

Financial Statements and Report of
Independent Certified Public
Accountants

**Roman Catholic Archdiocese of Newark
Archdiocesan Pastoral Center**

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To His Eminence, Joseph W. Cardinal Tobin C.Ss.R, D.D
Archbishop of the Roman Catholic Archdiocese of Newark

We have audited the accompanying financial statements of the Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center (the "Archdiocesan Pastoral Center"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and net assets, 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Archdiocesan 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 Archdiocesan 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 Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center as of June 30, 2021 and 2020, 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.

Grant Thornton LLP

Arlington, Virginia
December 17, 2021

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents, including custodial funds of \$15,379,284 and \$25,214,083 as of June 30, 2021 and June 30, 2020, respectively	\$ 38,206,316	\$ 36,423,666
Contributions and pledges receivable, net	2,335,112	3,238,899
Accounts and loans receivable, net	15,687,006	20,480,274
Prepaid expenses and other assets	1,306,891	1,373,479
Mortgages receivable	1,300,617	2,693,862
Investments, including custodial funds of \$335,085,891 and \$322,334,348 as of June 30, 2021 and June 30, 2020, respectively	630,942,403	545,163,797
Beneficial interest in a trust held by a third party	10,464,648	7,634,571
Property and equipment, net	<u>26,599,959</u>	<u>28,946,000</u>
 Total assets	 <u>\$ 726,842,952</u>	 <u>\$ 645,954,548</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,183,602	\$ 5,897,770
Accrued amounts due to affiliates	3,394,458	3,566,124
Obligations due under split-interest agreements	328,255	731,552
Custodial funds	350,465,175	347,548,431
Conditional asset retirement obligations	<u>2,361,023</u>	<u>2,227,380</u>
 Total liabilities	 <u>361,732,513</u>	 <u>359,971,257</u>
 Commitments and contingencies		
NET ASSETS		
Without donor restrictions	131,115,968	86,822,836
With donor restrictions	<u>233,994,471</u>	<u>199,160,455</u>
 Total net assets	 <u>365,110,439</u>	 <u>285,983,291</u>
 Total liabilities and net assets	 <u>\$ 726,842,952</u>	 <u>\$ 645,954,548</u>

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

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating support and revenue:		
Archdiocesan assessments	\$ 17,705,281	\$ 18,275,549
Cemeteries assessments	3,902,572	3,250,000
Other contributions, bequests, and collections	880,075	4,646,694
Interest and dividends	1,485,894	4,161,120
Rental income, including assessments	4,688,948	4,108,152
Other revenue	<u>3,297,853</u>	<u>4,858,876</u>
Total operating support and revenue	<u>31,960,623</u>	<u>39,300,391</u>
Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	5,933,525	5,386,001
Endowment fund earnings	3,658,214	2,379,335
Other	<u>301,645</u>	<u>564,129</u>
Total net assets released from restrictions	<u>9,893,384</u>	<u>8,329,465</u>
Total operating support, revenue and net assets released from restrictions	41,854,007	47,629,856
OPERATING EXPENSES		
Pastoral	15,422,606	13,207,420
Educational	6,855,276	11,802,149
Health care and social services	5,864,472	4,066,807
Priestly ministry and formation	3,254,530	4,157,104
Public affairs/information services	952,772	1,523,116
Other program services	<u>4,200,671</u>	<u>4,586,504</u>
Program expenses	36,550,327	39,343,100
Management and general	7,488,006	15,013,147
Fundraising	<u>1,286,106</u>	<u>1,670,640</u>
Total operating expenses	<u>45,324,439</u>	<u>56,026,887</u>
Change in net assets without donor restrictions from operations	<u>(3,470,432)</u>	<u>(8,397,031)</u>
NON-OPERATING ACTIVITIES		
Net realized and unrealized gain on investments	47,735,187	8,361,754
Net gain on sale of properties	<u>28,377</u>	<u>41,947</u>
Change in net assets without donor restrictions from nonoperating activities	<u>47,763,564</u>	<u>8,403,701</u>
Change in net assets without donor restrictions	<u>\$ 44,293,132</u>	<u>\$ 6,670</u>

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

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Years ended June 30,

	2021	2020
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Annual Appeal	\$ 9,473,478	\$ 5,929,074
Other contributions	3,252,050	9,745,246
Interest and dividends	3,139,369	3,421,319
Change in present value of charitable gift future annuities	(349,974)	(25,210)
Total contributions and other	15,514,923	19,070,429
Net assets released from restrictions due to satisfaction of time and program restrictions:		
Annual Appeal	(5,933,525)	(5,386,001)
Endowment fund earnings	(3,658,214)	(2,379,335)
Other	(301,645)	(564,129)
Total net assets released from restrictions	(9,893,384)	(8,329,465)
Net realized and unrealized gain on investments/beneficial interest in trust	29,810,942	1,519,099
Bad debt expense	(598,465)	(1,076,545)
Change in net assets with donor restrictions	34,834,016	11,183,518
CHANGE IN NET ASSETS	79,127,148	11,190,188
Net assets, beginning of year	285,983,291	274,793,103
Net assets, end of year	\$ 365,110,439	\$ 285,983,291

