645 |
| Cash surrender value of life insurance policies | 2,002 | 2,372 |
| | 951,774 | 935,089 |
| Less: | | |
| Donor-imposed restrictions: | | |
| Temporary in nature | (37,700) | (24,727) |
| Perpetual in nature | (39,219) | (38,419) |
| | 874,855 | 871,943 |
| Less—board-designated | (591,942) | (598,498) |
| Total financial assets available within one year for general expenditure | $ 282,913 | $ 273,445 |

The designation is comprised of funds designated by each of the Charitable activities' boards to provide the entities with funding for construction of new homes and program operations in the event of a major withdrawal of public funding. The donor-imposed restrictions require resources to be used in a particular manner, or represent funds that will be received in future time periods. Income from donor-restricted endowments perpetual in nature is restricted for a specific purpose and, therefore, is not available for general expenditure.

**Parishes and Schools**—The following reflects the parishes and schools' financial assets available for general expenditure within one year of the balance sheet date, June 30, 2020 and June 30, 2019, respectively. These liquid assets are reduced by amounts not available for general use due to parishioner and donor-imposed restrictions and obligations:

| | **2020** | **2019** |
|---|---|---|
| Cash and cash equivalents | $ 184,209 | $ 135,441 |
| Deposits with the Archdiocesan Pastoral Center available within one year | 201,921 | 212,723 |
| Pledge receivables | 9,421 | 17,593 |
| Other receivables | 4,308 | 5,957 |
| | 399,859 | 371,714 |
| Less amounts unavailable for general expenditure—donor-imposed restrictions—temporary in nature | (60,232) | (65,289) |
| | 339,627 | 306,425 |
| Management designated: | | |
| Parish assets to support faith formation and education | (73,272) | (87,716) |
| Unpaid obligations to Pastoral Center Archdiocesan Bank | (166,071) | (169,454) |
| Total financial assets available within one year for general expenditure of parishes and schools | $ 100,284 | $ 49,255 |

The parish and school investments include donor-imposed restricted endowments which are not available for general expenditures and, thus, excluded in calculating liquid assets. As parishes are separate juridic persons, canonically distinct from the Archdiocese of Chicago, the Catholic Bishop of Chicago, a corporation sole, holds parish financial assets in trust for the benefit of each parish.

## 5. INVESTMENTS

Investments as of June 30, 2020 and 2019, consisted of the following:

**2020**

| | | |
|---|---|---|
| Invested cash | 11 % | $ 208,171 |
| Equity investments | 29 | 561,436 |
| Fixed income investments | 18 | 343,211 |
| Investments measured at NAV: | | |
| Commingled funds | 2 | 37,941 |
| Marketable alternative equity | 29 | 565,632 |
| Fixed income | 2 | 31,962 |
| Marketable energy and commodities | 0 | 8,079 |
| Real estate | 2 | 36,266 |
| Private equity | 7 | 131,412 |
| Total investments measured at NAV | 42 | 811,292 |
| Total | 100 % | $ 1,924,110 |

**2019**

| | | |
|---|---|---|
| Invested cash | 10 % | $ 202,162 |
| Equity investments | 31 | 594,693 |
| Fixed income investments | 17 | 326,138 |
| Investments measured at NAV: | | |
| Commingled funds | 2 | 44,223 |
| Marketable alternative equity | 30 | 568,085 |
| Fixed income | 1 | 19,971 |
| Marketable energy and commodities | 1 | 21,659 |
| Real estate | 2 | 36,558 |
| Private equity | 6 | 114,967 |
| Total investments measured at NAV | 42 | 805,463 |
| Total | 100 % | $ 1,928,456 |

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and in the consolidated statements of activities.

Investments as of June 30, 2020 and 2019, are held by the following entities:

| | 2020 | 2019 |
|---|---|---|
| Cemeteries | $ 615,222 | $ 633,582 |
| Pastoral Center | 196,397 | 177,471 |
| Pastoral Center—on behalf of Parishes | 94,667 | 99,735 |
| Pastoral Center—on behalf of seminaries | 85,709 | 88,498 |
| Misericordia | 648,884 | 639,163 |
| Maryville | 74,345 | 73,967 |
| Charities | 91,312 | 94,357 |
| Mercy | 111,950 | 115,435 |
| PRMAA | 5,624 | 6,248 |
| Total | $ 1,924,110 | $ 1,928,456 |

## 6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

***Level 1***—Quoted prices for identical instruments in active markets.

***Level 2***—Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

***Level 3***—Valuations derived from valuation techniques in which one or more significant inputs are not observable.

***Investments Measured at Net Asset Value***—Investments that establish fair value using the net asset value per share (NAV) or its equivalent as a practical expedient.

The Archdiocese attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Archdiocese is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, the Archdiocese uses independent pricing services to establish fair value.

***Investments Measured at Fair Value***—Investments measured at fair value on a recurring basis as of June 30, 2020 and 2019, are summarized below:

| 2020 | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | Total |
|---|---|---|---|---|---|
| Invested cash | $ 208,171 | $ - | $ - | $ - | $ 208,171 |
| Equity investments | 561,436 | | | | 561,436 |
| Fixed income investments | 113,349 | 229,862 | | | 343,211 |
| Investments measured at NAV: | | | | | |
| Commingled funds | | | | 37,941 | 37,941 |
| Marketable alternative equity | | | | 565,632 | 565,632 |
| Fixed income | | | | 31,962 | 31,962 |
| Marketable energy and commodities | | | | 8,079 | 8,079 |
| Real estate | | | | 36,266 | 36,266 |
| Private equity | | | | 131,412 | 131,412 |
| Total investments measured at NAV | - | - | - | 811,292 | 811,292 |
| Total | $ 882,956 | $ 229,862 | $ - | $ 811,292 | $ 1,924,110 |

| 2019 | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | Total |
|---|---|---|---|---|---|
| Invested cash | $ 202,162 | $ - | $ - | $ - | $ 202,162 |
| Equity investments | 594,693 | | | | 594,693 |
| Fixed income investments | 109,882 | 216,256 | | | 326,138 |
| Investments measured at NAV: | | | | | |
| Commingled funds | | | | 44,223 | 44,223 |
| Marketable alternative equity | | | | 568,085 | 568,085 |
| Fixed income | | | | 19,971 | 19,971 |
| Marketable energy and commodities | | | | 21,659 | 21,659 |
| Real estate | | | | 36,558 | 36,558 |
| Private equity | | | | 114,967 | 114,967 |
| Total investments measured at NAV | - | - | - | 805,463 | 805,463 |
| Total | $ 906,737 | $ 216,256 | $ - | $ 805,463 | $ 1,928,456 |

The Archdiocese did not transfer any investments between levels within the general investment portfolio.

