Archdiocesan Pastoral Center—Archdiocese of Chicago

Financial Statements as of and for the Years Ended June 30, 2020 and 2019, and Independent Auditors' Report

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

His Eminence Cardinal Blase J.
Cupich Archbishop of Chicago:

We have audited the accompanying financial statements of the Archdiocesan Pastoral Center—Archdiocese of Chicago (the "Pastoral Center"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocesan Pastoral Center—Archdiocese of Chicago as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 22, 2020

ARCHDIOCESAN PASTORAL CENTER-ARCHDIOCESE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019
(Amounts in thousands)

	2020	2019
ASSETS		
CASH AND CASH EQUIVALENTS	$ 35,924	$ 54,359
RESTRICTED CASH	51,913	70,354
INVESTMENTS	375,389	365,167
RECEIVABLES:		
Loans to parishes and other religious organizations—net	14,645	20,849
Interest on loans to parishes and other religious organizations—net	428	374
Pledges—net	25,724	55,106
Other—net	28,483	35,906
Total receivables	69,280	112,235
PENSION ASSET	-	905
LAND, BUILDINGS, AND EQUIPMENT:		
Land	13,634	17,972
Buildings and equipment	186,042	181,077
Undeveloped real estate	6,936	6,936
Closed parish property	19,767	19,767
Total land, buildings, and equipment	226,379	225,752
Less accumulated depreciation	(146,036)	(143,432)
Land, buildings, and equipment—net	80,343	82,320
OTHER ASSETS	6,281	6,241
TOTAL	$ 619,130	$ 691,581

	2020	2019
LIABILITIES		
DEPOSITS:		
Parishes	$ 220,205	$ 221,823
TTWCI for Parishes	61,577	84,696
Other religious organizations	2,127	2,512
Total deposits	283,909	309,031
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	29,261	48,317
BORROWINGS—Notes payable (less debt issuance costs of $1,246 and $1,497, respectively)	170,357	174,322
PENSION LIABILITY	8,862	-
OTHER LIABILITIES:		
Insurance claims	181,686	166,082
Unearned rental income	15,670	15,876
Undistributed collections	3,219	3,182
Annuity obligations	628	936
Asset retirement obligations	2,405	2,405
Other	7,383	1,862
Total other liabilities	210,991	190,343
Total liabilities	703,380	722,013
NET ASSETS (DEFICIT):		
Without donor restrictions:		
Undesignated	(202,682)	(149,582)
Designated	52,020	53,239
Total without donor restrictions	(150,662)	(96,343)
With donor restrictions:		
Temporary in nature	42,469	45,560
Perpetual in nature	23,943	20,351
Total with donor restrictions	66,412	65,911
Total net assets (deficit)	(84,250)	(30,432)
TOTAL	$ 619,130	$ 691,581

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUES:				
Assessments:				
Parishes	$ 24,788	$ -	$ 24,788	$ 24,972
Cemeteries	5,000	-	5,000	5,000
Insurance	108,479	-	108,479	107,785
Parishes for PRMAA	7,251	-	7,251	7,276
Investment return designated for current operations	6,664	-	6,664	9,209
Interest income—parish and agency loans	5,287	-	5,287	5,154
Food service	12,416	-	12,416	33,886
Publications	6,217	-	6,217	6,639
Pastoral Center services	19,665	5,484	25,149	20,706
Seminaries	8,715	116	8,831	14,047
Annual Catholic Appeal	11,076	-	11,076	10,556
Capital Campaign—TTWCI	1,103	145	1,248	3,487
Contributions and bequests	298	629	927	1,487
Other	8,185	-	8,185	7,371
Total revenues	225,144	6,374	231,518	257,575
EXPENSES:				
Parish and agency grants:				
Operating	5,718	-	5,718	2,349
Capital	1,485	-	1,485	1,477
Contributions to PRMAA	7,251	-	7,251	7,276
Provision for uncollectible loans, pledges, and operating receivables	15,708	-	15,708	18,701
Insurance and retirement benefits program	132,497	-	132,497	133,892
Deposit valuation	(230)	-	(230)	3,402
Interest expense:				
Deposits	1,939	-	1,939	1,925
Borrowings	8,623	-	8,623	9,715
Change in value of gift annuities	(12)	-	(12)	16
Food service	13,612	-	13,612	35,177
Publications	5,864	-	5,864	6,182
Pastoral Center services	63,549	-	63,549	63,944
Seminaries	10,518	-	10,518	12,108
Annual Catholic Appeal fundraising expenses	1,276	-	1,276	1,073
Capital Campaign and other development expenses	6,147	-	6,147	6,530
Capital Campaign—CEST Contributions	818	-	818	7,588
Depreciation and accretion	5,423	-	5,423	5,932
Other	3,225	-	3,225	4,029
Total expenses	283,411	-	283,411	321,316
LOSS FROM OPERATIONS	(58,267)	6,374	(51,893)	(63,741)
NET ASSETS RELEASED FROM RESTRICTIONS	5,707	(5,707)	-	-
OTHER COMPONENTS OF NET PERIODIC BENEFIT PLAN COSTS	13,473		13,473	(5,493)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION INCOME	(23,240)	-	(23,240)	28,614
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	(4,022)	(166)	(4,188)	3,113
NET PROPERTY GAINS	1,996	-	1,996	114,401
INTERENTITY TRANSFERS	10,034	-	10,034	9,147
CHANGE IN NET ASSETS	(54,319)	501	(53,818)	86,041
NET ASSETS—Beginning of year	(96,343)	65,911	(30,432)	(116,473)
NET ASSETS—End of year	$ (150,662)	$ 66,412	$ (84,250)	$ (30,432)