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

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 79,127,148	\$ 11,190,188
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,742,877	1,788,337
Contributions receivable written off	345,000	-
Accretion of interest on conditional asset retirement obligations	133,643	126,078
Change in allowance on uncollectible accounts and loans receivable	(2,367,639)	2,436,539
Change in allowance on uncollectible contributions receivable	253,465	1,076,545
Beneficial interest in a trust held by a third party	(2,830,077)	(7,634,571)
Net realized and unrealized gain on investments	(75,716,052)	(10,028,633)
Net gain on disposition of property	(28,377)	-
Contributions restricted for endowments	(952,433)	(566,263)
Changes in assets and liabilities:		
Change in accounts and loans receivable	7,160,907	(10,197,241)
Change in contributions and pledges receivable	305,322	395,387
Change in prepaid expenses and other assets	66,588	(109,449)
Change in accounts payable and accrued expenses	(714,168)	(1,420,194)
Change in accrued amounts due to affiliates	(171,666)	(1,062,728)
Change in obligations due under split-interest agreements	(403,297)	32,535
Change in custodial funds	2,916,744	14,629,677
Net cash from operating activities	<u>8,867,985</u>	<u>656,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(216,934)	(314,106)
Proceeds from sale of property	848,475	-
Payments received on mortgages receivable	1,393,245	256,248
Proceeds from sales of investments	47,306,354	75,771,673
Purchases of investments	(57,368,908)	(64,288,477)
Net cash (used in) provided from investing activities	<u>(8,037,768)</u>	<u>11,425,338</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	<u>952,433</u>	<u>566,263</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,782,650	12,647,808
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>36,423,666</u>	<u>23,775,858</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 38,206,316</u>	<u>\$ 36,423,666</u>

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

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - NATURE OF THE ENTITY

The accompanying financial statements include the accounts of the Archdiocesan Pastoral Center of the Roman Catholic Archdiocese of Newark (the "Archdiocesan Pastoral Center"), formerly referred to as the Roman Catholic Archdiocese of Newark Chancery Office. The Archdiocesan Pastoral Center provides planning and direction in the administration of pastoral, vocational, educational, and other services to the parish communities in Essex, Hudson, Union and Bergen counties in New Jersey. The Archdiocesan Pastoral Center also provides financing, investing and other advisory services to affiliated organizations, which share a common mission with the Archbishop of the Archdiocese of Newark (the "Archdiocese").

The Archdiocesan Pastoral Center enters into financial transactions with affiliates that include, but are not limited to Archdiocesan parishes, educational institutions, hospitals, cemeteries, insurance offices, and health and social service organizations. These entities may or may not be separately incorporated; however, each is distinct from the Archdiocesan Pastoral Center and maintains separate financial records.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Archdiocesan Pastoral Center to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following subcategories:

- Designated Net Assets - include amounts set aside for specific program service needs and used at the sole discretion of the Archbishop of Newark. However, the operating use of these resources is not externally restricted.
- Undesignated Net Assets - include all funds that are expendable, at the discretion of the Archdiocesan Pastoral Center, for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose(s).

As of June 30, 2021 and 2020, net assets without donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Amounts designated by the Board for:		
Schools and education	\$ 26,429,285	\$ 22,207,075
Cathedral Health Pension	7,200,000	9,400,000
Parish Loan Fund	11,000,000	11,000,000
Net investment in property and equipment	6,107,105	8,586,789
Undesignated	<u>80,379,578</u>	<u>35,628,972</u>
 Total net assets without donor restrictions	 <u>\$ 131,115,968</u>	 <u>\$ 86,822,836</u>

The Parish Loan Fund represents operating resources designated for a lending program established primarily for the benefit of Archdiocesan parishes.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Net Assets With Donor Restrictions

The Archdiocesan Pastoral Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature, such as those that expire with the passage of time or can be fulfilled by the actions of the Archdiocesan Pastoral Center pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, such as those funds wherein donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments maintained in perpetuity is available for expenditure according to restrictions imposed by donors and consideration of the appropriation criteria by the Archdiocesan Pastoral Center pursuant to the New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions.

As of June 30, 2021 and 2020 net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Time and purpose restricted:		
For use in the subsequent fiscal periods	\$ 9,483,968	\$ 5,944,016
For support of:		
Specific programs	98,945,949	72,077,958
Campaign activities - Works of Mercy	2,815	2,815
Campaign activities - Parish renewal	<u>3,686,898</u>	<u>3,845,436</u>
Sub-total	<u>112,119,630</u>	<u>81,870,225</u>
Investment in perpetuity:		
For support of:		
Priestly ministry and formation	41,083,429	38,840,249
Catholic education	19,872,758	17,550,768
Social ministry	6,197,799	6,089,681
Cathedral Basilica	8,622,295	8,622,295
Youth ministries	2,280,535	2,280,535
Pastoral and other programs	11,835,697	11,721,602
Campaign activities - Tuition assistance	7,756,281	7,904,484
Campaign activities - Seminarian support	3,462,625	3,513,319
Campaign activities - Retired priest care	2,631,595	2,635,470
Property and equipment	<u>18,131,827</u>	<u>18,131,827</u>
Sub-total	<u>121,874,841</u>	<u>117,290,230</u>
Total net assets with donor restrictions	<u>\$ 233,994,471</u>	<u>\$ 199,160,455</u>

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and short-term investments held by the Archdiocesan Pastoral Center for operating use with original maturities of three months or less from the date of purchase, except for those cash equivalents which are included in the Archdiocesan Pastoral Center's investment portfolio which are held for long-term investment purposes.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Concentration of Market and Credit Risks

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. The Archdiocesan Pastoral Center maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the Archdiocesan Pastoral Center's cash accounts are placed with high-credit quality financial institutions.