A summary of the nature and risk of the Archdiocese's investment measured at NAV by major category as of June 30, 2020 and 2019, is as follows:

| **2020** | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice Period** | **Side Pocket Investments(*)** | **Lockups/Gates** |
|---|---|---|---|---|---|---|
| Marketable alternative equity | $ 565,632 | $ 7,600 | 1 day–36 months | 1–120 days | $ 1,974 | Rolling, 3 month–2 year lock up |
| Commingled funds | 37,941 | | Monthly | 95 days | | N/A |
| Fixed income | 31,962 | | 1–12 months | 1–65 days | | 1/3 annually rolling |
| Marketable energy and commodities | 8,079 | | 1–12 months | 1–90 days | | 1/3 annually rolling |
| Real estate | 36,266 | | Monthly | >90 days | | 2–6 years |
| Private equity | 131,412 | 153,200 | N/A | N/A | | N/A |
| Total | $ 811,292 | $ 160,800 | | | $ 1,974 | |

| **2019** | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice Period** | **Side Pocket Investments(*)** | **Lockups/Gates** |
|---|---|---|---|---|---|---|
| Marketable alternative equity | $ 568,085 | $ - | 1 day–36 months | 1–120 days | $ 2,639 | Rolling, 3 month–2 year lock up |
| Commingled funds | 44,223 | | Monthly | 95 days | | N/A |
| Fixed income | 19,971 | | 1–12 months | 1–65 days | | 1/3 annually rolling |
| Marketable energy and commodities | 21,659 | | 1–12 months | 1–90 days | | 1/3 annually rolling |
| Real estate | 36,558 | | Monthly | >90 days | | 2–6 years |
| Private equity | 114,967 | 142,782 | N/A | N/A | | N/A |
| Total | $ 805,463 | $ 142,782 | | | $ 2,639 | |

(*) The Archdiocese may participate in side-pocket investments, either at the Archdiocese's discretion or that of the investment adviser who manages the investment fund in which the Archdiocese invests. A side-pocket investment is generally less liquid than others in an investment fund and will be subject to different terms and conditions, including more significant restrictions on redemptions.

The following section describes the valuation methodologies used to measure different assets at fair value, including an indication of the level in the fair value hierarchy in which the asset is generally classified. The Archdiocese uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services or the underlying investment managers.

Invested cash includes money market mutual funds and certificates of deposit and are generally categorized in Level 1 of the fair value hierarchy.

Equity investments include common stock and equity mutual funds. Common stock is valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are generally categorized in Level 1 of the fair value hierarchy. Equity mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Fixed income investments include fixed income mutual funds and government bonds. Fixed income mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy. Government bonds are estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. Government bonds are generally categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in fund of funds and hedge funds. The marketable alternative equity investments that can be redeemed at NAV are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Fixed-income investments measured at NAV are composed of hedge funds investments that invest in primarily fixed income and fixed income-related underlying assets. Fixed-income investments that can be redeemed at the NAV are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Marketable energy and commodities investments are investments in marketable alternative equity fund of funds and hedge funds. The marketable energy and commodities investments that can be redeemed at NAV are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate alternative investments are comprised of investments in diversified real estate funds. Real estate alternative investments that can be redeemed at NAV are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Private equity investments include investments in limited partnerships and private equity funds. These investments are not redeemable and distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next ten years. Private equity investments that can be redeemed at NAV or its equivalent are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Fair value of investments in certain commingled funds and private partnerships that utilize a net asset value (NAV) per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner’s capital balance, as applicable, are categorized in “Investments Measured at NAV” of the fair value hierarchy. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

## 7. ENDOWMENTS

The Archdiocese endowments include funds established for a variety of purposes and include both donor-restricted endowment funds and designated funds designated to function as endowments. As required by GAAP, net assets associated with permanently restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Archdiocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted fund
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 organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2020 and 2019, is as follows:

| 2020 | Without Donor Restrictions | With Donor Restrictions—Temporary In Nature | With Donor Restrictions—Perpetual In Nature | Total |
|---|---|---|---|---|
| Donor—restricted funds | | $ 13,333 | $ 52,318 | $ 65,651 |
| Designated funds | 670,996 | | 18,851 | 689,847 |
| Total funds | $ 670,996 | $ 13,333 | $ 71,169 | $ 755,498 |

| 2019 | Without Donor Restrictions | With Donor Restrictions—Temporary In Nature | With Donor Restrictions—Perpetual In Nature | Total |
|---|---|---|---|---|
| Donor—restricted funds | $ - | $ 13,403 | $ 49,003 | $ 62,406 |
| Designated funds | 681,939 | | 16,848 | 698,787 |
| Total funds | $ 681,939 | $ 13,403 | $ 65,851 | $ 761,193 |

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

| 2020 | Without Donor Restrictions | With Donor Restrictions—Temporary In Nature | With Donor Restrictions—Perpetual In Nature | Total |
|---|---|---|---|---|
| Endowment net assets—beginning of year | $ 681,939 | $ 13,943 | $ 65,311 | $ 761,193 |
| Investment return | (6,663) | 454 | 1,767 | (4,442) |
| Contributions and transfers | 721 | 191 | 711 | 1,623 |
| Transfer of Net Assets | 623 | | 3,959 | 4,582 |
| Appropriation of endowment assets for expenditures | (5,624) | (1,255) | (579) | (7,458) |
| Endowment net assets—end of year | $ 670,996 | $ 13,333 | $ 71,169 | $ 755,498 |

| 2019 | Without Donor Restrictions | With Donor Restrictions—Temporary In Nature | With Donor Restrictions—Perpetual In Nature | Total |
|---|---|---|---|---|
| Endowment net assets—beginning of year | $ 659,484 | $ 14,380 | $ 65,036 | $ 738,900 |
| Investment return | 26,528 | 1,224 | 977 | 28,729 |
| Contributions and transfers | 535 | | 668 | 1,203 |
| Appropriation of endowment assets for expenditures | (4,608) | (2,201) | (830) | (7,639) |
| Endowment net assets—end of year | $ 681,939 | $ 13,403 | $ 65,851 | $ 761,193 |

**Funds with Deficiencies**—From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Archdiocese to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were $0 and $113 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted and designated funds during fiscal years 2020 and 2019.

**Return Objectives and Risk Parameters**—The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity or for a donor-specified period(s) as well as designated funds. The Archdiocese expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**—To satisfy its long-term rate-of-return objectives, the Archdiocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policy and How the Investment Objectives Relate to Spending Policy**—The Archdiocese has a policy of appropriating for distribution each year up to 5% of its designated endowment fund's average fair value over the prior four quarters through March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Archdiocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Archdiocese expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## 8. NET ASSETS

Net assets as of June 30, 2020 and 2019, comprise the following:

| 2020 | Unrestricted Undesignated | Unrestricted Designated | Restricted Temporary in Nature | Restricted Perpetual in Nature | Total |
|---|---|---|---|---|---|
| Parishes | $ - | $ 775,081 | $ 74,732 | $ - | $ 849,813 |
| Charitable activities | | 926,709 | 41,799 | 47,226 | 1,015,734 |
| Cemeteries | | (124,109) | | | (124,109) |
| Pastoral Center | (202,682) | 52,020 | 42,469 | 23,943 | (84,250) |
| PRMAA | | (163,451) | | | (163,451) |
| Consolidating entries | | 151,290 | | | 151,290 |
| Total | $ (202,682) | $ 1,617,540 | $ 159,000 | $ 71,169 | $ 1,645,027 |

| 2019 | Unrestricted Undesignated | Unrestricted Designated | Restricted Temporary in Nature | Restricted Perpetual in Nature | Total |
|---|---|---|---|---|---|
| Parishes | $ - | $ 843,554 | $ 80,869 | $ - | $ 924,423 |
| Charitable activities | | 948,118 | 32,098 | 45,500 | 1,025,716 |
| Cemeteries | | (11,090) | | | (11,090) |
| Pastoral Center | (149,582) | 53,239 | 45,560 | 20,351 | (30,432) |
| PRMAA | | (155,414) | | | (155,414) |
| Consolidating entries | | 149,429 | | | 149,429 |
| Total | $ (149,582) | $ 1,827,836 | $ 158,527 | $ 65,851 | $ 1,902,632 |

All unrestricted net assets are designated for the use of the specific consolidated entity, with the exception of the Pastoral Center's net assets not designated for seminary operations.