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(Amounts in thousands)

	Without Donor Restrictions	With Donor Restrictions	2019 Total
REVENUES:			
Assessments:			
Parishes	$ 24,972	$ -	$ 24,972
Cemeteries	5,000	-	5,000
Insurance	107,785	-	107,785
Parishes for PRMAA	7,276	-	7,276
Investment return designated for current operations	9,209	-	9,209
Interest income—parish and agency loans	5,154	-	5,154
Food service	33,886	-	33,886
Publications	6,639	-	6,639
Pastoral Center services	20,706	-	20,706
Seminaries	14,047	-	14,047
Annual Catholic Appeal	10,556	-	10,556
Capital Campaign—TTWCI	811	2,676	3,487
Contributions and bequests	571	916	1,487
Other	7,371	-	7,371
Total revenues	253,983	3,592	257,575
EXPENSES:			
Parish and agency grants:			
Operating	2,349	-	2,349
Capital	1,477	-	1,477
Contributions to PRMAA	7,276	-	7,276
Provision for uncollectible loans, pledges, and operating receivables	18,701	-	18,701
Insurance and retirement benefits program	133,892	-	133,892
Deposit valuation	3,402	-	3,402
Interest expense:			
Deposits	1,925	-	1,925
Borrowings	9,715	-	9,715
Change in value of gift annuities	16	-	16
Food service	35,177	-	35,177
Publications	6,182	-	6,182
Pastoral Center services	63,944	-	63,944
Seminaries	12,108	-	12,108
Annual Catholic Appeal fundraising expenses	1,073	-	1,073
Capital Campaign and other development expenses	6,530	-	6,530
Capital Campaign—CEST Contributions	7,588	-	7,588
Depreciation and accretion	5,932	-	5,932
Other	4,029	-	4,029
Total expenses	321,316	-	321,316
LOSS FROM OPERATIONS	(67,333)	3,592	(63,741)
NET ASSETS RELEASED FROM RESTRICTIONS	7,277	(7,277)	-
OTHER COMPONENTS OF NET PERIODIC BENEFIT PLAN COSTS	(5,493)	-	(5,493)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION INCOME	28,614	-	28,614
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	1,058	2,055	3,113
NET PROPERTY GAINS	114,401	-	114,401
INTERENTITY TRANSFERS	9,147	-	9,147
CHANGE IN NET ASSETS	87,671	(1,630)	86,041
NET ASSETS—Beginning of year	(184,014)	67,541	(116,473)
NET ASSETS—End of year	$ (96,343)	$65,911	$ (30,432)

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (53,818)	$ 86,041
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in unrealized gains/losses and realized (gains) losses on investments—net	781	(7,393)
Property gains–net	(1,996)	(114,401)
Provision for uncollectible receivables	15,708	18,701
Depreciation and accretion	5,423	5,932
Amortization of bond issuance costs	250	294
Permanently restricted contributions	(10)	(11)
Noncash charge for changes in defined benefit pension plan other than periodic pension expense	23,240	(28,614)
Noncash property addition		
Changes in assets and liabilities:		
Receivables	22,683	11,022
Pension liability	(13,473)	5,492
Accounts payable and accrued expenses	(19,056)	(933)
Other assets	(40)	(1,178)
Deposits	(16,478)	(18,496)
Annuity obligations	(308)	(348)
Other liabilities	19,541	10,678
Net cash used in operating activities	(17,553)	(33,214)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	146,027	139,574
Purchases of investments	(157,030)	(114,486)
Proceeds from sales of land, buildings, and equipment	4,264	105,461
Purchases of land, buildings, and equipment	(4,299)	(2,846)
Principal collected on loans to parishes and religious orders	4,272	4,830
Loans to parishes and religious orders	(1,816)	(1,115)
Net cash used in investing activities	(8,582)	131,418
CASH FLOWS FROM FINANCING ACTIVITIES:		
Savings deposits	59,307	68,474
Savings withdrawals	(67,951)	(88,235)
Promissory Note Receipts	2,108	-
Borrowing repayments	(4,215)	(21,006)
Permanently restricted contributions	10	11
Net cash provided by financing activities	(10,741)	(40,756)

(Continued)

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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

	2020	2019
CHANGE IN CASH AND CASH EQUIVALENTS	$ (36,876)	$ 57,448
CASH AND CASH EQUIVALENTS—Beginning of year	124,713	67,265
CASH AND CASH EQUIVALENTS—End of year	$ 87,837	$ 124,713
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Cash paid during the year for interest:		
Deposits	$ 1,948	$ 1,940
Borrowings	$ 8,897	$ 9,755
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents, end of year	$ 35,924	$ 54,359
Restricted cash, end of year	51,913	70,354
Total	$ 87,837	$ 124,713

See notes to financial statements.

