

Financial Statements and Report of  
Independent Certified Public  
Accountants

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

June 30, 2023 and 2022

**Contents**

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Cash Flows	8
Notes to Financial Statements	9

---

**GRANT THORNTON LLP**

1000 Wilson Blvd., Suite 1500  
Arlington, VA 22209

**D** +1 703 847 7500

**F** +1 703 848 9580

**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

**Opinion**

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, 2023 and 2022, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Archdiocesan Pastoral Center as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Archdiocesan Pastoral Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Archdiocesan Pastoral Center's ability to continue as a going concern for a reasonable period of time.

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

*Grant Thornton LLP*

Arlington, Virginia  
April 26, 2024

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents, including custodial funds of \$18,098,584 and \$10,636,264 as of June 30, 2023 and 2022, respectively	\$ 30,575,636	\$ 28,743,718
Contributions and pledges receivable, net	1,181,716	725,110
Accounts and loans receivable, net	14,471,359	14,380,955
Prepaid expenses and other assets	1,789,050	1,227,015
Mortgages receivable	1,180,834	1,243,806
Investments, including custodial funds of \$365,700,643 and \$357,094,130 as of June 30, 2023 and 2022, respectively	612,186,173	576,601,184
Beneficial interest in a trust held by a third party	10,277,951	9,666,992
Property and equipment, net	23,955,232	25,144,931
	<u>\$ 695,617,951</u>	<u>\$ 657,733,711</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,331,699	\$ 5,666,323
Accrued amounts due to affiliates	3,255,882	3,367,378
Obligations due under split-interest agreements	301,917	316,319
Custodial funds	383,799,227	368,203,302
Salvia, et al. resolution (see Note 14)	4,371,529	5,000,000
Conditional asset retirement obligations	2,652,845	2,502,684
	<u>399,713,099</u>	<u>385,056,006</u>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	79,680,683	65,377,717
With donor restrictions	216,224,169	207,299,988
	<u>295,904,852</u>	<u>272,677,705</u>
	<u>\$ 695,617,951</u>	<u>\$ 657,733,711</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>2023</u>	<u>2022</u>
<b>Changes in net assets without donor restrictions:</b>		
Operating support and revenue:		
Archdiocesan assessments	\$ 15,188,874	\$ 14,892,840
Cemeteries assessments	4,797,868	4,704,568
Other contributions, bequests, and collections	1,331,718	2,451,634
Interest and dividends, net of fees	2,128,197	1,103,134
Rental income, including assessments	5,491,752	5,075,692
Other revenue	<u>4,467,652</u>	<u>3,606,352</u>
Total operating support and revenue	<u>33,406,061</u>	<u>31,834,220</u>
<b>Net assets released from restrictions due to satisfaction of time and program restrictions:</b>		
Annual Appeal	8,075,841	8,572,399
Endowment fund earnings	4,995,213	2,552,141
Other	<u>706,370</u>	<u>155,400</u>
Total net assets released from restrictions	<u>13,777,424</u>	<u>11,279,940</u>
Total operating support, revenue and net assets released from restrictions	47,183,485	43,114,160
<b>Operating expenses:</b>		
Pastoral	13,430,056	14,742,908
Educational	4,032,538	3,701,992
Health care and social services	4,430,014	4,133,484
Priestly ministry and formation	3,724,041	3,638,534
Public affairs/information services	789,210	658,948
Other program services	<u>4,318,547</u>	<u>4,342,421</u>
Program expenses	30,724,406	31,218,287
Management and general	8,381,105	7,845,870
Fundraising	<u>1,465,114</u>	<u>1,116,064</u>
Total operating expenses	<u>40,570,625</u>	<u>40,180,221</u>
Change in net assets without donor restrictions from operations	<u>6,612,860</u>	<u>2,933,939</u>
<b>Non-operating activities:</b>		
Salvia, et al. resolution (see Note 14)	(671,529)	(5,000,000)
Net realized and unrealized gain (loss) on investments	8,361,635	(63,479,036)
Net loss on sale of properties	<u>-</u>	<u>(193,154)</u>
Change in net assets without donor restrictions from nonoperating activities	<u>7,690,106</u>	<u>(68,672,190)</u>
Change in net assets without donor restrictions	<u>14,302,966</u>	<u>(65,738,251)</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,