As of June 30, 2021, approximately 97% of the Archdiocesan Pastoral Center's investments were held in the custody of Bank of New York Mellon. As of June 30, 2021, individual investment positions that exceeded 10% of the investment balance consisted of three funds that totaled approximately \$339 million, or approximately 54% of the Archdiocesan Pastoral Center's investments.

The Archdiocesan Pastoral Center regularly evaluates its depository arrangements and investments, including performance thereof.

Investments

Investments in publicly traded debt and equity securities are recorded at fair value determined on the basis of quoted market prices as of the reporting date. Investments in commingled funds and other investments that are not readily marketable are reported at fair value as determined by the respective investment manager as of the reporting date. Such valuations involve assumptions and methods that are reviewed by the Archdiocesan Pastoral Center and which have been concluded to be reasonable and appropriate. Because such investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been reported had a ready market for such investments existed. Such difference could be material. However, the risk to the Archdiocesan Pastoral Center is limited to the amount of the Archdiocesan Pastoral Center's investment in each of the respective funds with respect to its ownership interests.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the first-in, first-out method and are recorded on the statements of activities and changes in net assets in the period in which the securities are sold. Dividends and interest are recognized as earned.

Fair Value Measurements

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Archdiocesan Pastoral Center classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value of alternative investments is determined using the net asset value ("NAV") per share as a practical expedient and have not been categorized within the fair value hierarchy.

Split-Interest Agreements

Assets held under charitable gift annuities and life income funds with the Archdiocesan Pastoral Center acting as trustee are included in investments. A portion of the contributed assets is considered to be a charitable contribution at the date of gift. When the terms of the gift annuity have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Under the Archdiocesan Pastoral Center's charitable gift annuities program where the Archdiocesan Pastoral Center is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other stipulated life beneficiaries. Under the life income funds, deferred revenue is recorded representing the amount of the discount for future interests.

Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to the Archdiocesan Pastoral Center. Changes in the life expectancy of the donor or beneficiary(ies), amortization of the discount, and other changes in the estimates of future payments are recognized annually by the Archdiocesan Pastoral Center based on actuarially determined valuations. The discount rates used to value split-interest agreements range from 7.2% to 1.4% at June 30, 2021 and 7.2% to 1.2% at June 30, 2020.

The Archdiocesan Pastoral Center has established an annuity fund and pooled life income fund which are invested in fixed income securities, mutual funds, and money market funds. The assets of the annuity and pooled life income funds at June 30, 2021 and 2020 totaled \$621,505 and \$1,224,320, respectively. Obligations due under split-interest agreements totaled \$328,255 and \$731,552 as of June 30, 2021 and 2020, respectively.

Beneficial Interest in a Trust Held by a Third Party

Irrevocable and perpetual assets held in trust are recorded at inception and any changes in fair value based on the current market value of the underlying assets are recorded in net assets with donor restrictions. The distributed income from these assets are used for specific purposes.

As of June 30, 2021 and 2020, the beneficial interest in a trust held by a third party consist of the following:

	<u>2021</u>	<u>2020</u>
Formation of seminarians	\$ 9,066,825	\$ 7,634,571
Scholarship for grade school students	<u>1,397,823</u>	<u>-</u>
Beneficial Interest in a Trust Held by a Third Party	<u>\$ 10,464,648</u>	<u>\$ 7,634,571</u>

Accounts and Loans Receivable

Accounts receivable relate primarily to amounts due from parish assessments as well as interest receivable from the Archdiocesan Pastoral Center's investment portfolio. Loans receivables consist of amounts loaned to parishes and other affiliated organizations that are in financial need or that require capital repairs or improvements. Interest income on loans receivables' accrued at rates ranging from 2.25% to 5.75% on the respective unpaid principal balance during each of the years ended June 30, 2021 and 2020. Loans may not have specific repayment terms, but the Archdiocesan Pastoral Center expects repayment when the parish or other affiliated organization has financial resources available. The Archdiocesan Pastoral Center considers a loan to be impaired when, based on current information, it determines that it is probable that the Archdiocesan Pastoral Center will be unable to collect all amounts due in accordance with the terms of the original loan agreement. In this regard, impaired loans include loans where a significant delay in collection is expected and/or there is a shortfall in the amount of contractual payments paid to the Archdiocesan Pastoral Center.

Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on the known financial condition of the respective parish or other affiliate organization, as well as historical collection experience. These allowances are maintained at a level management considers adequate to provide for potentially uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a parish or other affiliate organization changes significantly, the Archdiocesan

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Pastoral Center will evaluate the recoverability of any accounts or loans receivable from that organization and write off any amounts that are no longer considered to be recoverable. Subsequent collections of receivables previously written off are credited to income.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value as determined on the date of the gift if donated. Additions and improvements costing more than \$10,000 and with useful lives greater than three years are capitalized. Maintenance and repairs are expensed as incurred. Depreciation expense is calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building and land improvements	15 - 35
Machinery, equipment, and vehicles	3 - 15
Furniture and fixtures	10
Computers	3 - 7

Leasehold improvements are depreciated over the shorter of the respective lease agreement to which they pertain or the economic life of the related betterment.