With donor restrictions net assets as of June 30, 2020 and 2019, are available for the following purposes and periods:

| | **2020** | **2019** |
|---|---|---|
| With donor restrictions: | | |
| With donor restrictions—temporary in nature: | | |
| Time-restricted contributions | $ 7,829 | $ 8,521 |
| Program operations | 58,523 | 55,932 |
| Capital development | 91,143 | 93,024 |
| Other | 1,505 | 1,050 |
| Total with donor restrictions—temporary in nature | 159,000 | 158,527 |
| Total with donor restrictions—perpetual in nature | 71,169 | 65,851 |
| Total with donor restrictions | $ 230,169 | $ 224,378 |

Net assets released from net assets with donor restriction as of June 30, 2020 and 2019, by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor are as follows:

| | **2020** | **2019** |
|---|---|---|
| Satisfaction of purpose restriction: | | |
| Program operations | $ 16,299 | $ 17,878 |
| Capital development | 14,566 | 12,922 |
| Total satisfaction of purpose restriction | 30,865 | 30,800 |
| Satisfaction of pass of time restriction | 5,314 | 5,548 |
| Total net assets released from net assets with donor restrictions | $ 36,179 | $ 36,348 |

## 9. LOAN PROGRAM

The Pastoral Center has a parish loan program, which lends at rates generally believed to be below the prevailing commercial interest rate. This program is mainly funded by deposits of surplus funds from Parishes and other religious organizations. At June 30, 2020 and 2019, there were loans outstanding to Parishes, net of allowance for doubtful accounts, aggregating $13,444 and $19,649, respectively, and loans outstanding to other religious organizations, net of allowance for doubtful accounts, of $1,201 and $1,200, respectively.

A rollforward schedule of the allowance for doubtful accounts related to gross loans receivable for the year ended June 30, 2020, on a portfolio segment basis, is as follows:

| | Parishes | | Other Religious Organizations | | |
|---|---|---|---|---|---|
| | Capital | Operating | Capital | Operating | Total |
| Allowance for doubtful accounts: | | | | | |
| Beginning of year | $ (44,456) | $ (58,930) | $ (1,264) | $ (136) | $ (104,786) |
| Provision (expense) benefit | (1,573) | 8 | | | (1,565) |
| Write-offs—net of recoveries | 1,111 | 399 | | 49 | 1,559 |
| End of year | $ (44,918) | $ (58,523) | $ (1,264) | $ (87) | $ (104,792) |
| Loan receivables—ending balance | $ 57,609 | $ 59,276 | $ 1,264 | $ 1,288 | $ 119,437 |

A rollforward schedule of the allowance for doubtful accounts related to gross loans receivable for the year ended June 30, 2019, on a portfolio segment basis, is as follows:

| | Parishes | | Other Religious Organizations | | |
|---|---|---|---|---|---|
| | Capital | Operating | Capital | Operating | Total |
| Allowance for doubtful accounts: | | | | | |
| Beginning of year | $ (44,838) | $ (60,514) | $ (1,264) | $ (136) | $ (106,752) |
| Provision (expense) benefit | (61) | 348 | | | 287 |
| Write-offs—net of recoveries | 443 | 1,236 | | | 1,679 |
| End of year | $ (44,456) | $ (58,930) | $ (1,264) | $ (136) | $ (104,786) |
| Loan receivables—ending balance | $ 63,195 | $ 59,840 | $ 1,264 | $ 1,336 | $ 125,635 |

The ending balance of each financing receivable is evaluated individually, as opposed to collectively, for impairment.

The Pastoral Center determines the allowance for doubtful accounts related to loans based on the creditworthiness of the individual parish or religious organization. In fiscal 2020, the policy for the evaluation of loan collectability was updated and resulted in five creditworthiness scores. The primary factors used to evaluate loan collectability include performance, both during the fiscal year and, in the future, based on available financial resources. Category 1 indicates that the parish or other religious organization is deemed financially sound. Category 5 replaces 4 and indicates that there is substantial doubt that the parish or religious organization will be able to repay the loan. Categories 2 through 4 indicate that there is some level of doubt regarding loan repayment. In fiscal 2019, the Pastoral Center used four categories to calculate the allowance. The impact on the allowance for doubtful accounts related to loans as a result of the update to the policy is immaterial in fiscal year 2020.

The gross loan balance by creditworthiness category as of June 30, 2020, is as follows:

| | Parishes | | Other Religious Organizations | | |
|---|---|---|---|---|---|
| | **Capital** | **Operating** | **Capital** | **Operating** | **Total** |
| Creditworthiness category: | | | | | |
| 1 | $ 11,237 | $ 753 | $ - | $ 1,201 | $ 13,191 |
| 2 | 1,394 | | | | 1,394 |
| 3 | 400 | | | | 400 |
| 4 | | | | | |
| 5 | 44,578 | 58,523 | 1,264 | 87 | 104,452 |
| | $ 57,609 | $ 59,276 | $ 1,264 | $ 1,288 | $ 119,437 |

The gross loan balance by creditworthiness category as of June 30, 2019, is as follows:

| | Parishes | | Other Religious Organizations | | |
|---|---|---|---|---|---|
| | **Capital** | **Operating** | **Capital** | **Operating** | **Total** |
| Creditworthiness category: | | | | | |
| 1 | $ 15,640 | $ 804 | $ - | $ 1,201 | $ 17,645 |
| 2 | 3,850 | 98 | | | 3,948 |
| 3 | 423 | 64 | | | 487 |
| 4 | 43,282 | 58,874 | 1,264 | 135 | 103,555 |
| | $ 63,195 | $ 59,840 | $ 1,264 | $ 1,336 | $ 125,635 |

## 10. LAND, BUILDINGS, AND EQUIPMENT

The Archdiocese purchases sites that are reasonably foreseen to be necessary for future development and disposes of bequeathed income property and church facilities no longer expected to be used.