(Concluded)

1. NATURE OF OPERATIONS

The Archdiocesan Pastoral Center (the "Pastoral Center") is the ministerial and administrative center for the Archdiocese of Chicago (the "Archdiocese"). Its purpose is to provide support and services to the parishes, schools, shrines, and oratories in Cook and Lake counties (the "Parishes") and other church agencies. It operates the Archdiocesan Bank, which provides savings and loan services to the 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 newspapers and various liturgical-related publications; and invests endowment funds. Operating support is derived primarily from Parish and cemetery assessments, employee benefit and property and casualty insurance program assessments, contributions and bequests, food service revenue, interest on loans to Parishes, and investment earnings.

Affiliated agencies include University of Saint Mary of the Lake/Mundelein Seminary, Liturgy Training Publications, Catholic New World, Chicago Catolico, Ceres Food Group, Inc. (through August 2019), Food Service Professionals, the Sheil Center, John Paul II Newman Center, Calvert House, Casa Jesus and Saint Benedict Technology Consortium. All interorganizational balances and transactions have been eliminated. The Ceres Food Group, Inc. was sold in August 2019.

These financial statements only reflect the operations of those agencies and other organizations of the Pastoral Center that are identified above. These financial statements do not reflect the operations of the other agencies and organizations that also are a part of the Archdiocese, which operates through the civil law entity known as the Catholic Bishop of Chicago, an Illinois corporation sole.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of the 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events—The Pastoral Center evaluated subsequent events through December 22, 2020, the date the financial statements were available for issuance and determined that there are no events that require adjustment to, or disclosure in, these 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 Pastoral Center believes the current impacts of the COVID-19 pandemic has not had significant impacts on the Pastoral Center'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 Pastoral Center's financial position, results of operations or cash flows for the year ending June 30, 2021.

Cash and Cash Equivalents—Cash equivalents are defined as all liquid investments, with purchased maturities of three months or less and are stated at cost which approximates fair value. The Pastoral Center's cash equivalents consist of money market bank accounts. 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.

Restricted Cash—Restricted cash amounts are included in separate bank accounts for the benefit of lenders for debt service or for other restricted purposes in accordance with the debt agreements.

Pledges Receivable—Unconditional promises to give are included in the financial statements as pledges receivable and contribution, annual appeal, or capital campaign revenue. The Pastoral Center determines an allowance for doubtful pledges based on the expected collectability of the pledges.

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, all of whom are related parties, manage a portion of their investments through a pooled investment fund.

Pooled investment fund interest and dividend income, realized gains and losses, and unrealized gains and losses are allocated based on a proportionate share of each entity's fair value at the time of allocation. The entities have no cross interest in the funds of the other entities, and therefore, the financial statements of each entity reflect only that entity's share of the pooled fund.

Investments also include interest receivable on investments of $275 and $443 as of June 30, 2020 and 2019, respectively.

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

Up to 5% of investment return for certain funds are used for operations and are reported as investment return designated for current operations in the statements of activities.

Land, Buildings, and Equipment—Land, buildings, and equipment represent active property and is 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 historical cost as of July 1, 1980, with subsequent additions recorded at cost. Depreciation is recorded on buildings and equipment.

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.

Undeveloped Real Estate—Undeveloped real estate represents land held for future development and is carried at cost.

Closed Parish Property—Closed parish property represents parish property transferred to the Pastoral Center after the parish was closed.

Depreciation—Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Asset Description	**Useful Life**
Buildings	20–50 years
Land and building improvements	10–20 years
Equipment, furniture, and fixtures	3–10 years

Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

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. The Pastoral Center has a liability for asset retirement obligations of $2,405 as of June 30, 2020 and 2019.

Asset Impairment—The Pastoral Center regularly reviews long-lived assets for indicators of impairment. When indicators exist, the Pastoral Center compares the future cash flows expected from the asset to the carrying value of the asset. In management's opinion, no impairment indicators existed as of June 30, 2020 and 2019.

Classification of Net Assets—The net assets of the Pastoral Center 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. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as undesignated without donor restrictions.

Designated—The Catholic Bishop of Chicago has designated a portion of net assets without donor restrictions to be designated for the seminary operations.

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 with other 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.

Revenue Recognition—Unconditional promises to give cash and other assets to the Pastoral Center 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 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.

Contributions—Contribution revenue includes gifts from donors. Unconditional promises to give cash and other assets to the Pastoral Center 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 Pastoral Center classifies the unconditional promises to give as without donor restrictions.

Receivables—Loans to parishes and other religious organizations, pledges, and operating receivables are presented net of an allowance for doubtful accounts. Loans to Parishes and other religious organizations bear interest at rates believed to be below prevailing commercial interest rates.

Related Parties—Related parties include Catholic Charities, Mercy Home for Boys and Girls, Maryville Academy, Misericordia Home, Cemeteries, PRMAA, and Parishes.

Deposits—Deposits include funds on deposit by parishes and other religious organizations with the Pastoral Center. Deposits bear interest at rates that vary depending on the amount and availability of the deposit. Interest rates paid on deposits ranged from 0.85% to 1.75%. and 0.7% to 1.7% during 2020 and 2019, respectively. Deposits also include pledges that have not yet been collected by the Pastoral Center that are payable to parishes of $21,312 and $40,569 as of June 30, 2020 and 2019, respectively.

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

Property and casualty risks of the parishes and participating religious organizations are covered in part by self-insurance programs administered through the Pastoral Center. Property and casualty losses in excess of self-insured retention levels are insured under commercial excess policies. Medical and health insurance for employees is provided through a combination of self-insured HMO and PPO plans. The Pastoral Center assesses the 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.