Contributions, Other Revenue, Support, and Gains

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions are recorded as revenue when the conditions on which they depend have been substantially met. Donor pledges to be paid to the Archdiocesan Pastoral Center over a period of years are recorded at the present value of their estimated future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Other unrestricted revenues, support, and gains are recorded as income when earned or realized. Other revenues primarily include program fees which are generated by the Archdiocesan Pastoral Center in the conduct of its ministries.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. Earnings therefrom are used for operating purposes when expenditures satisfy the donors' restrictions and such amounts have been appropriated for expenditure. Earnings in excess of related expenditures and appropriations during a fiscal year are added to temporarily restricted net assets.

Annual Appeal Contributions

During the first quarter of each calendar year, a direct appeal is made to the people of the Archdiocese for operating support. Contributions received through the end of the applicable June 30 fiscal year are temporarily restricted for operating support of the following fiscal year unless, restricted by a donor for specific purposes.

Expense Allocations

Included in operating expenses are the costs of health care and social services, pastoral, priestly ministry and formation, educational, public affairs/information services and other program services provided directly by the Archdiocesan Pastoral Center and subsidies given to Archdiocesan affiliates providing such services. These costs can generally be identified with the program service to which they relate and are charged accordingly. Other expenses by function, have been allocated amongst the programs and supporting services benefited on the basis of square footage of office space occupied, salaries, and other bases as determined by management of the Archdiocesan Pastoral Center to be appropriate.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Custodial Funds

Amounts received and held by the Archdiocesan Pastoral Center as a fiscal agent for others are recorded as custodial liabilities. Included in these funds are: (a) proceeds of special collections made by parishes and transferred to the Archdiocesan Pastoral Center for forwarding to the proper recipient; (b) deposits from affiliated entities to the Investment Management Program and Cash Management Program administered by the Archdiocesan Pastoral Center, and (c) other amounts held in safekeeping for affiliated entities.

Conditional Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are legal obligations associated with the eventual retirement of tangible long-lived assets in which the timing and/or method of settlement is conditioned on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a CARO if the fair value of the liability can be reasonably estimated, even if conditioned on a future event. The Archdiocesan Pastoral Center has CAROs primarily associated with the eventual remediation and abatement of asbestos located within the construct of certain of its buildings. As of June 30, 2021 and 2020, the CARO totaled \$2,361,023 and \$2,227,380, respectively. For the years ended June 30, 2021 and 2020, the accretion of interest related to the CAROs totaled \$133,643 and \$126,078, respectively.

Operating Measure

The Archdiocesan Pastoral Center classifies its statements of activities and changes in net assets into operating and nonoperating activities. Operating activities principally include all income and expenses related to carrying out the Archdiocesan Pastoral Center's mission, including interest and dividend and rental income, including assessments. Nonoperating activities include realized and unrealized returns (losses) on investments, gain or loss on disposition of assets and other activities considered to be of a more unusual or nonrecurring nature, if any.

Tax Status and Income Taxes

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code ("Code"). The Archdiocese of Newark is listed in "The Official Catholic Directory" and, therefore, is exempt from income tax. Accordingly, the accompanying financial statements reflect no provision for income taxes.

The Archdiocesan Pastoral Center follows guidance that established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard requires the Archdiocesan Pastoral Center to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Archdiocesan Pastoral Center has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, determine its filing and tax obligations in jurisdictions for which it has nexus, and to review other matters that may be considered tax positions. As of June 30, 2021 and 2020, management has determined that the Archdiocesan Pastoral Center has no material uncertain tax positions that would require recognition or disclosure in the accompanying financial statements.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the accompanying financial statements relate to the determination of depreciation expense, obligations under split-interest agreements, the reported fair value of certain financial instruments, and the collectability of accounts, loans and contributions and pledges receivable. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The estimated fair values of the Archdiocesan Pastoral Center's financial instruments have been determined by the Archdiocesan Pastoral Center using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying value of cash, cash equivalents, accounts and loans receivable, accounts payable and accrued expenses, custodial funds and other liabilities is a reasonable estimate of their fair value due to their short-term nature. The carrying amounts of the Archdiocesan Pastoral Center's investments approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

Adoption of Accounting Pronouncement

Effective July 1, 2019, the Archdiocesan Pastoral Center adopted Financial Accounting Standards Board ("FASB") 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*. The Archdiocesan Pastoral Center also adopted ASU 2014-09 (Topic 606), *Revenue from Contracts from Customers*, on July 1, 2020. In accordance with ASU 2018-08, the Archdiocesan Pastoral Center evaluates whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Archdiocesan Pastoral Center applies guidance under Topic 606. If the transfer of assets is determined to be a contribution, the Archdiocesan Pastoral Center evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Archdiocesan Pastoral Center is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of these pronouncements did not have a material impact on the Archdiocesan Pastoral Center's financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use ("ROU") asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the ROU asset. ASU No. 2016-02 is effective for the Archdiocesan Pastoral Center for fiscal year 2023. Early adoption is permitted.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Management is currently evaluating the effects the adoption of these pronouncements will have on the Archdiocesan Pastoral Center's financial statements and disclosures.

COVID-19 Pandemic

The COVID-19 pandemic, whose effects became apparent in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Archdiocesan Pastoral Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present cannot be fully determined. Accordingly, the extent to which COVID-19 may impact the Archdiocesan Pastoral Center's future financial position and changes in net assets and cash flows is uncertain.