	<b>2023</b>	<b>2022</b>
<b>Changes in net assets with donor restrictions:</b>		
Annual Appeal	\$ 8,028,113	\$ 8,836,105
Other contributions	1,948,950	162,117
Interest and dividends	4,370,545	3,240,636
Change in present value of charitable gift future annuities	(27,399)	(47,229)
Total contributions and other	14,320,209	12,191,629
<b>Net assets released from restrictions due to satisfaction of time and program restrictions:</b>		
Annual Appeal	(8,075,841)	(8,572,399)
Endowment fund earnings	(4,995,213)	(2,552,141)
Other	(706,370)	(155,400)
Total net assets released from restrictions	(13,777,424)	(11,279,940)
Net realized and unrealized gain (loss) on investments/beneficial interest in trust	8,375,543	(27,714,845)
Bad debt recovery	5,853	108,673
Change in net assets with donor restrictions	8,924,181	(26,694,483)
<b>CHANGE IN NET ASSETS</b>	23,227,147	(92,432,734)
<b>Net assets, beginning of year</b>	272,677,705	365,110,439
<b>Net assets, end of year</b>	\$ 295,904,852	\$ 272,677,705

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,**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 23,227,147	\$ (92,432,734)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,619,578	1,670,481
Non-cash lease expenses	145,984	-
Accretion of interest on conditional asset retirement obligations	150,161	141,661
Change in allowance on uncollectible accounts and loans receivable	(1,956,940)	(2,697,594)
Change in allowance on uncollectible contributions receivable	(5,853)	(108,673)
Beneficial interest in a trust held by a third party	(610,959)	797,656
Net realized and unrealized loss (gain) on investments	(16,126,219)	89,532,510
Net gain on disposition of property	-	(4,311)
Contributions restricted for endowments	(594,852)	(8)
Salvia, et al. resolution	671,529	5,000,000
Changes in assets and liabilities:		
Change in accounts and loans receivable	1,866,536	4,003,645
Change in contributions and pledges receivable	(450,753)	1,718,675
Change in prepaid expenses and other assets	109,456	79,876
Change in accounts payable and accrued expenses	(1,014,947)	482,721
Change in operating lease obligation	(137,152)	-
Change in accrued amounts due to affiliates	(111,496)	(27,080)
Change in obligations due under split-interest agreements	(14,402)	(11,936)
Change in Salvia, et al. resolution (benefit and fee payments)	(1,300,000)	-
Change in custodial funds	15,595,925	17,738,127
	<u>21,062,743</u>	<u>25,883,016</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(429,879)	(215,453)
Proceeds from sale of property	-	4,311
Payments received on mortgages receivable	62,972	56,811
Proceeds from sales of investments	38,349,686	68,325,224
Purchases of investments	<u>(57,808,456)</u>	<u>(103,516,515)</u>
	<u>(19,825,677)</u>	<u>(35,345,622)</u>
<b>Cash flows from financing activities:</b>		
Contributions restricted for endowments	<u>594,852</u>	<u>8</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,831,918	(9,462,598)
<b>Cash and cash equivalents, beginning of year</b>	<u>28,743,718</u>	<u>38,206,316</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 30,575,636</u>	<u>\$ 28,743,718</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, 2023 and 2022**

**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 accounting principles generally accepted in the United States of America ("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, 2023 and 2022, net assets without donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Amounts designated by the Board for:		
Schools and education	\$ 24,965,236	\$ 23,227,242
Cathedral Health Pension	4,400,000	4,900,000
Parish loan fund	11,000,000	11,000,000
Net investment in property and equipment	3,170,556	4,510,416
Undesignated	<u>36,144,891</u>	<u>21,740,059</u>
 Total net assets without donor restrictions	 <u>\$ 79,680,683</u>	 <u>\$ 65,377,717</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, 2023 and 2022**

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 statements of activities and changes in net assets as net assets released from restrictions.