Food Service, Publications, and Seminaries Expenses—Expenses for food service, publications, and seminaries as reported in the statements of activities do not include expenses that result from insurance and other related assessments from the Pastoral Center. The following affiliated agency expenses and related assessment revenues have been eliminated from the statements of activities:

	2020	2019
Food service	$ 798	$ 1,378
Publications	531	510
Seminaries	2,037	1,985

Unearned Rental Income—In May 2008, The Catholic Bishop of Chicago executed a land lease agreement for the site of the now former Pastoral Center operational headquarters building. The lease has a term of 99 years that commenced on January 1, 2009, and gives the tenant a right to renew the term of 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 million at the inception of the agreement, which will be recognized on a straight-line basis over the 99-year lease term.

Undistributed Collections—Undistributed collections represent the proceeds from special collections that will be distributed to the applicable third-party organization.

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 Pastoral Center 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 Pastoral Center implemented ASU 2016-18 commencing on 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 $70,354 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 Pastoral Center 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 have been restated to reflect the implementation of the new guidance retrospectively, which was $5,493.

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 Pastoral Center beginning on July 1, 2020. The Pastoral Center 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 Pastoral Center beginning on July 1, 2020. The Pastoral Center 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 Pastoral Center beginning on July 1, 2021. The Pastoral Center 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 Pastoral Center beginning on July 1, 2022. The Pastoral Center 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 Pastoral Center beginning on July 1, 2023. The Pastoral Center 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 Pastoral Center for the year beginning on July 1, 2021. The Pastoral Center has not yet determined the impact on its financial statements and disclosures.

3. LIQUIDITY AND AVAILABILITY

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 Pastoral Center 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	5,994	9,344
Note receivable	19,781	20,426
Other receivables	471	1,130
Other assets	2,919	2,845
	394,950	417,238
Less amounts unavailable for general expenditure:		
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.

4. INVESTMENTS

The Pastoral Center's investment portfolio, which includes the Pastoral Center's interest in a pooled investment fund, as of June 30, 2020 and 2019, consisted of the following:

	2020	2019
Invested cash	$ 81,008	$ 72,229
Equity investments	26,575	29,892
Fixed-income investments	75,252	76,857
Investments measured at NAV:		
Marketable alternative equity	146,391	145,287
Fixed income	17,807	10,292
Marketable energy and commodities	2,103	5,623
Private equity	25,978	24,544
Total investments measured at NAV	192,279	185,746
Total	$ 375,114	$ 364,724

While investments on the statements of financial position includes interest receivable on investments of $275 and $443 as of June 30, 2020 and 2019, respectively, footnotes 4 and 5 appropriately excludes it.

Investment securities, 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 fair values of investments could occur in the near term and that such changes could materially affect the investment amounts reported in the accompanying statements of financial position and statements of activities.

Investments as of June 30, 2020 and 2019, are allocated as follows:

	2020	2019
Pastoral Center	$ 67,245	$ 54,292
Seminaries	85,709	88,498
Archdiocesan Bank	127,426	122,265
Parish-directed investments through Archdiocesan Bank	93,859	98,755
Other affiliated agencies	875	914
Total investments	$ 375,114	$ 364,724

5. 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 Pastoral Center attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Pastoral Center 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 Pastoral Center 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 as follows:

2020	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Invested cash	$ 81,008	$ -	$ -	$ -	$ 81,008
Equity investments	26,575	-	-	-	26,575
Fixed income investments	45,073	30,179	-	-	75,252
Investments measured at NAV:					
Marketable alternative equity	-	-	-	146,391	146,391
Fixed income	-	-	-	17,807	17,807
Marketable energy and commodities	-	-	-	2,103	2,103
Private equity	-	-	-	25,978	25,978
Total investments measured at NAV	-	-	-	192,279	192,279
Total	$152,656	$30,179	$ -	$192,279	$375,114

2019	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Invested cash	$ 72,229	$ -	$ -	$ -	$ 72,229
Equity investments	29,892	-	-	-	29,892
Fixed income investments	37,118	39,739	-	-	76,857
Investments measured at NAV:					
Marketable alternative equity	-	-	-	145,287	145,287
Fixed income	-	-	-	10,292	10,292
Marketable energy and commodities	-	-	-	5,623	5,623
Private equity	-	-	-	24,544	24,544
Total investments measured at NAV	-	-	-	185,746	185,746
Total	$139,239	$39,739	$ -	$185,746	$364,724

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

Investments measured at NAV are composed of marketable alternative equity investments, marketable energy and commodities, fixed income, and private equity investments. These investments are valued utilizing the NAVs provided by the investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2020 and 2019, management made no such valuation adjustments.

A summary of the unfunded commitments and redemptions restrictions of the Pastoral Center's investments 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	$146,391	$ 1,980	1 day–5 years	14–126 days	$514	Rolling, 3–13 month lock-up
Fixed income	17,807	-	Daily	1 day	-	N/A
Marketable energy and commodities	2,103	-	Monthly	30 days	-	N/A
Private equity	25,978	30,587	N/A	N/A	-	N/A
Total	$192,279	$32,567			$514	

2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Side Pocket Investments (*)	Lockups/Gates
Marketable alternative equity	$ 145,287	$ -	1 day–36 months	14–95 days	$723	Rolling, 3-11 month lock-up
Fixed income	10,292	-	Daily	1 day	-	N/A
Marketable energy and commodities	5,623	-	1 day–1 month	1 day–30 days	-	N/A
Private equity	24,544	30,636	N/A	N/A	-	N/A
Total	$ 185,746	$ 30,636			$723	

(*) The Pastoral Center may participate in side pocket investments, either at the Pastoral Center's discretion or that of the investment adviser who manages the investment fund in which the Pastoral Center 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.