Subsequent Events

The Archdiocesan Pastoral Center evaluated its June 30, 2021 financial statements for subsequent events through December 17, 2021, the date the financial statements were available to be issued. Management is not aware of the any subsequent events which would require recognition or disclosure in the financial statements, other than the item below.

On August 24, 2021, the Archdiocese sold property to a developer in exchange for a new homeless shelter to be constructed on land held by the Archdiocese. The developer will bear the cost and expense of the development of the new shelter, not to exceed approximately \$16 million. The property sold was formerly suppressed and the Archdiocesan Pastoral Center will record the gain on sale of this property upon completion of the new shelter.

NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE, NET

As of June 30, 2021 and 2020, accounts and loans receivable, net consist of the following:

	<u>2021</u>	<u>2020</u>
Parishes and schools	\$ 32,260,018	\$ 39,082,967
Interest and dividends	1,064,985	1,286,176
Other notes and loans	<u>1,383,643</u>	<u>1,500,410</u>
Total accounts and loans receivable	34,708,646	41,869,553
Allowance for doubtful accounts	<u>(19,021,640)</u>	<u>(21,389,279)</u>
Accounts and loans receivable, net	<u>\$ 15,687,006</u>	<u>\$ 20,480,274</u>

A significant portion of the accounts receivable balance has accumulated over several years and relates to financial transactions with affiliates. Such transactions include assessment billings as well as loans to fund the respective affiliate's operations in furtherance of pastoral, vocational, educational, and other services to parish communities.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 4 - INVESTMENTS

As of June 30, 2021 and 2020, investments (including investments held pursuant to split-interest agreements) consist of the following:

	2021	2020
Cash and cash equivalents	\$ 1,887,056	\$ 3,635,931
Fixed income	15,639,017	14,215,856
Equities	204,339,030	144,211,542
Common trust funds	70,055,967	52,463,381
Commingled funds	338,873,918	330,462,093
	<hr/>	<hr/>
Subtotal	630,794,988	544,988,803
	<hr/>	<hr/>
Trades not yet settled - due from custodian	147,415	174,994
	<hr/>	<hr/>
Investments	<u>\$ 630,942,403</u>	<u>\$ 545,163,797</u>

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

The Archdiocesan Pastoral Center uses NAV to determine and report the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 946. The following tables list such investments by major category:

2021							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Seeks to track and/or outperform the Barclays Capital US Aggregate Bond Index	\$338,873,918	3	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
Common trust funds	Seeks to track the performance of the Russell 1000 Growth Index	70,055,967	1	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
2020							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Seeks to track and/or outperform the Barclays Capital US Aggregate Bond Index	\$ 330,462,093	3	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A
Common trust funds	Seeks to track the performance of the Russell 1000 Growth Index	52,463,381	1	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 5 - FAIR VALUE MEASUREMENTS

The FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

U.S. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed; and
- Level 3 - Securities that have little to no pricing observability as of the reporting date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The Archdiocesan Pastoral Center has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value. The Archdiocesan Pastoral Center also measures certain investments using a NAV per share for purposes of reporting the fair value of all its underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments meeting such criteria are exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Archdiocesan Pastoral Center separately discloses the information required for assets measured using the NAV practical expedient, and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

The valuation of beneficial interests in perpetual trusts is based on the fair value of the underlying trust assets, subject to Archdiocesan Pastoral Center's share of the trust as stated in the gift agreement, and is considered to be based on unobservable inputs. There are no quantitative measurements (i.e., discount rates, market return rates, etc.) used to adjust the fair value of the beneficial interests in perpetual trusts.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following table prioritizes the inputs used by the Archdiocesan Pastoral Center to report the fair value of its investments, excluding commingled funds and common trust funds, in the fair value hierarchy at June 30, 2021 and 2020:

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	\$ 1,887,056	\$ -	\$ -	\$ -	\$ 1,887,056
Fixed income	15,639,017	-	-	-	15,639,017
Equities	204,339,030	-	-	-	204,339,030
	<u>221,865,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,865,103</u>
Investments valued at NAV:					
Common trust funds*	-	-	-	70,055,967	70,055,967
Commingled funds*	-	-	-	338,873,918	338,873,918
Total investments**	<u>\$ 221,865,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,929,885</u>	<u>\$ 630,794,988</u>
Perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,464,648</u>	<u>\$ -</u>	<u>\$ 10,464,648</u>
	2020				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	\$ 3,635,931	\$ -	\$ -	\$ -	\$ 3,635,931
Fixed income	14,215,856	-	-	-	14,215,856
Equities	144,211,542	-	-	-	144,211,542
	<u>162,063,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,063,329</u>
Investments valued at NAV:					
Common trust funds*	-	-	-	52,463,381	52,463,381
Commingled funds*	-	-	-	330,462,093	330,462,093
Total investments**	<u>\$ 162,063,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,925,474</u>	<u>\$ 544,988,803</u>
Perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,634,571</u>	<u>\$ -</u>	<u>\$ 7,634,571</u>

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

** Excludes trades not yet settled, due from custodian as of June 30, 2021 and 2020.

The classification of investments, excluding commingled funds, within the fair value hierarchy, as presented above, is not intended to correspond to the level of perceived risk associated with such financial instruments. The Archdiocesan Pastoral Center's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period. There were no transfers as of June 30, 2021 and 2020.