Undeveloped realty as of June 30, 2020 and 2019, consists of the following sites for future development:

| | **2020** | **2019** |
|---|---|---|
| Future parish sites | $ 6,936 | $ 6,936 |
| Cemeteries | 19,136 | 19,136 |
| | $ 26,072 | $ 26,072 |

In addition to undeveloped realty, the Archdiocese had land, buildings, and equipment as of June 30, 2020, as follows:

| | Land | Buildings and Equipment | Construction in Progress | Accumulated Depreciation | Total |
|---|---|---|---|---|---|
| Parishes | $ 161,416 | $ 2,028,710 | $ - | $ (1,367,451) | $ 822,675 |
| Charitable activities | 67,591 | 482,221 | 20,476 | (241,127) | 329,161 |
| Pastoral Center | 13,634 | 205,809 | | (146,036) | 73,407 |
| Cemeteries | 6,752 | 81,704 | 948 | (44,228) | 45,176 |
| Total | $ 249,393 | $ 2,798,444 | $ 21,424 | $ (1,798,842) | $ 1,270,419 |

In addition to undeveloped realty, the Archdiocese had land, buildings, and equipment as of June 30, 2019, as follows:

| | Land | Buildings and Equipment | Construction in Progress | Accumulated Depreciation | Total |
|---|---|---|---|---|---|
| Parishes | $ 162,333 | $ 1,997,490 | $ - | $ (1,323,958) | $ 835,865 |
| Charitable activities | 61,280 | 476,257 | 10,959 | (228,179) | 320,317 |
| Pastoral Center | 17,972 | 200,793 | 51 | (143,432) | 75,384 |
| Cemeteries | 6,752 | 76,733 | 711 | (42,042) | 42,154 |
| Total | $ 248,337 | $ 2,751,273 | $ 11,721 | $ (1,737,611) | $ 1,273,720 |

Depreciation and accretion expense for the years ended June 30, 2020 and 2019, was $70,644 and $70,208, respectively.

## 11. BORROWINGS

A summary of borrowings as of June 30, 2020 and 2019, are as follows:

| | 2020 | 2019 |
|---|---|---|
| Pastoral Center $100,000 notes payable, due April 25, 2032, interest rate is fixed at 5.14% | $ 71,603 | $ 75,818 |
| Pastoral Center $60,000 notes payable, due October 2, 2024, interest rate is fixed at 5.85% | 60,000 | 60,000 |
| Pastoral Center $75,000 term loan, due January 18, 2022, interest rate is LIBOR plus 165bps (1.83% and 4.09% at June 30, 2020 and 2019, respectively) | 40,000 | 40,000 |
| Catholic Charities revenue refunding bond: Series 2014, loan payable to Wintrust Bank, due January 1, 2028, variable interest rate adjusted monthly, weighted-average interest rate of 2.16% and 2.07% respectively | 10,070 | 10,070 |
| Porta Coeli note payable to City of Chicago, due in a lump sum on December 1, 2054; interest free | 760 | 760 |
| St. Sabina note payable to City of Chicago, due in a lump sum on June 1, 2039; interest free | 388 | 388 |
| All Saints note payable to City of Chicago, due in a lump sum on December 2, 2052; interest free | 893 | 893 |
| Catholic Charities note payable to Sisters of Saint Casimir, due in annual installments through December 1, 2034, interest free | 3,000 | 3,200 |
| Catholic Charities mortgages payable to HUD due in equal monthly installments through 2033, interest rate 8.375% | 4,297 | 4,487 |
| Catholic Charities mortgages payable to Illinois Housing Development Authority, due in equal monthly installments, with additional principal payments required based on residual receipts, interest free | 1,007 | 1,742 |
| Total, before deferred debt issuance costs—net and discount of interest free note payable—net | 192,018 | 197,358 |
| Less discount of interest free note payable—net of accumulated amortization | (567) | (637) |
| Total—net before contractual portion and current portion of discount of interest free note payable | $ 191,451 | $ 196,721 |

Principal payments as of June 30, 2020, are due as follows:

| **Years Ending June 30** | |
|---|---|
| 2021 | $ 7,844 |
| 2022 | 52,095 |
| 2023 | 25,360 |
| 2024 | 25,638 |
| 2025 | 15,932 |
| Thereafter | 65,149 |
| Total | $ 192,018 |

**Debt Covenants**—The Pastoral Center, along with Cemeteries, and Charities are required to meet certain debt covenants related to minimum liquidity levels and investment-to-debt ratios. The Pastoral Center, along with Cemeteries, and Charities were in compliance with financial debt covenants at June 30, 2020 and 2019.

**Deferred Debt Issuance Costs**—Expenses related to the procurement and underwriting of the direct obligation notes and revenue bonds have been deferred and are being amortized. These costs, net of accumulated amortization are $1,303 and $1,559 as of June 30, 2020 and 2019, respectively, and are recorded as a reduction in borrowings in the consolidated statements of financial position.

## 12. REFUNDABLE GRANT ADVANCES

Under the terms of the federally funded program, Catholic Charities received certain HUD Supportive Housing for the Elderly (Section 202) grant advances and Affordable Housing Project Loans.

Total advances as of June 30, 2020 and 2019, were as follows:

| Project | Advance 2020 | Advance 2019 | End of Commitment |
|---|---|---|---|
| Matthew Manor | $ 4,016 | $ 4,016 | December 1, 2035 |
| Tolton Manor | 5,515 | 5,515 | July 1, 2036 |
| Frances Manor | 4,823 | 4,823 | April 1, 2037 |
| Lawrence Manor | 8,215 | 8,215 | October 1, 2039 |
| Bernardin Manor | 13,990 | 13,990 | June 1, 2040 |
| St. Ailbe Faith Apartments | 6,836 | 6,836 | July 1, 2040 |
| St. Sabina Elders Village | 6,728 | 6,728 | September 1, 2040 |
| St. Ailbe Hope Apartments | 814 | 814 | March 1, 2041 |
| Ozanam Village Apartments | 5,152 | 5,152 | May 1, 2041 |
| St. Ailbe Love Apartments | 6,300 | 6,300 | February 1, 2042 |
| St. Peter Claver Courts | 7,749 | 7,749 | March 1, 2043 |
| Bishop Goedert Residence | 9,592 | 9,592 | December 1, 2044 |
| St. Vincent De Paul Residence | 10,891 | 10,891 | November 1, 2045 |
| Donald W. Kent Residence | 8,975 | 8,975 | January 1, 2046 |
| Pope John Paul II Residence | 2,253 | 2,253 | September 1, 2046 |
| Roseland Manor | 912 | 912 | March 1, 2047 |
| St. Francis of Assisi Residence | 11,319 | 11,319 | November 1, 2047 |
| Hayes Manor | 631 | 631 | June 1, 2048 |
| St. Brendan Apartments | 8,828 | 8,828 | July 1, 2060 |
| All Saints Residence | 7,017 | 7,017 | November 1, 2052 |
| Porta Coeli Residence | 14,357 | 14,357 | November 1, 2054 |
| Total HUD grant advances | 144,913 | 144,913 | |
| Affordable housing project loans | 9,482 | 9,482 | Various through 2060 |
| Total refundable grant advances | $ 154,395 | $ 154,395 | |

## 13. EMPLOYEE BENEFITS

**Pastoral Center**—The Archdiocese has a noncontributory pension plan covering substantially all lay employees of the Pastoral Center, Parishes, and participating charitable organizations. The Pastoral Center charges Parishes and participating charitable organizations for pension costs. The plan provides annual retirement benefits (over and above normal Social Security benefits) equal to 1.375% of annual pay for each year of employment based on the career average salary without limitation as to amount of salary or term of service before normal retirement age. For employment years prior to 1997, the salary was computed using the average salary during 1997 to 2001. A participant is 100% vested after five years of service.