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, which invest primarily in marketable equity securities and equity-related underlying securities. 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.

Marketable energy and commodities investments are investments in limited partnerships and hedge funds, which invest in marketable securities of the energy and commodity sectors. 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.

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.

Private equity investments include investments in limited partnerships and private equity funds primarily invested in the oil and gas, natural gas, and real estate sectors. These investments are not redeemable and distributions are received through liquidation of the underlying assets of the funds. Private equity investments are valued using NAV or its equivalent and 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.

6. ENDOWMENTS

The Pastoral Center endowments as of June 30, 2020 and 2019, include 22 individual funds established for a variety of purposes and include both donor-restricted endowment funds and funds designated to function as endowments. Net assets associated with donor restriction perpetual in nature funds, including designated funds, are classified and reported based on the existence of donor-imposed restrictions or fund designations.

The Pastoral Center has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (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 Pastoral Center classifies net assets with donor restrictions as perpetual in nature as (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 net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions temporary in nature 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, is as follows:

	Without Donor Restrictions	With Donor Restrictions—Temporary in Nature	With Donor Restrictions—Perpetual in Nature	Total
Donor-restricted funds	$ -	$ 11,157	$ 23,943	$ 35,100
Designated funds	27,547	-	-	27,547
Total funds	$ 27,547	$ 11,157	$ 23,943	$ 62,647

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

	Without Donor Restrictions	With Donor Restrictions—Temporary in Nature	With Donor Restrictions—Perpetual in Nature	Total
Donor-restricted funds	$ -	$ 11,887	$ 20,351	$ 32,238
Designated funds	27,638	-	-	27,638
Total funds	$ 27,638	$ 11,887	$ 20,351	$ 59,876

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

	Without Donor Restrictions	With Donor Restrictions—Temporary in Nature	With Donor Restrictions—Perpetual in Nature	Total
Endowment net assets—beginning of year	$27,638	$11,887	$20,351	$59,876
Investment return	(235)	(76)	(18)	(329)
Contributions and additional designations	3	116	10	129
Transfer of net assets	623	-	3,959	4,582
Appropriation of endowment assets for expenditures	(482)	(770)	(359)	(1,611)
Endowment net assets—end of year	$27,547	$11,157	$23,943	$62,647

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

	Without Donor Restrictions	With Donor Restrictions— Temporary in Nature	With Donor Restrictions— Perpetual in Nature	Total
Endowment net assets—beginning of year	$ 28,151	$ 12,288	$ 20,340	$ 60,779
Investment return	876	746	-	1,622
Contributions and additional designations	-	-	11	11
Appropriation of endowment assets for expenditures	(1,389)	(1,147)	-	(2,536)
Endowment net assets—end of year	$ 27,638	$ 11,887	$ 20,351	$ 59,876

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 Pastoral Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters—The Pastoral Center 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 Pastoral Center must hold in perpetuity or for a donor-specified period(s) as well as designated funds. The Pastoral Center 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 Pastoral Center 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 Pastoral Center has a policy of appropriating for distribution each year 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 Pastoral Center considered the long-term expected return on its designated endowment. Accordingly, over the long term, the Pastoral Center expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Pastoral Center'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.

7. NET ASSETS

Without donor restrictions net assets as of June 30, 2020 and 2019, are available for the following purposes and periods:

	2020	2019
Without donor restrictions:		
Undesignated	$ (202,682)	$ (149,582)
Designated—seminaries	40,934	42,186
Designated—Pastoral Center	11,086	11,053
Total without donor restrictions	$ (150,662)	$ (96,343)

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:		
Seminary programs	$ 26,010	$ 27,578
Parish and School programs	8,555	11,674
Ministry programs	7,904	6,308
Total with donor restrictions—temporary in nature	42,469	45,560
Total with donor restrictions—perpetual in nature	23,943	20,351
Total with donor restrictions	$ 66,412	$ 65,911

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:		
Seminary programs	$ 1,269	$ 1,921
Parish and School programs	4,342	3,753
Ministry programs	96	1,603
Total net assets released from net assets with donor restrictions	$ 5,707	$ 7,277

8. LOANS AND OTHER RECEIVABLES

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 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)
Gross 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 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)
Gross 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

The activity for the allowance for doubtful accounts for the net other receivables (Interest on loans to parishes and other religious organizations, Pledges, and Other) as of June 30, 2020 and 2019, is as follows:

	2020		
	Interest on Loans	Pledges	Other
Allowance for doubtful accounts—beginning of year	$ (46,379)	$ (54,188)	$ (78,803)
Current-year activity:			
Provision	(3,172)	-	(9,658)
Appeal provision (reduction of revenue)	-	33	-
Capital campaign provision and discount	-	(8,931)	-
Write-offs—net of recoveries	91	-	10
Allowance for doubtful accounts—end of year	$ (49,460)	$ (63,086)	$ (88,451)