As of June 30, 2023 and 2022 net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Time and purpose restricted:		
For use in the subsequent fiscal periods	\$ 9,699,946	\$ 9,747,674
For support of:		
Specific programs	83,246,357	76,021,214
Campaign activities - Works of Mercy	2,815	2,815
Campaign activities - Parish renewal	<u>3,684,803</u>	<u>3,708,633</u>
Sub-total	<u>96,633,921</u>	<u>89,480,336</u>
Investment in perpetuity:		
For support of:		
Priestly ministry and formation	37,795,912	37,351,887
Catholic education	19,644,518	19,474,285
Social ministry	6,792,659	6,197,807
Cathedral Basilica	8,622,295	8,622,295
Youth ministries	2,280,535	2,280,535
Pastoral and other programs	12,380,380	11,823,577
Campaign activities - Tuition assistance	7,807,589	7,804,966
Campaign activities - Seminarian support	3,485,530	3,484,360
Campaign activities - Retired priest care	2,649,003	2,648,113
Property and equipment	<u>18,131,827</u>	<u>18,131,827</u>
Sub-total	<u>119,590,248</u>	<u>117,819,652</u>
Total net assets with donor restrictions	<u>\$ 216,224,169</u>	<u>\$ 207,299,988</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, 2023 and 2022**

***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, 2023, approximately 97% of the Archdiocesan Pastoral Center's investments were held in the custody of Bank of New York Mellon. As of June 30, 2023, individual investment positions that exceeded 10% of the investment balance consisted of three funds that totaled approximately \$348 million, or approximately 57% 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 or equivalent 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, 2023 and 2022**

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 to 7.2% to 1.4% at June 30, 2023 and 2022.

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, 2023 and 2022 totaled \$544,965 and \$513,889, respectively. Obligations due under split-interest agreements totaled \$301,917 and \$316,319 as of June 30, 2023 and 2022, 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, 2023 and 2022, the beneficial interest in a trust held by a third party consist of the following:

	<u>2023</u>	<u>2022</u>
Formation of seminarians	\$ 8,244,654	\$ 7,803,928
Scholarship for grade school students	<u>2,033,297</u>	<u>1,863,064</u>
Beneficial Interest in a Trust Held by a Third Party	<u>\$ 10,277,951</u>	<u>\$ 9,666,992</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% to 3.5% and 2.25% to 3.5% on the respective unpaid principal balance during each of the years ended June 30, 2023 and 2022. 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 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***

Unconditional contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions are recorded as revenue when the barriers to recognition 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 restricted in perpetuity 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 donor restricted for operating support of the following fiscal year unless, restricted by a donor for specific purposes.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***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.

***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, 2023 and 2022, the CARO totaled \$2,652,845 and \$2,502,684, respectively. For the years ended June 30, 2023 and 2022, the accretion of interest related to the CAROs totaled \$150,161 and \$141,661, 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022, 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.

***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.

***Leases***

The Archdiocesan Pastoral Center determines if an arrangement is or contains a lease at inception. Leases are included in prepaid expenses and other assets for right-of-use ("ROU") assets and accounts payable and accrued expenses for lease liabilities in the statements of financial position and total \$671,491 and \$680,323, respectively as of June 30, 2023. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Archdiocesan Pastoral Center does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Archdiocesan Pastoral Center does not allocate consideration between lease and non-lease components, such as operating costs, it has elected to not separate lease and non-lease components for any leases within its existing classes of assets. The Archdiocese of Newark applied a materiality threshold of \$10,000 for the lease implementation.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Recently Adopted Accounting Standards***

In fiscal year 2023, the Archdiocesan Pastoral Center adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Archdiocesan Pastoral Center elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Archdiocesan Pastoral Center recognized ROU assets of \$651,419 and lease liabilities totaling \$658,159 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities and changes in net assets for the year ended June 30, 2023.