During 2007, the pension plan was amended, effective July 1, 2007, to freeze benefit accruals and participation as of that date.

The Pastoral Center has a defined contribution plan under Internal Revenue Code Section 403(b), which includes an employer matching contribution. The matching contribution is available to all lay benefits-eligible employees of the Pastoral Center, Parishes, and certain other Archdiocesan entities. The employer match is 50% of an employee's contribution, up to a maximum of 4% of gross salary. Vesting in the match occurs at 25% per year. The Archdiocese contributed to the plan and incurred expense of $4,372 and $4,681 in 2020 and 2019, respectively.

Effective July 1, 2007, the Archdiocese implemented the share plan contribution to replace the defined benefit pension plan for full-time and benefits-eligible part-time employees. Under the share plan, the Archdiocese makes a contribution to the eligible employees' 403(b) retirement plan accounts. The contribution is a percentage of gross pay and is deposited each quarter. For eligible employees hired on or before June 30, 2007, the quarterly contribution is an age-weighted percentage of the employee's gross earnings, and that percentage increases as employees advance in age, based on age as of January 1 each year.

Share plan contributions for employees who became eligible or were hired on or after July 1, 2007, are based on a flat percentage of gross earnings, regardless of age. The flat contribution can range from 1.25% to 5% as determined annually by the Archdiocese. The share plan has the same five-year cliff vesting as the defined benefit pension plan. The Archdiocese contributed to the plan and incurred expense of $6,127 and $13,244 in 2020 and 2019, respectively. The Share Plan was temporarily suspended as of January 1, 2020.

**Cemeteries**—The Cemeteries sponsors a contributory defined benefit retirement plan for field employees and a noncontributory defined benefit plan for administrative employees. Eligibility for both plans is based on certain minimum service requirements. Benefits for both plans are based on compensation and years of service. The contributory defined benefit retirement plan is funded through contracts administered by Metropolitan Life Insurance Company. The noncontributory defined benefit plan is funded through contracts administered by Metropolitan Life Insurance Company and Prudential Insurance Company. Cemeteries funds the plans based on actuarial funding recommendations using the aggregate cost method.

The Cemeteries also provides health care benefits to administrative retired employees based on hire date and years of service. The postretirement health care plan is unfunded.

**Charitable Activities**—Charities sponsors a noncontributory defined benefit pension plan covering substantially all lay employees. The plan is funded through the plan trustee. The plan provides annual retirement benefits (over and above normal Social Security benefits) equal to 1.125% of average earnings within the last five years of service multiplied by the number of years of full-time service up to 15 years, plus 1.5% of average earnings, as defined above, multiplied by the number of years of service in excess of 15 years.

Effective July 1, 2019, employees with less than 20 years of credited service in the pension plan will not accrue any additional benefits after that date. Employees with more than 20 years of credited service will continue to accrue benefits under the pension plan.

Charities has a defined contribution plan under Internal Revenue Code Section 403(b) covering all new employees hired after July 1, 2002, as well as employees hired before July 1, 2002, who have opted out of the postretirement medical and dental benefits plan. The eligibility guidelines are based on one year of service and employees who work at least 20 hours per week. Charities contributes 1% of all participants' compensation, plus matching contributions of 1.5% of the individual participant's compensation. Total employer contributions and expense for the years ended June 30, 2020 and 2019, were approximately $2,129 and $1,224, respectively.

Charities offers certain medical and dental benefits for retired employees with a cap equal to $0.4 per month for retirees with single coverage and $0.6 per month for retirees with family coverage.

Maryville sponsors a noncontributory defined benefit pension plan covering substantially all lay employees. The plan is funded through the plan trustee. The plan provides annual retirement benefits (over and above normal Social Security benefits) equal to 1.125% of average earnings within the last five years of service multiplied by the number of years of full-time service up to 15 years, plus 1.5% of average earnings, as defined above, multiplied by the number of years of service in excess of 15 years. Plan assets consist primarily of mutual funds and fixed income securities. Effective December 31, 2014, Maryville amended the defined benefit pension plan, closing the plan to employees hired after December 31, 2014 and freezing future benefit accruals to participants in the plan as of that date.

Maryville provides certain medical and dental benefits for retired employees. Maryville employees do not contribute to the cost of this benefit plan. The obligation is funded by Maryville on an annual basis, and the assets for this plan are segregated and held in a separate legal trust.

**PRMAA**—In 1999, PRMAA established a defined contribution plan covering substantially all active priests. The plan operates as a deferred salary arrangement under Section 403(b) of the Internal Revenue Code. Under the plan, participating priests may defer a portion of their pretax earnings. PRMAA matches 50% of each priest's contributions, up to a maximum matching contribution of $500; however, PRMAA's contributions are discretionary.

The Archdiocese sponsors, through PRMAA, a defined benefit pension plan covering all the priests of the Archdiocese. The pension plan provides a flat benefit that varies depending on whether the retired priest resides in an ecclesiastical institution. The plan is funded based on actuarial funding determinations. Plan assets consist of deposits in an insurance company separate account and in a bank trust account. Plan expenses are borne by the pension plan.

Certain insurance (medical, life, and auto) and other aid are provided to retired priests. Retired priests do not contribute to the cost of these benefit plans, and the plans are currently not funded. These benefits are administered and partially funded through PRMMA.

The Archdiocese uses a June 30 measurement date for its plans.

Summary information for all plans as of June 30, 2020 and 2019, is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Pension Benefits | Postretirement Benefits | Pension Benefits | Postretirement Benefits |
| Accumulated benefit obligation | $ 1,257,867 | $ 187,125 | $ 1,122,087 | $ 186,563 |
| Projected benefit obligation | $ 1,267,081 | $ 187,125 | $ 1,129,380 | $ 186,563 |
| Plan assets at fair value | 1,057,511 | 3,701 | 976,229 | 3,949 |
| Funded status | $ (209,570) | $ (183,424) | $ (153,151) | $ (182,614) |
| Accrued benefit cost | $ (209,570) | $ (183,424) | $ (153,151) | $ (182,614) |
| Amounts recognized in the combined statements of financial position—liability | $ (209,570) | $ (183,424) | $ (153,151) | $ (182,614) |
| Benefit cost | $ 21,614 | $ 10,947 | $ 14,135 | $ 10,999 |
| Employer contributions | $ 9,501 | $ 5,279 | $ 6,540 | $ 5,499 |
| Participant contributions | $ 196 | $ 766 | $ 201 | $ 702 |
| Medicare Part D subsidy | $ - | $ 597 | $ - | $ 177 |
| Benefits paid | $ (50,861) | $ (6,581) | $ (49,739) | $ (6,631) |