	2019		
	Interest on Loans	Pledges	Other
Allowance for doubtful accounts—beginning of year	$ (43,130)	$ (47,592)	$ (63,712)
Current-year activity:			
Provision	(3,249)	-	(16,253)
Appeal provision (reduction of revenue)	-	137	-
Capital campaign provision and discount	-	(6,733)	-
Write-offs—net of recoveries	-	-	1,162
Allowance for doubtful accounts—end of year	$ (46,379)	$ (54,188)	$ (78,803)

9. BORROWINGS

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

	2020	2019
$100,000 notes payable, due April 25, 2032, interest rate is fixed at 5.14%	$ 71,603	$ 75,819
$60,000 notes payable, due October 2, 2024, interest rate is fixed at 5.85%	60,000	60,000
$75,000 term loan, due January 18, 2022, interest rate is LIBOR plus 165 bps (1.83% and 4.09% at June 30, 2020 and 2019, respectively)	40,000	40,000
	$ 171,603	$ 175,819

Total principal payments are due as follows:

Years Ending June 30	Amount
2021	$ 7,436
2022	51,669
2023	24,914
2024	25,171
2025	15,442
Thereafter	46,971
Total borrowings	$ 171,603

Certain debt agreements require that the Pastoral Center, along with Cemeteries, meet certain debt covenants related to minimum liquidity levels and investment to debt ratios. The Pastoral Center, along with Cemeteries, was in compliance with all financial debt covenants at June 30, 2020 and 2019.

Expenses related to the procurement and underwriting of the notes payable and term loan have been deferred and are being amortized on a straight-line basis over the life of the agreements. These costs, net of accumulated amortization, are $1,246 and $1,497 at June 30, 2020 and 2019, respectively, and are recorded as a reduction of borrowings on the statements of financial position. Amortization expense was $250 and $294 for the years ended June 30, 2020 and 2019, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Archdiocesan Finance Council and its Investment Committee oversee a pooled investment fund for various entities in the Archdiocese, including the Pastoral Center, Parishes, Cemeteries, PRMAA, and Mercy Home for Boys and Girls. The pooled investment fund invests with a number of investment managers in various equity and fixed-income products. An allocation of the investments is in nonmarketable investments through limited partnerships. At any point in time, the pooled investment fund has unfunded commitments to fund additional capital calls to certain limited partnerships. The aggregate amount of unfunded commitments for the pooled investment fund as of June 30, 2020 and 2019, is $125,033 and $117,949, respectively. The Pastoral Center's allocation of the unfunded commitments as of June 30, 2020 and 2019, is $32,567 and $30,636, respectively.

As a part of normal operating activities, the Pastoral Center enters into various agreements providing financial or performance assurance to third parties on behalf of individual parishes. Such agreements include standby letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a parish on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the parish's capital expenditures. The total letters of credit in existence as of June 30, 2020 and 2019, are $0 and $26, respectively.

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. The Pastoral Center has committed to provide additional funding to PRMAA to the extent that Parishes assessments and contributions from priests do not meet PRMAA's operating cash flow needs.

Other various legal actions and governmental proceedings involve The Catholic Bishop of Chicago 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 accrual (see Note 2). The ultimate outcome of these matters is not presently known, but in the opinion of management, the ultimate liability will not have a material effect on the net assets of the Pastoral Center beyond the accrual for insurance claims already reflected in the 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.

11. RETIREMENT BENEFITS

Defined Benefit Plan—The Archdiocese has a noncontributory pension plan (the "Plan") covering substantially all lay employees of the Pastoral Center, Parishes, and certain participating charitable organizations. The Pastoral Center charges Parishes and the 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 the 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 1997–2001. A participant is 100% vested after five years of service.

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

The Pastoral Center has recorded the total funded status of the Plan in the statements of financial position. This liability is related to all participants of the Plan, which includes those employed by parishes and participating charitable organizations. The information to allocate the asset to the parishes and other charitable organizations is not available, and those parties are responsible for their related costs. This asset may be transferred to those other organizations in the future.

The Pastoral Center uses a June 30 measurement date for the Plan.

Summary information for the Plan as of June 30, 2020 and 2019, is as follows:

	2020	**2019**
Change in benefit obligation:		
Projected benefit obligation—beginning of year	$ 798,515	$ 759,861
Interest cost	27,664	31,029
Actuarial losses	106,142	45,507
Benefits paid	(38,443)	(37,882)
Projected benefit obligation—end of year	$ 893,878	$ 798,515
Change in Plan assets:		
Fair value of Plan assets—beginning of year	$ 799,420	$ 737,644
Actual return on Plan assets	124,039	99,658
Benefits paid	(38,443)	(37,882)
Fair value of Plan assets—end of year	$ 885,016	$ 799,420
Funded status—end of year	$ (8,862)	$ 905
Amounts recognized in the statements of financial position—pension asset (liability)	$ (8,862)	$ 905

The components of net periodic benefit cost (income) for the years ended June 30, 2020 and 2019, are as follows:

	2020	**2019**
Components of net periodic benefit cost (income):		
Interest cost	$ 27,664	$ 31,029
Expected return on Plan assets	(41,227)	(27,149)
Expected administrative expenses	90	200
Amortization of net (gain) loss	-	1,413
Net periodic benefit cost	$ (13,473)	$ 5,493

Pension-related changes, other than net periodic pension income, are included as a separate charge to unrestricted net assets consisting of actuarial losses of $23,240 and actuarial gains $28,614 for the years ended June 30, 2020 and 2019, respectively.