***Subsequent Events***

The Archdiocesan Pastoral Center evaluated its June 30, 2023 financial statements for subsequent events through April 26, 2024, 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, except as disclosed in Notes 8 and 13.

**NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE, NET**

As of June 30, 2023 and 2022, accounts and loans receivable, net consist of the following:

	<u>2023</u>	<u>2022</u>
Parishes and schools	\$ 25,820,200	\$ 27,888,025
Interest and dividends	1,107,624	878,043
Other notes and loans	<u>1,286,221</u>	<u>1,314,513</u>
Total accounts and loans receivable	28,214,045	30,080,581
Allowance for doubtful accounts	<u>(13,742,686)</u>	<u>(15,699,626)</u>
Accounts and loans receivable, net	<u>\$ 14,471,359</u>	<u>\$ 14,380,955</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, 2023 and 2022**

**NOTE 4 - INVESTMENTS**

As of June 30, 2023 and 2022, investments (including investments held pursuant to split-interest agreements) consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,703,298	\$ 2,170,743
Fixed income	15,003,245	15,085,587
Equities	186,253,129	166,145,876
Common trust funds	59,515,566	47,326,138
Commingled funds	<u>348,482,483</u>	<u>345,878,029</u>
Subtotal	611,957,721	576,606,373
Trades not yet settled - due from (to) custodian	<u>228,452</u>	<u>(5,189)</u>
Investments	<u>\$ 612,186,173</u>	<u>\$ 576,601,184</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:

2023							
<u>Type</u>	<u>Strategy</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Remaining Life</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Commingled funds	Seeks to track and/or outperform the Barclays Capital US Aggregate Bond Index	\$ 348,482,483	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	59,515,566	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, 2023 and 2022**

2022							
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	\$ 345,878,029	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	47,326,138	1	To be determined by the investment fund managers.	N/A	All funds have daily redemption with no advance notice.	N/A

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board 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.
- 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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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.

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, 2023 and 2022:

	2023				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	\$ 2,703,298	\$ -	\$ -	\$ -	\$ 2,703,298
Fixed income	15,003,245	-	-	-	15,003,245
Equities	186,253,129	-	-	-	186,253,129
	203,959,672	-	-	-	203,959,672
Investments valued at NAV:					
Common trust funds*	-	-	-	59,515,566	59,515,566
Commingled funds*	-	-	-	348,482,483	348,482,483
Total investments**	\$ 203,959,672	\$ -	\$ -	\$ 407,998,049	\$ 611,957,721
Perpetual trust	\$ -	\$ -	\$ 10,277,951	\$ -	\$ 10,277,951
	2022				
	Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	\$ 2,170,743	\$ -	\$ -	\$ -	\$ 2,170,743
Fixed income	15,085,587	-	-	-	15,085,587
Equities	166,145,876	-	-	-	166,145,876
	183,402,206	-	-	-	183,402,206
Investments valued at NAV:					
Common trust funds*	-	-	-	47,326,138	47,326,138
Commingled funds*	-	-	-	345,878,029	345,878,029
Total investments**	\$ 183,402,206	\$ -	\$ -	\$ 393,204,167	\$ 576,606,373
Perpetual trust	\$ -	\$ -	\$ 9,666,992	\$ -	\$ 9,666,992

\* 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, 2023 and 2022.

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, 2023 and 2022. The change in value of Level 3 assets is due to unrealized gain of \$610,959 during the year ended June 30, 2023, and an unrealized loss of \$1,661,371 and a distribution to the trust of \$863,715 during the year ended June 30, 2022.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**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.