NOTE 6 - ENDOWMENT

The Archdiocesan Pastoral Center's donor-restricted (gifted) endowment consists of approximately 30 individual funds established for a variety of purposes, principally in support of priestly ministry and formation, Catholic education, and pastoral and other programs. It excludes permanently restricted property and equipment and the pooled life income fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Interpretation of Relevant Law

The Archdiocesan Pastoral Center has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the respective donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocesan Pastoral Center classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, permanently restricted-endowment net assets represent the original corpus of gifts given to the Archdiocesan Pastoral Center for which the gift instruments stipulate that the principal be invested in perpetuity and only earnings therefrom be used for donor intended purposes, if any.

Under UPMIFA, net appreciation and interest and dividends earned on the corpus of permanently restricted-endowment net assets is spendable and accordingly, the Archdiocesan Pastoral Center classifies such return as temporarily restricted net assets within net assets with donor restrictions, pending appropriation for expenditure by the Archbishop of Newark.

The Archdiocesan Pastoral Center's endowment totals \$188,830,344 and \$159,716,574 at June 30, 2021 and 2020, respectively, and consists of the following net assets:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 188,830,344	\$ 188,830,344
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 159,716,574	\$ 159,716,574

Excluded from net assets with donor restrictions in the tables above at June 30, 2021 and 2020 are \$186,274 and \$178,234 of pooled life income funds, respectively, \$748,743 and \$1,784,936 of pledges receivable, net, respectively, and \$18,131,827 of property and equipment each year.

The Archdiocesan Pastoral Center's individual endowment funds are pooled for investment purposes. The investment portfolio is managed to achieve a prudent long-term total return. The Archdiocesan Pastoral Center relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Archdiocesan Pastoral Center targets a diversified asset allocation that places an equal emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following tables summarize the Archdiocesan Pastoral Center's total return (loss) on endowment investments and the changes in endowment net assets for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 159,716,574	\$ 159,716,574
Dividends and interest on endowment investments	-	2,897,147	2,897,147
Net realized and unrealized appreciation in fair value of endowment investments	-	27,980,865	27,980,865
New gifts	-	952,433	952,433
Collection of pledges receivable	-	941,539	941,539
Endowment return used for operations	-	(3,658,214)	(3,658,214)
Endowment net assets, end of year	\$ -	\$ 188,830,344	\$ 188,830,344

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 155,770,411	\$ 155,770,411
Dividends and interest on endowment investments	-	3,421,319	3,421,319
Net realized and unrealized appreciation in fair value of endowment investments	-	1,666,879	1,666,879
New gifts	-	566,263	566,263
Collection of pledges receivable	-	671,037	671,037
Endowment return used for operations	-	(2,379,335)	(2,379,335)
Endowment net assets, end of year	\$ -	\$ 159,716,574	\$ 159,716,574

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Archdiocesan Pastoral Center to retain as a fund of perpetual duration. Deficiencies of this nature generally result from unfavorable market fluctuations or prudent board appropriations that reduce the fair value of individual endowment funds below their respective historical dollar value. As of June 30, 2021 and 2020, there were no endowment funds below the level required to be maintained by law or donor restriction.

NOTE 7 - CONTRIBUTIONS AND PLEDGES RECEIVABLE, NET

Contributions and pledges receivable, net, consist of unconditional promises to give cash, which are reported as net assets with donor restrictions based on donor-imposed stipulations.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Contributions and pledges receivable is expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 5,701,562	\$ 6,091,884
One to five years	500,000	660,000
Over five years	<u>200,000</u>	<u>300,000</u>
	6,401,562	7,051,884
Allowance for uncollectible contributions and pledges	<u>(4,066,450)</u>	<u>(3,812,985)</u>
Net contributions and pledges receivable	<u>\$ 2,335,112</u>	<u>\$ 3,238,899</u>

NOTE 8 - PROPERTY AND EQUIPMENT, NET

The principal properties owned by the Archdiocese and included on the accompanying financial statements of the Archdiocesan Pastoral Center are the Cathedral Basilica of the Sacred Heart, the Redemptoris Mater House of Formation, and the Archdiocesan Center. Property is stated at cost, or if donated, at estimated fair value determined at the date of gift, less accumulated depreciation. Property acquired with applicable donor-restricted contributions are recorded as permanently restricted. The proceeds from the sale of permanently restricted property are restricted to the subsequent acquisition of other property and equipment intended for a similar purpose.

As of June 30, 2021 and 2020, Property and equipment, net, consists of the following:

	<u>2021</u>	<u>2020</u>
Buildings and building and land improvements	\$ 58,487,664	\$ 59,818,891
Machinery, equipment, vehicles, furniture and computers	5,612,408	5,500,846
Leasehold improvements	<u>3,951,725</u>	<u>3,951,725</u>
	68,051,797	69,271,462
Less: accumulated depreciation	<u>(49,182,115)</u>	<u>(48,234,327)</u>
	18,869,682	21,037,135
Land	7,601,868	7,742,365
Construction/work in process	<u>128,409</u>	<u>166,500</u>
Property and equipment, net	<u>\$ 26,599,959</u>	<u>\$ 28,946,000</u>

Depreciation expense of \$1,742,877 and \$1,788,337 for the years ended June 30, 2021 and 2020, respectively, was provided for on a straight-line basis. As of June 30, 2021 and 2020, property and equipment and accumulated depreciation includes a capitalized conditional asset retirement obligation at a cost of \$174,108, which has been fully depreciated.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 9 - PENSION AND POSTRETIREMENT BENEFIT PLANS

Lay and Priest Pension Plans

The Archdiocesan Pastoral Center participates in a noncontributory defined benefit pension plan covering substantially all full-time lay employees. To become eligible for the lay pension plan, employees must have at least three years of service. The lay pension plan provides for 100% vesting after five years of full-time service. Benefits are based on the final five-year average earnings prior to retirement. Contribution rates applied to earnings are determined annually using the aggregate-cost method and a 6.75% return on investments compounded annually.

