

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
SAINT PAUL, MINNESOTA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

| | |
|---|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 3 |
| STATEMENTS OF ACTIVITIES | 4 |
| STATEMENT OF FUNCTIONAL EXPENSES | 5 |
| STATEMENT OF CASH FLOWS | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 |



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Archdiocesan Finance Council
Corporate Board of The Archdiocese of Saint Paul and Minneapolis
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Archdiocese of Saint Paul and Minneapolis, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statement of activities, functional expenses, and cash flows for the year ended June 30, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 Archdiocese of Saint Paul and Minneapolis as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented in the statement of activities for the year ended June 30, 2019 has not been audited, reviewed or compiled, and, accordingly we express no opinion on it.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2020

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash - Without Donor Restriction and Board-Designated | \$ 7,986,235 | \$ 5,422,915 |
| Cash - With Donor Restriction | 1,120,493 | 1,196,721 |
| Contributions Receivable, Net of Allowances | 525,303 | 212,263 |
| Estate Gift Receivable | 9,617,810 | - |
| Accounts Receivable, Net of Allowances | 2,863,669 | 3,481,624 |
| Loans Receivable | 669,066 | 675,066 |
| Investments With Donor Restrictions | 1,064,216 | 1,123,737 |
| Beneficial Interest in Perpetual Trusts | 1,424,738 | 1,490,207 |
| General Insurance Program Assets | - | 12,881,854 |
| Prepaid Expenses and Other Assets | 183,642 | 185,006 |
| Land, Property and Equipment | 3,285,124 | 3,371,001 |
| Total Assets | <u>\$ 28,740,296</u> | <u>\$ 30,040,394</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable and Accrued Liabilities, Post-Petition | 1,722,193 | 1,810,479 |
| General Insurance - Claims Payable and Other Liabilities | - | 5,349,348 |
| Amounts Held for Others Under Agency Transactions | 247,606 | 182,129 |
| Deferred Revenue | 262,012 | 199,011 |
| Reserve for Priest Benefits Claims | 266,056 | - |
| Paycheck Protection Program Loan | 1,980,300 | - |
| Lease Payable | 33,929 | 50,171 |
| Other Liabilities | 196,433 | 212,733 |
| Deferred Rent | 150,321 | 165,762 |
| Note Payable Bankruptcy Settlement | 4,000,000 | 5,000,000 |
| Total Liabilities | <u>8,858,850</u> | <u>12,969,633</u> |
| NET ASSETS | | |
| Without Donor Restrictions - Undesignated | 5,486,755 | 12,269,424 |
| Without Donor Restrictions - Designated | 10,617,810 | 1,000,000 |
| With Donor Restrictions | | |
| Restricted by Time and/or Purpose | 2,114,993 | 2,073,980 |
| Restricted in Perpetuity | 1,661,888 | 1,727,357 |
| Total Net Assets | <u>19,881,446</u> | <u>17,070,761</u> |
| Total Liabilities and Net Assets | <u>\$ 28,740,296</u> | <u>\$ 30,040,394</u> |