***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 \$170,962,587 and \$163,662,227 at June 30, 2023 and 2022, respectively, and consists of the following net assets:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 170,962,587	\$ 170,962,587
	2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 163,662,227	\$ 163,662,227

Excluded from net assets with donor restrictions in the tables above at June 30, 2023 and 2022 are \$195,445 and \$192,147 of pooled life income funds, respectively, \$281,874 and \$277,192 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, 2023 and 2022**

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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 163,662,227	\$ 163,662,227
Dividends and interest on endowment investments	-	3,936,137	3,936,137
Net realized and unrealized depreciation in fair value of endowment investments	-	7,764,584	7,764,584
New gifts	-	594,852	594,852
Collection of pledges receivable	-	-	-
Endowment return used for operations	-	(4,995,213)	(4,995,213)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 170,962,587</b>	<b>\$ 170,962,587</b>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 188,830,344	\$ 188,830,344
Dividends and interest on endowment investments	-	2,879,001	2,879,001
Net realized and unrealized depreciation in fair value of endowment investments	-	(26,053,474)	(26,053,474)
New gifts	-	8	8
Collection of pledges receivable	-	558,489	558,489
Endowment return used for operations	-	(2,552,141)	(2,552,141)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 163,662,227</b>	<b>\$ 163,662,227</b>

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, 2023 and 2022, there were no endowment funds below the level required to be maintained by law or donor restriction.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**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.

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

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 4,633,640	\$ 4,082,887
One to five years	<u>500,000</u>	<u>600,000</u>
	5,133,640	4,682,887
Allowance for uncollectible contributions and pledges	<u>(3,951,924)</u>	<u>(3,957,777)</u>
Net contributions and pledges receivable	<u>\$ 1,181,716</u>	<u>\$ 725,110</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 donor restricted net asset assets. 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, 2023 and 2022, Property and equipment, net, consists of the following:

	<u>2023</u>	<u>2022</u>
Buildings and building and land improvements	\$ 58,558,304	\$ 58,487,664
Machinery, equipment, vehicles, furniture and computers	6,146,266	5,806,748
Leasehold improvements	<u>3,951,725</u>	<u>3,951,725</u>
	68,656,295	68,246,137
Less: accumulated depreciation	<u>(52,431,340)</u>	<u>(50,831,483)</u>
	16,224,955	17,414,654
Land	7,601,868	7,601,868
Construction/work in process	<u>128,409</u>	<u>128,409</u>
Property and equipment, net	<u>\$ 23,955,232</u>	<u>\$ 25,144,931</u>

Depreciation expense of \$1,619,578 and \$1,670,481 for the years ended June 30, 2023 and 2022, respectively, was provided for on a straight-line basis. As of June 30, 2023 and 2022, 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, 2023 and 2022**

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, which will approximate \$23 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. The shelter was completed subsequent to year end.

**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 multiple 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, 2023 and 2022 amounted to approximately \$1,346,000 and \$1,505,000, 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, 2023 and 2022**

**NOTE 10 - SCHEDULE OF FUNCTIONAL EXPENSES**

The following is a schedule of functional expenses for the year ended June 30, 2023:

	Program Expenses						Total	Management and General	Fundraising	2023 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
Salaries, benefits and related expenses	\$ 7,264,028	\$ 2,321,507	\$ 1,209,691	\$ 1,532,117	\$ 543,234	\$ 1,109,180	\$ 13,979,757	\$ 5,211,736	\$ 552,623	\$ 19,744,116
Parish, school and other subsidies	948,426	909,454	2,225,156	462,462	-	-	4,545,498	500	-	4,545,998
Professional fees	105,075	351,398	21,886	322,628	188,015	252,628	1,241,630	3,359,770	246,111	4,847,511
Conferences, transportation and meals	953,452	49,789	27,570	163,517	2,491	317,249	1,514,068	159,415	4,605	1,678,088
Contributions, donations and grants	46,081	180,047	919,970	543	-	786,386	1,933,027	518,800	5,413	2,457,239
Repairs and maintenance	590,705	358	10,717	24,954	-	479,607	1,106,341	5,760	-	1,112,101
Utilities	464,391	6,123	7,388	25,587	3,605	372,898	879,992	31,615	3,199	914,806
Tuition and fees	-	-	-	966,106	150	500	966,756	-	-	966,756
Printing, postage and shipping	70,515	12,429	927	19,091	133	10,954	114,049	361,562	491,321	966,932
Office furniture, fixtures and equipment (non-cap)	61,854	6,942	-	3,094	1,156	15,204	88,250	476,135	61,573	625,958
Security	12,833	-	-	-	-	354,565	367,398	179,807	-	547,205
Insurance, taxes, assessments and fees	841,772	2,375	2,855	2,375	250	487,952	1,337,579	29,836	-	1,367,415
Office and liturgical services	110,374	10,358	1,375	14,109	1,239	13,903	151,358	50,524	2,133	204,015
Depreciation and amortization	1,116,667	44,612	-	117,156	22,057	51,659	1,352,151	253,750	13,676	1,619,578
Bad debt (recovery)	-	-	-	-	-	-	-	(2,363,940)	-	(2,363,940)
Others	843,883	137,146	2,479	70,302	26,880	65,862	1,146,552	105,835	84,460	1,336,847
	<u>\$ 13,430,056</u>	<u>\$ 4,032,538</u>	<u>\$ 4,430,014</u>	<u>\$ 3,724,041</u>	<u>\$ 789,210</u>	<u>\$ 4,318,547</u>	<u>\$ 30,724,406</u>	<u>\$ 8,381,105</u>	<u>\$ 1,465,114</u>	<u>\$ 40,570,625</u>



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The following is a schedule of functional expenses for the year ended June 30, 2022:

	Program Expenses						Total	Management and General	Fundraising	2022 Total
	Pastoral	Educational	Health Care and Social Services	Priestly Ministry and Foundation	Public Affairs/ Information Services	Other Program Services				
Salaries, benefits and related expenses	\$ 7,573,592	\$ 2,408,340	\$ 1,279,885	\$ 1,377,862	\$ 435,759	\$ 1,197,136	\$ 14,272,574	\$ 5,104,612	\$ 587,941	\$ 19,965,127
Parish, school and other subsidies	2,460,709	688,086	2,225,156	702,230	-	-	6,076,181	-	-	6,076,181
Professional fees	60,136	226,601	16,329	322,417	176,747	327,003	1,129,233	2,551,040	61,739	3,742,012
Conferences, transportation and meals	821,765	19,266	14,074	158,192	321	243,048	1,256,666	120,970	1,191	1,378,827
Contributions, donations and grants	177,688	150,000	580,029	321	-	845,179	1,753,217	2,349,369	4,765	4,107,351
Repairs and maintenance	778,367	287	1,119	54,103	-	542,948	1,376,824	8,751	-	1,385,575
Utilities	434,641	8,931	6,503	26,106	4,590	354,398	835,169	21,473	4,447	861,089
Tuition and fees	4,601	-	-	793,119	-	500	798,220	-	-	798,220
Printing, postage and shipping	85,162	16,322	4,176	11,497	3,474	11,904	132,535	365,544	297,748	795,827
Office furniture, fixtures and equipment (non-cap)	25,560	1,390	928	1,034	-	54,313	83,225	435,615	55,641	574,481
Security	21,521	-	-	-	-	368,650	390,171	169,909	-	560,080
Insurance, taxes, assessments and fees	607,057	2,220	2,668	2,220	2,332	368,192	984,689	166,729	573	1,151,991
Office and liturgical services	94,020	11,577	1,715	13,930	926	9,184	131,352	39,707	2,717	173,776
Depreciation and amortization	1,125,693	42,946	-	115,533	21,148	46,587	1,351,907	305,353	13,221	1,670,481
Bad debt (recovery)	-	-	-	-	-	-	-	(3,839,865)	-	(3,839,865)
Others	472,396	126,026	902	59,970	13,651	(26,621)	646,324	46,663	86,081	779,068
	<u>\$ 14,742,908</u>	<u>\$ 3,701,992</u>	<u>\$ 4,133,484</u>	<u>\$ 3,638,534</u>	<u>\$ 658,948</u>	<u>\$ 4,342,421</u>	<u>\$ 31,218,287</u>	<u>\$ 7,845,870</u>	<u>\$ 1,116,064</u>	<u>\$ 40,180,221</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**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. The total value of the guarantee approximates \$1,000,000.