The Archdiocesan Pastoral Center also participates in a noncontributory Priests' Retirement Program covering priests assigned to the Archdiocesan Pastoral Center. At retirement, benefits are based on a flat dollar amount. Annual contribution rates are actuarially determined using the aggregate cost method, assuming no decrements other than death and retirement and a 6.75% return on investments compounded annually.

Due to the nature of these plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the Archdiocesan Pastoral Center on a standalone basis. In addition, because the plans are considered multi-employer plans for accounting purposes, they are only subject to certain minimum reporting requirements. Pension expense allocated to the Archdiocesan Pastoral Center for both plans for the years ended June 30, 2021 and 2020 amounted to approximately \$1,612,000 and \$1,392,000, respectively.

The plans are considered church plans and are therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 10 - SCHEDULE OF FUNCTIONAL EXPENSES

The following is a schedule of functional expenses for the year ended June 30, 2021:

	Program Expenses						Total	Management and General	Fundraising	2021 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
Salaries, benefits and related expenses	\$ 7,432,802	\$ 3,265,260	\$ 1,295,896	\$ 1,615,318	\$ 643,424	\$ 1,533,516	\$ 15,786,216	\$ 5,295,360	\$ 731,367	\$ 21,812,943
Parish, school and other subsidies	3,864,138	2,666,056	2,525,156	342,264	-	-	9,397,614	-	-	9,397,614
Professional fees	407,257	412,947	9,636	330,705	163,547	239,375	1,563,467	1,632,961	53,723	3,250,151
Conferences, transportation and meals	451,814	26,903	6,895	90,342	23	221,014	796,991	62,021	658	859,670
Contributions, donations and grants	34,482	335,661	1,975,380	-	-	717,983	3,063,506	2,232,142	482	5,296,130
Repairs and maintenance	670,705	1,456	31,064	30,676	-	507,266	1,241,167	2,194	-	1,243,361
Utilities	434,483	16,988	8,435	22,740	5,895	317,981	806,522	23,825	3,875	834,222
Tuition and fees	16,952	-	-	646,009	-	500	663,461	-	-	663,461
Printing, postage and shipping	67,808	9,871	3,957	13,828	99,864	6,157	201,485	173,250	340,975	715,710
Office furniture, fixtures and equipment (non-cap)	40,295	2,250	583	108	-	24,864	68,100	390,854	70,225	529,179
Security	16,435	-	-	-	-	336,750	353,185	155,110	-	508,295
Insurance, taxes, assessments and fees	449,484	2,114	2,541	2,114	3,299	293,653	753,205	30,871	-	784,076
Office and liturgical services	52,576	8,366	3,656	10,750	3,672	8,595	87,615	43,687	1,356	132,658
Depreciation and amortization	1,164,986	43,234	-	115,533	21,148	48,247	1,393,148	336,508	13,221	1,742,877
Bad debt	-	-	-	-	-	-	-	(2,955,149)	-	(2,955,149)
Others	318,389	64,170	1,273	34,143	11,900	(55,230)	374,645	64,372	70,224	509,241
	<u>\$ 15,422,606</u>	<u>\$ 6,855,276</u>	<u>\$ 5,864,472</u>	<u>\$ 3,254,530</u>	<u>\$ 952,772</u>	<u>\$ 4,200,671</u>	<u>\$ 36,550,327</u>	<u>\$ 7,488,006</u>	<u>\$ 1,286,106</u>	<u>\$ 45,324,439</u>

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following is a schedule of functional expenses for the year ended June 30, 2020:

	Program Expenses						Total	Management and General	Fundraising	2020 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
Salaries, benefits and related expenses	\$ 7,721,151	\$ 4,116,823	\$ 1,363,892	\$ 1,886,102	\$ 911,975	\$ 1,643,775	\$ 17,643,719	\$ 5,338,324	\$ 826,019	\$ 23,808,062
Parish, school and other subsidies	679,629	5,978,384	2,586,156	547,478	-	-	9,791,647	-	-	9,791,647
Professional fees	107,141	736,645	4,942	314,362	125,205	317,755	1,606,050	2,186,005	281,932	4,073,987
Conferences, transportation and meals	900,259	126,515	16,570	134,395	3,684	344,879	1,526,303	203,865	48,587	1,778,755
Contributions, donations and grants	36,295	183,268	1,064	474	100	709,833	931,034	2,132,105	3,717	3,066,856
Repairs and maintenance	801,246	189	72,211	32,885	-	550,125	1,456,656	4,706	-	1,461,362
Utilities	505,656	9,959	6,969	29,289	8,049	346,562	906,485	35,657	4,359	946,500
Tuition and fees	16,415	-	1,321	938,742	-	-	956,478	-	-	956,478
Printing, postage and shipping	85,976	61,405	5,803	27,253	417,656	25,940	624,032	213,438	380,815	1,218,285
Office furniture, fixtures and equipment (non-cap)	47,690	13,107	280	5,343	75	64,802	131,297	495,435	41,351	668,082
Security	38,656	-	-	-	-	325,959	364,615	157,473	-	522,087
Insurance, taxes, assessments and fees	393,742	3,114	2,310	1,875	1,766	239,098	641,905	18,523	-	660,428
Office and liturgical services	80,521	16,740	3,784	18,868	11,776	14,710	146,399	64,061	4,217	214,677
Depreciation and amortization	1,161,452	45,804	-	108,721	20,825	66,212	1,403,014	372,263	13,060	1,788,337
Bad debt	-	-	-	-	-	-	-	3,725,615	-	3,725,615
Others	631,591	510,196	1,504	111,317	22,005	(63,146)	1,213,467	65,678	66,584	1,345,729
	<u>\$ 13,207,420</u>	<u>\$ 11,802,149</u>	<u>\$ 4,066,807</u>	<u>\$ 4,157,104</u>	<u>\$ 1,523,116</u>	<u>\$ 4,586,504</u>	<u>\$ 39,343,101</u>	<u>\$ 15,013,147</u>	<u>\$ 1,670,640</u>	<u>\$ 56,026,887</u>