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

| | Without Donor Restrictions | With Donor Restrictions | 2020 | (Unaudited) 2019 |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| OPERATING ACTIVITIES: | | | | |
| OPERATING REVENUE | | | | |
| Contributions | \$ 11,599,954 | \$ 383,611 | \$ 11,983,565 | \$ 2,528,413 |
| Parish Assessments | 14,397,351 | - | 14,397,351 | 14,599,007 |
| Fees and Program Revenues | 2,542,185 | - | 2,542,185 | 2,710,682 |
| Investment Income, Net | - | 4,163 | 4,163 | 107,900 |
| Other Income | 103,500 | - | 103,500 | 241,000 |
| Total Operating Revenue | 28,642,990 | 387,774 | 29,030,764 | 20,187,002 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 412,230 | (412,230) | - | - |
| NET OPERATING REVENUE | 29,055,220 | (24,456) | 29,030,764 | 20,187,002 |
| OPERATING EXPENSE | | | | |
| Program Services | | | | |
| Catholic Education | 867,124 | - | 867,124 | 933,375 |
| Central Services | 5,024,142 | - | 5,024,142 | 4,876,621 |
| Clergy Services | 4,842,315 | - | 4,842,315 | 5,007,836 |
| Communications | 1,929,255 | - | 1,929,255 | 1,881,250 |
| Community Services | 112,926 | - | 112,926 | 83,261 |
| Evangelization & Catechesis | 313,381 | - | 313,381 | 317,139 |
| Marriage, Family and Life | 979,432 | - | 979,432 | 958,789 |
| Parish Service and Outreach | 1,421,580 | - | 1,421,580 | 1,835,614 |
| Latino Ministries | 449,255 | - | 449,255 | 495,503 |
| Total Program Services | 15,939,410 | - | 15,939,410 | 16,389,388 |
| Support Services | | | | |
| General and Administrative | 2,650,175 | - | 2,650,175 | 2,648,180 |
| Development and Stewardship | 226,905 | - | 226,905 | 255,386 |
| Total Support Services | 2,877,080 | - | 2,877,080 | 2,903,566 |
| Total Operating Expense before Special Issues Expense | 18,816,490 | - | 18,816,490 | 19,292,954 |
| CHANGE IN NET ASSETS FROM OPERATIONS BEFORE SPECIAL ISSUE EXPENSE | 10,238,730 | (24,456) | 10,214,274 | 894,048 |
| Special Issues Expense | - | - | - | (801,123) |
| CHANGE IN NET ASSETS FROM OPERATIONS | 10,238,730 | (24,456) | 10,214,274 | 1,695,171 |
| NONOPERATING ACTIVITY | | | | |
| Gain on Sale of Assets | - | - | - | 3,395,470 |
| General Insurance Program Revenue | - | - | - | 10,101,680 |
| General Insurance Program Expense | (7,532,506) | - | (7,532,506) | (8,506,485) |
| Priest Benefits Revenue | 3,087,145 | - | 3,087,145 | 3,056,286 |
| Priest Benefits Expense | (2,958,228) | - | (2,958,228) | (3,156,011) |
| Change in Net Assets from Nonoperating Activities | (7,403,589) | - | (7,403,589) | 4,890,940 |
| CHANGES IN NET ASSETS | 2,835,141 | (24,456) | 2,810,685 | 6,586,111 |
| Net Assets - Beginning of Year | 13,269,424 | 3,801,337 | 17,070,761 | 10,484,650 |
| NET ASSETS - END OF YEAR | <u>\$ 16,104,565</u> | <u>\$ 3,776,881</u> | <u>\$ 19,881,446</u> | <u>\$ 17,070,761</u> |

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

| | Program Services | | | | | | |
|--|---------------------------|---------------------------------|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| | ADSPM Program Services | General Insurance Program | Priest Benefits Program | Total Program | Management and General | Fundraising | Total |
| Salaries and Benefits | \$ 9,972,782 | \$ - | \$ 13,068 | \$ 9,985,850 | \$ 2,015,451 | \$ 137,971 | \$ 12,139,272 |
| Grants and Allocations | 147,588 | - | - | 147,588 | 3,000 | 10,300 | 160,888 |
| Professional Services | 1,453,486 | - | 7,333 | 1,460,819 | 306,206 | - | 1,767,025 |
| Supplies and Equipment | 1,900,247 | - | - | 1,900,247 | 108,964 | 969 | 2,010,180 |
| Travel and Meetings | 325,682 | - | - | 325,682 | 55,107 | - | 380,789 |
| Other and Occupancy | 1,877,294 | 7,532,506 | 735 | 9,410,535 | 105,660 | 69,572 | 9,585,767 |
| Priest Benefits Claims and Administrative Fee | - | - | 2,937,092 | 2,937,092 | - | - | 2,937,092 |
| Depreciation | 262,331 | - | - | 262,331 | 55,787 | 8,093 | 326,211 |
| Total | <u>\$ 15,939,410</u> | <u>\$ 7,532,506</u> | <u>\$ 2,958,228</u> | <u>\$ 26,430,144</u> | <u>\$ 2,650,175</u> | <u>\$ 226,905</u> | <u>\$ 29,307,224</u> |