The pension and postretirement plans accumulated losses and prior service credits not yet recognized as a component of periodic pension and postretirement expense, but accumulated in unrestricted net assets for the years ended June 30, 2020 and 2019, are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Pension Benefits | Postretirement Benefits | Pension Benefits | Postretirement Benefits |
| Unrecognized actuarial losses | $ 181,584 | $ 10,466 | $ 133,592 | $ 17,893 |
| Unrecognized prior service costs (credits) | 197 | (6,052) | 2,359 | (3,819) |
| Total accumulated in unrestricted net assets | $ 181,781 | $ 4,414 | $ 135,951 | $ 14,074 |

The pension plans and postretirement plans items not yet recognized as a component of periodic pension and postretirement expense, but included as a separate charge to net assets during 2020 and 2019, are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Pension Benefits** | **Postretirement Benefits** | **Pension Benefits** | **Postretirement Benefits** |
| Net actuarial losses/(gains) arising during the period | $71,706 | $(4,856) | $ 2,467 | $(2,715) |
| Asset true up | | | (1,378) | |
| Prior service cost (credit) | (367) | | 1,357 | |
| Reclassification adjustment for recognition of prior service (costs) credits | (434) | 310 | (23) | 1,307 |
| Reclassification adjustment for recognition of actuarial | (2,086) | (435) | (1,513) | (481) |
| Total recognized as a separate cost/(benefit) to net assets | $68,819 | $(4,981) | $ 910 | $(1,889) |

Actuarial assumptions for the plans as of June 30, 2020 and 2019, are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Pension Benefits** | **Postretirement Benefits** | **Pension Benefits** | **Postretirement Benefits** |
| Weighted-average assumptions used to determine benefit obligations and cost as of June 30: | | | | |
| Discount rate (obligation) | 2.64–2.91% | 2.37–3.09% | 3.47–3.65% | 3.21–3.79% |
| Discount rate (cost) | 3.47–3.65 | 3.21–3.79% | 4.12–4.30 | 3.52–4.30 |
| Expected return on plan assets | 3.80–7.00 | 0–5.00 | 3.79–8.00 | 0–5.00 |
| Rate of compensation increase | 0–4.00 | 0–4.00 | 0–4.00 | 0–4.00 |

The Archdiocese determined the overall long-term rate of return on the plans' assets by considering the historical returns and expected future returns for each asset class, as well as the target asset allocation of the plans.

The Archdiocese's investment strategy is to meet its obligations to retired employees. To achieve this objective, the Archdiocese generally invests in a diversified portfolio of investments, including fixed income securities.

The Archdiocese plans to contribute $7,936 to its pension plans in fiscal year 2020.

The benefit payments, which reflect expected future services, as appropriate, as of June 30, 2020, are expected to be paid as follows:

| Years Ending June 30 | Pension Benefits | Postretirement Benefits |
|---|---|---|
| 2021 | $ 103,955 | $ 6,084 |
| 2022 | 59,660 | 6,344 |
| 2023 | 60,666 | 6,588 |
| 2024 | 61,395 | 6,804 |
| 2025 | 62,000 | 7,039 |
| 2026–2029 | 3,150 | 36,675 |

The Pastoral Center intends to file under the IRS's Voluntary Correction Program (VCP) to amend its Pension Plan ("Plan") documents and remove reference to suspension of benefits notices. Inclusion of such notices results in the requirement to pay actuarial increases due to the failure to send them, which, as a church plan, should not be required of the Plan. Management has no intention to pay such actuarial increases as it asserts that inclusion of the notice requirement in the Plan was the results of a scrivener's error.

**Plan Assets**—The primary return objectives of the plans are (a) the preservation of principal, (b) to earn a competitive total return consistent with prudent levels of risk, and (c) to create a stream of investment returns to ensure the systematic and adequate funding of actuarially determined benefits through contributions from the Archdiocese and professional management of the plan assets.

This is accomplished through diversification of assets in accordance with the various investment policies. The assets of the pension plans are primarily invested in fixed income securities. The pension assets also include invested cash, marketable alternative equity investments, and marketable alternative energy and commodity investments.

Invested cash includes money market mutual funds and is generally categorized in Level 1 of the fair value hierarchy.

Common stock is valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the NAV as computed once per day, based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy if they have a published NAV and "Investments Measured at NAV" of the fair value hierarchy if they don't have a published NAV.

Fixed-income securities are comprised of U.S. government securities, U.S. government agency securities, foreign government agency securities, foreign government securities, municipal bonds, and corporate bonds. The fair value of U.S. government securities, U.S. government agency securities, foreign government agency securities, foreign government securities, municipal bonds, and corporate bonds is estimated using recently executed transactions, market price quotations (where observable) or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. These fixed-income securities are generally categorized in Level 2 of the fair value hierarchy.

Fair value of investments in certain commingled funds and private partnerships that utilize a net asset value (NAV) per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner's capital balance, as applicable, are categorized in "Assets Measured at NAV" of the fair value hierarchy. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Equity separate accounts are privately managed accounts with underlying investments primarily in equity securities of large-cap, mid-cap, and small-cap companies located in both the United States and offshore. The underlying equity securities are valued based on quoted prices from an exchange, but the separate equity accounts are not actively traded and are, therefore, categorized in Level 2 of the fair value hierarchy.

Fixed income alternative investment separate accounts are privately managed accounts with underlying investments in US government securities, US government agency securities, and corporate bond securities. The US government securities are valued using quoted market prices. The US government agency securities are comprised of noncallable agency-issued debt securities and are generally valued using quoted market prices. The fair value of corporate bond securities are estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer is used. These fixed-income alternative investments are categorized in Level 2 of the fair value hierarchy.

Real estate separate accounts are privately managed accounts with underlying investments primarily in real estate investment trust (REIT) investments. The underlying REIT investments are valued based on quoted prices from an exchange, but the separate accounts are not actively traded and are, therefore, categorized in Level 2 of the fair value hierarchy.

Variable-income accounts are payment funds that are a portion of an insurance company's general account which was established for the purpose of making benefit payments and withdrawing incurred charges. The insurance company requires that sufficient amounts be maintained in the payment fund so that benefit payments and charges can be paid without creating a negative balance in the payment fund. Interest will be credited on amounts in the fund from the date of addition up to, but not including, the date of withdrawal. Such interest will compound daily at a rate ("payment fund rate") equal to the effective annual yield of the three-month United States Treasury Bill at the last auction of the immediately preceding calendar quarter. These variable-income accounts are categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in fund of funds and hedge funds. The marketable alternative equity investments that can be redeemed at NAV are categorized in "Assets Measured at NAV" of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Marketable energy and commodities investments are investments in marketable alternative equity fund of funds and hedge funds. The marketable energy and commodities investments that can be redeemed at NAV are categorized in “Assets Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate investments are composed of investments in income-producing real estate. Real estate investment trust alternative investments that can be fully redeemed at the NAV are categorized in “Assets Measured at NAV” of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