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 11 - GUARANTEES

Under a March 2004 agreement with the Knights of Columbus, a fraternal benefit society chartered by the General Assembly of the State of Connecticut, the Archdiocese has guaranteed a mortgage loan made to the Friends of the Newark Monastery, Inc., a New Jersey not-for-profit corporation, for the purchase of a monastery in Newark, New Jersey in the amount of \$1,230,000. Payments on this mortgage by the Friends of the Newark Monastery, Inc. commenced April 1, 2004 in the amount of \$6,896 per month, with the final payment due on March 1, 2024. Should the Friends of the Newark Monastery, Inc. default on this loan, the Archdiocesan Pastoral Center would become liable for all remaining payments due to the lender. Management has determined the fair value of this guarantee to be immaterial to its financial statements as of June 30, 2021 and 2020.

NOTE 12 - MORTGAGES RECEIVABLE

In October 2015, the Archdiocesan Pastoral Center extended a 30-year mortgage to Bisrate Gebriel Ethiopian Orthodox Tewahedo Church for the purchase of property located in Newark, New Jersey. The note is payable monthly for \$2,187 until June 2045. As of June 30, 2021 and 2020, the receivable balance is \$655,121.

In May 2017, the Archdiocesan Pastoral Center extended a \$1,360,000 mortgage note to 395-403 University Avenue, LLC to fund the purchase of property located in Newark, New Jersey. The mortgage note bears interest at a fixed rate of 4% per annum through May 22, 2020, at which date the principal and all accrued interest becomes due. As of June 30, 2020, the mortgage note has a balance of \$1,360,000. This was subsequently paid in full in July 2020.

In January 2019, the Archdiocese of Newark executed an agreement of sale with Sower Pentecostal Church for the purchase of property located in Newark, New Jersey. A mortgage note was extended in July 2019 for a term of 15 years. The note bears a fixed rate of 5% and requires monthly payments of \$5,535 commencing August 2019, with any unpaid principal and interest due on July 24, 2034. As of June 30, 2021 and 2020, the receivable balance is \$645,496 and \$678,741, respectively.

NOTE 13 - CONTINGENCIES

The Archdiocesan Pastoral Center, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Archdiocesan Pastoral Center is not aware of any claims or contingencies which are not covered by insurance that would have a material adverse effect on the Archdiocesan Pastoral Center's financial position, changes in net assets or cash flows.

Roman Catholic Archdiocese of Newark Archdiocesan Pastoral Center

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 14 - LIQUIDITY AND AVAILABILITY

The following reflects Archdiocesan Pastoral Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	As of June 30,	
	2021	2020
Cash and cash equivalents	\$ 38,206,316	\$ 36,423,666
Investments	630,942,403	545,163,797
Contributions and pledges receivables, net	2,335,112	3,238,899
Accounts and loans receivables, net	15,687,006	20,480,274
Mortgage receivables	1,300,617	2,693,862
Total financial assets	688,471,454	608,000,498
Receivables to be collected in more than one year		
Contributions and pledges receivable	(700,000)	(1,988,000)
Accounts and loans receivables, net	(9,991,344)	(15,505,464)
Mortgage receivables	(1,245,993)	(1,300,617)
Less: unavailable for general expenditures within one year, due to being:		
Restricted by donor with time and purpose restrictions, net of amounts not yet collected and therefore not included in financial assets	(111,775,352)	(81,133,722)
Subject to appropriation and satisfaction of donor restrictions, net of amounts not yet collected and therefore not included in financial assets	(92,800,645)	(90,430,896)
Held as a fiscal agent for others (custodial funds)	(350,465,175)	(347,548,431)
Board designations:		
Designated for schools and education	(26,429,285)	(22,207,075)
Designated for Cathedral Health Pension	(7,200,000)	(9,400,000)
Parish loan fund	(11,000,000)	(11,000,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 76,863,660	\$ 27,486,293

The Archdiocesan Pastoral Center manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Archdiocesan Pastoral Center's investment committee has decided can be tolerated. Additionally, the Archdiocesan Pastoral Center prepares detailed budgets which are approved by the Archbishop of Newark, the Archdiocesan Budget Review Committee and the Archdiocesan Finance Council.