The Plan's accumulated net actuarial losses not yet recognized as a component of periodic pension income but accumulated in unrestricted net assets as of June 30, 2020 and 2019, are $81,111 and $57,873, respectively. The Pastoral Center estimates that there will be no amortization of net actuarial loss included as a component of periodic pension expense in fiscal 2020.

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

	2020	**2019**
Weighted-average assumptions:		
Discount rate—benefit obligation	2.79 %	3.56 %
Discount rate—benefit cost	3.56	4.20
Expected return on Plan assets—benefit cost	5.30	3.79
Rate of compensation increase	N/A	N/A

The Pastoral Center does not expect to contribute to the Plan in 2020.

The following benefit payments are expected to be paid as follows:

Years Ending June 30	**Amount**
2021	$ 89,396
2022	44,680
2023	45,298
2024	45,686
2025	45,939
2026–2030	228,535

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 Plan 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 insure the systematic and adequate funding of actuarially determined benefits through contributions from the Pastoral Center and professional management of the Plan assets.

This is accomplished through diversification of assets in accordance with the investment policy. The pension plan assets are primarily investments in fixed-income securities. The current investment benchmark is a blend of Barclays Capital U.S. Long and Intermediate Credit and U.S. Long and Intermediate Government indices. The Plan assets also include invested cash, mutual funds, and marketable alternative equity investments.

Invested cash includes money market mutual funds and are generally 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 composed of U.S. government securities, U.S. government agency securities, municipal bonds, and corporate bonds. The fair value of U.S. government securities, U.S. government agency 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 the data that reference a comparable issuer is used. These fixed-income securities 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 that invest primarily in marketable equity securities and equity-related underlying securities. The marketable alternative equity investments that can be redeemed at their 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, which primarily invest in securities in the energy and commodities sectors. The marketable energy and commodities investments that can be redeemed at their NAV within the “near term” 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.

The Plan assets and liabilities measured at fair value as of June 30, 2020 and 2019, are as follows:

2020	**Level 1**	**Level 2**	**Level 3**	**Investments Measured at NAV**	**Total**
Assets:					
Invested cash	$ 23,035	$ -	$ -	$ -	$ 23,035
Equity investments	85,558	-	-	-	85,558
Mutual funds		-	-	119,748	119,748
Fixed income:					
Corporate bonds	-	370,893	-	-	370,893
Municipal bonds	-	11,786	-	-	11,786
U.S. government agency	-	23,261	-	-	23,261
U.S. government	-	214,500	-	-	214,500
Total fixed income	-	620,440	-	-	620,440
Investments measured at NAV:					
Marketable alternative equity	-	-	-	41,276	41,276
Marketable energy and commodities	-	-	-	-	-
Total investments measured at NAV	-	-	-	41,276	41,276
Total assets	$108,593	$620,440	$ -	########	890,057
Payable for investment purchases					(5,041)
Total net assets					$885,016

2019	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets:					
Invested cash	$ 11,611	$ -	$ -	$ -	$ 11,611
Mutual funds	-	-	-	145,248	145,248
Fixed income:					
Corporate bonds	-	417,677	-	-	417,677
Municipal bonds	-	10,601	-	-	10,601
U.S. government agency	-	98,597	-	-	98,597
U.S. government	-	205,558	-	-	205,558
Total fixed income	-	732,433	-	-	732,433
Investments measured at NAV:					
Marketable alternative equity	-	-	-	196	196
Marketable energy and commodities	-	-	-	5	5
Total investments measured at NAV	-	-	-	201	201
Total assets	$ 11,611	$ 732,433	$ -	$ 145,449	889,493
Payable for investment purchases					(90,073)
Total net assets					$ 799,420

Defined Contribution Plans—The Archdiocese also has a defined contribution plan, which includes an employer matching contribution. The matching contribution is available to all lay benefit-eligible employees of the Pastoral Center, Parishes, and certain other affiliated entities. The employer match is 50% of an employee's contributions up to a maximum of 4% of gross salary. Vesting in the matching contribution occurs at 25% per year. Employees with four or more years of service are fully vested in their match. The Pastoral Center contributed and incurred expense of $4,372 and $4,681 for the plan in 2020 and 2019, respectively. The Archdiocese 403(b) plan's employer match was temporarily suspended as of June 1, 2020.

Effective July 1, 2007, the Archdiocese implemented a share plan to replace the defined benefit pension plan for full-time and benefit-eligible part-time employees (the "Share Plan"). Under the Share Plan, the Pastoral Center will make 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 will be an age-weighted percentage of the employee's gross earnings, and that percentage will increase as employees advance in age, based on age as of January 1st 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 Pastoral Center contributed to the Share 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.

12. RELATED-PARTY TRANSACTIONS

Cemeteries transferred cash of $10,034 and $9,147 to the Pastoral Center during 2020 and 2019, respectively. The cash transfers were recorded as inter-entity transfers in the statements of activities.

The Pastoral Center received funding from Maryville for Office of Catechesis activities totaling $236 for 2020 and 2019.

13. CAPITAL CAMPAIGN (TTWCI) AND OTHER DEVELOPMENT EXPENSES

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 and 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.