**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, 2023 and 2022, the receivable balance is \$607,017 and \$633,255, respectively.

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, 2023 and 2022, the receivable balance is \$573,817 and \$610,551, respectively.

**NOTE 13 - LEASES**

The Archdiocesan Pastoral Center evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Archdiocesan Pastoral Center's right to use underlying assets for the lease term, and the lease liabilities represent its obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Archdiocesan Pastoral Center has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments and did not elect the use of hindsight when assessing lease term and ROU asset impairment. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023, was 3.16%.

The Archdiocesan Pastoral Center's operating leases consist primarily of equipment leases. For the year ended June 30, 2023, total operating lease cost was \$173,374. As of June 30, 2023, the weighted-average remaining lease term for the operating leases was approximately 8.84 years.

Cash paid for operating leases for the year ended June 30, 2023 was \$164,541. For the year ended June 30, 2023, variable lease cost and short-term lease cost for operating leases approximated \$15,600 and \$5,500, respectively. There were no noncash investing and financing transactions related to leasing.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending June 30:

2024	\$	205,813
2025		121,809
2026		116,743
2027		89,953
2028		49,699
Thereafter		<u>168,708</u>
Total lease payments		752,725
Less: present value discount		<u>(72,402)</u>
Total lease obligations	\$	<u>680,323</u>

In addition, the Archdiocesan Pastoral Center entered into a real estate lease in fiscal year 2024. The ROU asset and lease liability for the additional space is expected to approximate \$37,000.

**NOTE 14 - 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.

***Salvia, et al. Resolution***

In 2019, there was an action filed against the Archdiocese of Newark, captioned *Salvia, et al. v. The Roman Catholic Archdiocese of Newark, New Jersey*.

It was alleged that the Archdiocese caused the plaintiffs to lose pension benefits to which they are entitled. The Archdiocese denies such allegation of wrongdoing and further denies that it has any legal obligation with respect to plaintiffs' pension.

Both parties have agreed to settle and fully resolve any and all claims alleged against the Archdiocese; and have entered into a resolution agreement, which was executed on November 14, 2022.

The sum of resolution payments immediately due, as well as the present value of future payments, is estimated to be \$4,372,000.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 15 - 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,	
	2023	2022
Cash and cash equivalents	\$ 30,575,636	\$ 28,743,718
Investments	612,186,173	576,601,184
Contributions and pledges receivables, net	1,181,716	725,110
Accounts and loans receivables, net	14,471,359	14,380,955
Mortgage receivables	1,180,834	1,243,806
Total financial assets	659,595,718	621,694,773
Receivables to be collected in more than one year		
Contributions and pledges receivable	(500,000)	(600,000)
Accounts and loans receivables, net	(9,146,000)	(9,124,222)
Mortgage receivables	(1,115,983)	(1,180,834)
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	(96,364,775)	(89,186,190)
Subject to appropriation and satisfaction of donor restrictions, net of amounts not yet collected and therefore not included in financial assets	(90,898,596)	(89,743,643)
Held as a fiscal agent for others (custodial funds)	(383,799,227)	(368,203,302)
Board designations:		
Designated for schools and education	(24,965,236)	(23,227,242)
Designated for Cathedral Health Pension	(4,400,000)	(4,900,000)
Parish loan fund	(11,000,000)	(11,000,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 37,405,901	\$ 24,529,340

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.