The information about the Archdiocese's pension plan assets and liabilities measured at fair value as of June 30, 2020 and 2019, by fair value hierarchy, is as follows:

| **2020** | **Level 1** | **Level 2** | **Level 3** | **Assets Measured at NAV** | **Total** |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Invested cash | $ 31,472 | $ - | $ - | $ - | $ 31,472 |
| Common stock and mutual funds | 24,089 | | | 119,748 | 143,837 |
| Commingled fund | | | | 17,317 | 17,317 |
| Fixed income: | | | | | |
| Corporate bonds | | 397,727 | | | 397,727 |
| Municipal bonds | | 12,812 | | | 12,812 |
| U.S. government agency | | 25,810 | | | 25,810 |
| U.S. government | | 215,546 | | | 215,546 |
| Total fixed income | - | 651,895 | - | - | 651,895 |
| Separate accounts: | | | | | |
| Equity | 104,256 | 21,858 | | | 126,114 |
| Fixed income alternative | 4,591 | 18,425 | | | 23,016 |
| Real estate | | 934 | | | 934 |
| Variable income accounts | | 4,858 | | | 4,858 |
| Total separate accounts | 108,847 | 46,075 | - | - | 154,922 |
| Investments measured at NAV: | | | | | |
| Marketable alternative equity | | | | 54,783 | 54,783 |
| Real estate | | | | 8,326 | 8,326 |
| Total investments measured at NAV | - | - | - | 63,109 | 63,109 |
| Total pension plan assets | $ 164,408 | $ 697,970 | $ - | $ 200,174 | 1,062,552 |
| Payable for investment purchase | | | | | (5,041) |
| Total fair value of pension plan net assets | | | | | $ 1,057,511 |

| 2019 | Level 1 | Level 2 | Level 3 | Assets Measured at NAV | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Invested cash | $ 13,445 | $ - | $ - | $ - | $ 13,445 |
| Common stock and equity mutual funds | 50,158 | | | 145,248 | 195,406 |
| Commingled fund | | | | 21,733 | 21,733 |
| Fixed income: | | | | | |
| Corporate bonds | | 428,304 | | | 428,304 |
| Municipal bonds | | 11,937 | | | 11,937 |
| US government agency | | 99,455 | | | 99,455 |
| US government | | 207,562 | | | 207,562 |
| Total fixed income | - | 747,258 | - | - | 747,258 |
| Separate accounts: | | | | | |
| Equity | | 21,696 | | | 21,696 |
| Fixed income alternative | | 19,169 | | | 19,169 |
| Real estate | | 2,149 | | | 2,149 |
| Variable income accounts | | 1,052 | | | 1,052 |
| Total separate accounts | - | 44,066 | - | - | 44,066 |
| Investments measured at NAV: | | | | | |
| Marketable alternative equity | | | | 14,335 | 14,335 |
| Marketable energy and commodities | | | | 7 | 7 |
| Real estate | | | | 10,209 | 10,209 |
| Total investments measured at NAV | - | - | - | 24,551 | 24,551 |
| Total pension plan assets | $ 63,603 | $ 791,324 | $ - | $ 191,532 | 1,046,459 |
| Payable for investment purchase | | | | | (70,230) |
| Total fair value of pension plan net assets | | | | | $ 976,229 |

The information about the Archdiocese's postretirement plan assets measured at fair value as of June 30, 2020 and 2019, by fair value hierarchy, is as follows:

| **2020** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Invested cash and short-term investments | $ 101 | $ - | $ - | $ 101 |
| Common stocks and mutual funds | 2,104 | | | 2,104 |
| Fixed income: | | | | |
| Corporate bonds | | 799 | | 799 |
| U.S. government agency | | 238 | | 238 |
| U.S. government | | 459 | | 459 |
| Total fixed income | - | 1,496 | - | 1,496 |
| Total | $ 2,205 | $ 1,496 | $ - | $ 3,701 |
| **2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Invested cash and short-term investments | $ 177 | $ - | $ - | $ 177 |
| Common stocks and mutual funds | 2,250 | | | 2,250 |
| Fixed income: | | | | |
| Corporate bonds | | 520 | | 520 |
| US government agency | | 279 | | 279 |
| US government | | 723 | | 723 |
| Total fixed income | - | 1,522 | - | 1,522 |
| Total | $ 2,427 | $ 1,522 | $ - | $ 3,949 |

## 14. NONCASH ASSISTANCE

During the years ended June 30, 2020 and 2019, Catholic Charities received certain food commodities with a value of approximately $3,614 and $2,705, respectively, under the terms of a federally funded program whereby Catholic Charities does not hold legal title to the commodities but acts as a distributor. The receipt and subsequent distribution of these commodities are not shown as revenues or expenditures in the consolidated financial statements.

Catholic Charities recorded in-kind donations of gifts in the amount of $962 and $1,424 during the years ended June 30, 2020 and 2019, respectively, and in-kind donations of food in the amount of $2,473 for the year ended June 30, 2020. In-kind donations of gifts and food are distributed to the families served by Catholic Charities.

## 15. COMMITMENTS AND CONTINGENCIES

Cemeteries owns two landfills, which are the subjects of certain environmental remediation plans required by the Illinois Environmental Protection Agency. Both landfills have been closed for more than 25 years. Engineers have been engaged to study issues related to these sites. While they have developed plans and estimates related to remediation, and remediation has begun, the future costs are only estimable within a wide range covering a period of more than 20 years. The engineering estimates for the total costs of remediation are likely to fall in a range of $7,000 to $32,000.

In order to demonstrate financial assurance that the funds necessary to meet the costs of post-closure care for the landfills will be available when needed, Cemeteries has secured an irrevocable standby letter of credit for $1,900 for the benefit of the Illinois Environmental Protection Agency. The entire $1,900 is secured by restricted cash.

The accrued landfill liability balance related to the Cemeteries' landfill liability obligation was $16,670 and $17,300 as of June 30, 2020 and 2019, respectively, and includes compensation and litigation costs. This balance is included within the "Accounts payable and accrued expense" line of the combined statement of financial position.

Other various legal actions and governmental proceedings involve the CBC or separately incorporated religious organizations under its control. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. Among the pending or potential legal claims against the Archdiocese are some related to allegations of past sexual misconduct by priests. Cost of settlement and legal defense for such claims are managed and reported through an insurance claims reserve (see Note 2). The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material effect on the net assets of the Archdiocese beyond the reserve for insurance claims already reflected in the consolidated statements of financial position. The ultimate liability will change in the future and is sensitive to precedents established by pending court cases, possible legislative action, particularly related to the statutes of limitation, and additional claims that may be asserted in the future.

## 16. LEASES

Catholic Charities leases office space under conditional operating leases that generally contain rent escalation provisions. Rent expense under the leases is recognized based on straight-line amortization of total rent over the term of the lease. Rent expense of $5,828 and $5,778 was incurred for the years ended June 30, 2020 and 2019, respectively. Rent expense is included within Occupancy in the Combined Statement of Functional Expenses.