Campaign activity and other development efforts for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
TTWCI contributions	$ 2,971	$ 9,479
Parish allocation	(1,723)	(5,240)
Uncollectible pledge provision (expense) benefit	-	(752)
Net contributions from TTWCI Campaign	$ 1,248	$ 3,487
Contributions to CEST	$ 818	$ 7,588
Catholic schools and Catechesis support	1,467	1,659
CARITAS scholarships	1,992	1,417
TTWCI fundraising expenses	252	488
Distributions and expenses from TTWCI Campaign	4,529	11,152
Other development expenses	2,436	2,966
Net distributions from TTWCI Campaign and other development	$ 6,965	$ 14,118

14. ANNUAL CATHOLIC APPEAL

The Annual Catholic Appeal (the "Appeal") supports the work of the schools, programs, agencies, and ministries of the Archdiocese that serve the educational, physical, and spiritual needs of its people. Through Catholic Relief Services, the Appeal also serves those overseas devastated by natural disasters, illness, wars, and famine. Parish goals for the Appeal are predominately set at 4% or 7% of their offertory income, based on the average household income. Donations received by a parish in excess of its goal are returned to the parish as a rebate.

Appeal activity for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Contributions	$ 15,167	$ 15,237
Parish rebates	(3,173)	(3,729)
Uncollectible pledge provision expense	(918)	(952)
Net contributions from Annual Catholic Appeal	$ 11,076	$ 10,556
Pastoral Center program and grant support	$ 9,255	$ 8,938
Fundraising expenses	1,276	1,073
Specific distribution to Catholic Relief Services	545	545
Total distributions	$ 11,076	$ 10,556

15. FUNCTIONAL EXPENSES

The following is a summary of expenses by functional classification and reconciliation to total expenses for the year ended June 30, 2020:

Functional Expenses	**Program Activities**	**Management and General**	**Fundraising and Development**	**Total Expenses**
Salaries and employee benefits:				
Salaries	$ 30,901	$ 17,344	$ 2,054	$ 50,299
Employee benefits	1,766	2,972	432	5,170
Payroll taxes	1,757	1,109	147	3,013
Total salaries and employee benefits	34,424	21,425	2,633	58,482
Parish, school and affiliated entities:				
Employee benefits program	73,557	-	-	73,557
Insurance expense	53,153	-	-	53,153
Support for parishes and schools	23,182	-	-	23,182
Contributions to PRMAA	7,251	-	-	7,251
Interest expense on deposits and investments returns	2,406	-	-	2,406
Total parish, school and affiliated entities	159,549	-	-	159,549
Operating expenses:				
Program expenses	9,002	798	149	9,949
Professional fees	14,071	4,756	1,151	19,978
Contributions to CEST and CARITAS scholarships	2,579	-	-	2,579
Facility costs	2,127	3,024	59	5,210
Seminary and vocation program expenses	3,814	38		3,852
Printing, postage and office expenses	2,721	376	328	3,425
Contributions, grants and assessments	2,428	2,073	-	4,501
Meals, travel and transportation	1,505	277	58	1,840
Total operating expenses	38,247	11,342	1,745	51,334
Other expenses:				
Interest expense—borrowings	-	8,623	-	8,623
Depreciation and accretion	2,683	2,740	-	5,423
Total other expenses	2,683	11,363	-	14,046
Total expenses	$ 234,903	$ 44,130	$ 4,378	$ 283,411

The following is a summary of expenses by functional classification and reconciliation to total expenses for the year ended June 30, 2019:

Functional Expenses	Program Activities	Management and General	Fundraising and Development	Total Expenses
Salaries and employee benefits:				
Salaries	$ 33,037	$ 16,459	$ 1,813	$ 51,309
Employee benefits	904	3,034	389	4,327
Payroll taxes	1,934	1,136	133	3,203
Total salaries and employee benefits	35,875	20,629	2,335	58,839
Parish, school and affiliated entities:				
Employee benefits program	83,161	-	-	83,161
Insurance expense	46,170	-	-	46,170
Support for parishes and schools	22,755	-	-	22,755
Contributions to PRMAA	7,276	-	-	7,276
Interest expense on deposits and investments returns	6,002	-	-	6,002
Total parish, school and affiliated entities	165,364	-	-	165,364
Operating expenses:				
Program expenses	28,260	982	214	29,456
Professional fees	13,446	7,428	1,253	22,127
Contributions to CEST and CARITAS scholarships	9,005	-	-	9,005
Facility costs	2,075	3,020	46	5,141
Seminary and vocation program expenses	4,432	-		4,432
Printing, postage and office expenses	3,412	470	448	4,330
Contributions, grants & assessments	2,618	1,557	-	4,175
Meals, travel and transportation	2,259	453	87	2,799
Total operating expenses	65,507	13,910	2,048	81,465
Other expenses:				
Interest expense—borrowings	-	9,716	-	9,716
Depreciation and accretion	3,295	2,637	-	5,932
Total other expenses	3,295	12,353	-	15,648
Total expenses	$ 270,041	$ 46,892	$ 4,383	$ 321,316

The Pastoral Center classifies expenses into three functional areas: program activities, management and general and fundraising and development. Program activities includes all expenses directly related to the mission and ministry of the parishes, schools, seminaries and other affiliated agencies of the Archdiocese. Management and general expenses represent the administrative costs of the Pastoral Center in providing support and services to parishes and schools. Fundraising and development expenses includes expenses related to the solicitation of contributions. All costs are recorded directly to the functional area.

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