Future minimum rental expense related to this operating lease as of June 30, 2020, is as follows:

| **Years Ending June 30** | |
|---|---|
| 2021 | $ 4,323 |
| 2022 | 3,432 |
| 2023 | 1,484 |
| 2024 | 1,012 |
| 2025 | 634 |
| Thereafter | 6,186 |
| Total | $ 17,071 |

## 17. FUNCTIONAL EXPENSES

The summary of expenses by functional classification and reconciliation to total expenses for the years ended June 30, 2020 is as follows:

| Functional Expenses | Program Activities | Management and General Expenses | Cemeteries | Parishes and Schools | Fundraising and Development Expenses | Total Expenses |
|---|---|---|---|---|---|---|
| Salaries and employee benefits: | | | | | | |
| Salaries | $171,130 | $ 34,969 | $ 28,935 | $257,208 | $ 7,212 | $ 499,454 |
| Employee benefits and payroll taxes | 36,151 | 8,562 | | 58,072 | 1,834 | 104,619 |
| Total salaries and employee benefits | 207,281 | 43,531 | 28,935 | 315,280 | 9,046 | 604,073 |
| Insurance program: | | | | | | |
| Employee benefits including parishes | 82,397 | 59 | | | | 82,456 |
| Insurance expenses | 46,578 | 37 | | | 34 | 46,649 |
| Total insurance program | 128,975 | 96 | - | - | 34 | 129,105 |
| Parish and school support: | | | | | | |
| Provision for uncollectible loans and operating receivables | 15,708 | | | | | 15,708 |
| Contributions for PRMAA | 7,251 | | | | | 7,251 |
| Parish and agency grants | 7,474 | | | | | 7,474 |
| Interest expense for deposits and | 2,406 | | | | | 2,406 |
| change in value of gift annuities | | | | | | - |
| Total parish and school support | 32,839 | - | - | - | - | 32,839 |
| Other expenses: | | | | | | |
| Program expenses | 20,018 | 1,274 | | 28,699 | 1,674 | 51,665 |
| Professional fees | 31,932 | 8,578 | | | 2,075 | 42,585 |
| Contributions, grants and assessments | 2,499 | 2,418 | | | 3,784 | 8,701 |
| Borrowings | | 8,626 | | | 209 | 8,835 |
| Miscellaneous | 11,439 | 1,070 | | 25,634 | 1,469 | 39,612 |
| Office expenses | 2,161 | 322 | | 19,373 | 339 | 22,195 |
| Repairs and maintenance | | | 8,493 | 55,957 | | 64,450 |
| Meals, travel and transportation | 3,113 | 364 | | | 89 | 3,566 |
| Scholarships | 2,579 | | | | | 2,579 |
| Seminary and vocation program expenses | 3,895 | 38 | | | | 3,933 |
| Utilities | 2,133 | 3,050 | | 30,005 | 60 | 35,248 |
| Occupancy | 19,683 | 2,503 | | | 550 | 22,736 |
| Dues and subscriptions | 144 | 131 | | | 23 | 298 |
| Printing and publications | 6,256 | 814 | | | 1,009 | 8,079 |
| Cost of cemetery property | | | 4,457 | | | 4,457 |
| Food purchases | 25,927 | | | | | 25,927 |
| Specific assistance to individuals | 12,955 | | | | 22 | 12,977 |
| Total other expenses | 144,734 | 29,188 | 12,950 | 159,668 | 11,303 | 357,843 |
| Depreciation and amortization | 17,378 | 3,303 | 2,262 | 47,368 | 333 | 70,644 |
| Allocation of management and general expenses | 8,293 | (8,726) | 6,054 | | (917) | 4,704 |
| Total expenses | $539,500 | $ 67,392 | $ 50,201 | $522,316 | $ 19,799 | $ 1,199,208 |

The summary of expenses by functional classification and reconciliation to total expenses for the years ended June 30, 2019 is as follows:

| Functional Expenses | Program Activities | Management and General Expenses | Cemeteries | Parishes and Schools | Fundraising and Development Expenses | Total Expenses |
|---|---|---|---|---|---|---|
| Salaries and employee benefits: | | | | | | |
| Salaries | $163,852 | $32,950 | $29,374 | $257,063 | $ 6,824 | $ 490,063 |
| Employee benefits and payroll taxes | 39,093 | 8,796 | | 60,090 | 1,663 | 109,642 |
| Total salaries and employee benefits | 202,945 | 41,746 | 29,374 | 317,153 | 8,487 | 599,705 |
| Insurance program: | | | | | | |
| Employee benefits including parishes | 65,236 | | | | | 65,236 |
| Insurance expenses | 46,710 | 38 | | | 26 | 46,774 |
| Net periodic pension expense | 12,009 | | | | | 12,009 |
| Total insurance program | 123,955 | 38 | - | - | 26 | 124,019 |
| Parish and school support: | | | | | | |
| Provision for uncollectible loans and operating receivables | 18,701 | | | | | 18,701 |
| Contributions for PRMAA | 7,276 | | | | | 7,276 |
| Parish and agency grants | 3,826 | | | | | 3,826 |
| Interest expense for deposits and change in value of gift annuities | 6,002 | | | | | 6,002 |
| Total parish and school support | 35,805 | - | - | - | - | 35,805 |
| Other expenses: | | | | | | |
| Program expenses | 69,323 | 1,608 | | 30,984 | 2,372 | 104,287 |
| Professional fees | 30,247 | 9,769 | | | 1,550 | 41,566 |
| Contributions, grants and assessments | 2,618 | 1,901 | | | 3,298 | 7,817 |
| Borrowings | 840 | 9,760 | | | 448 | 11,048 |
| Miscellaneous | 3,660 | 586 | | 27,463 | 359 | 32,068 |
| Office expenses | 6,664 | 1,018 | | 18,975 | 215 | 26,872 |
| Deposit valuation | | | | | | - |
| Repairs and maintenance | 196 | | 8,003 | 69,697 | 293 | 78,189 |
| Meals, travel and transportation | 4,609 | 762 | | | 95 | 5,466 |
| Scholarships | 9,910 | | | | 1,462 | 11,372 |
| Seminary and vocation program expenses | 3,755 | | | | 1 | 3,756 |
| Utilities | 2,097 | 3,051 | | 31,945 | 77 | 37,170 |
| Occupancy | 19,395 | 2,524 | | | 411 | 22,330 |
| Dues and subscriptions | 145 | 99 | | | 29 | 273 |
| Printing and publications | 7,094 | 909 | | | 910 | 8,913 |
| Cost of cemetery property | | | 4,280 | | | 4,280 |
| Specific assistance to individuals | 12,349 | | | | 19 | 12,368 |
| Total other expenses | 172,902 | 31,987 | 12,283 | 179,064 | 11,539 | 407,775 |
| Depreciation and amortization | 17,587 | 3,202 | 2,363 | 46,735 | 321 | 70,208 |
| Allocation of management and general expenses | 6,744 | (7,286) | 6,342 | | (1,375) | 4,425 |
| Total expenses | $559,938 | $69,687 | $50,362 | $542,952 | $18,998 | $1,241,937 |

The Archdiocese classifies expenses into four functional areas: program activities, management and general, Cemeteries, and fundraising and development. Program activities includes all expenses related to supporting the mission and ministry of the parishes, schools, seminaries and other affiliated agencies of the Archdiocese, excluding Cemeteries. Management and general expenses represent the administrative costs of the Archdiocese entities, excluding Cemeteries. Cemeteries includes all expenses directly related to the operations of the Cemeteries, including management and general expenses. Fundraising and development expenses includes expenses related to the solicitation of contributions. All costs are recorded directly to the functional area.

* * * * * *