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Change in Net Assets | \$ 2,810,685 |
| Adjustments to Reconcile Change in Net Assets to | |
| Net Cash Provided by Operating Activities: | |
| Depreciation | 326,211 |
| Loss on Disposal of Equipment | 1,113 |
| Net Appreciation on Investments and Reinvested Earnings | (2,019) |
| Change in Reserve for Priest Benefits Claims | 266,056 |
| Change in Assets and Liabilities | |
| Contributions Receivable | (313,040) |
| Estates Receivable | (9,617,810) |
| Accounts Receivable | 617,955 |
| General Insurance Program Assets | 12,881,854 |
| Prepaid Expenses | 1,364 |
| Accounts Payable and Accrued Liabilities | (88,286) |
| General Insurance Program Liabilities | (5,349,348) |
| Amounts Held for Others under Agency Transactions | 65,477 |
| Deferred Rent | (15,441) |
| Deferred Revenue | 63,001 |
| Net Cash Provided by Operating Activities | <u>1,647,772</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------------|
| Repayment of Loans and Notes Receivable | 6,000 |
| Purchase of Investments | (11,778) |
| Proceeds on Sales of Investments | 138,787 |
| Purchases of Property and Equipment | (241,447) |
| Net Cash Used by Investing Activities | <u>(108,438)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|----------------|
| Payment of Note Payable | (1,000,000) |
| Paycheck Protection Program Proceeds | 1,980,300 |
| Principal Payments on Leasehold Improvement Allowance | (16,300) |
| Principal Payments on Capital Lease Obligations | (16,242) |
| Net Cash Provided by Financing Activities | <u>947,758</u> |

NET INCREASE IN CASH AND RESTRICTED CASH

2,487,092

Cash and Restricted Cash - Beginning of Year

6,619,636

CASH AND RESTRICTED CASH - END OF YEAR

\$ 9,106,728

SUPPLEMENTAL CASH FLOW INFORMATION

| | |
|--|-------------------------|
| Cash Paid During the Year for Interest | <u><u>\$ 18,536</u></u> |
|--|-------------------------|

CASH CONSISTS OF:

| | |
|---|----------------------------|
| Cash - Without Donor Restriction & Board Designated | \$ 7,986,235 |
| Cash - With Donor Restriction | 1,120,493 |
| Total Cash - End of Year | <u><u>\$ 9,106,728</u></u> |

See accompanying Notes to Financial Statements.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 CHAPTER 11 PLAN OF REORGANIZATION

On January 16, 2015, The Archdiocese of Saint Paul and Minneapolis (the Archdiocese or Chancery Corporation) filed a petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court (the “Court”) for the District of Minnesota.

On June 28, 2018, the Archdiocese filed a Joint Chapter 11 Plan of Reorganization and Disclosure Statement.

On August 10, 2018, the Archdiocese filed a Second Amended Joint Chapter 11 Plan of Reorganization and Second Amended Disclosure Statement.

On September 19, 2018, the Archdiocese filed a Third Amended Joint Chapter 11 Plan of Reorganization.

On September 25, 2018, the Court issued an Order Confirming Joint Plan of Reorganization dated September 19, 2018 and on October 11, 2018 (the Effective Date), the Third Amended Plan became effective, and the Archdiocese was discharged from its debts.

On December 21, 2018, the Order and Final Decree from the Court closing the bankruptcy was received.

The Archdiocese, as the Reorganized Debtor, will continue to exist after the Effective Date as a separate entity in accordance with the laws of the State of Minnesota, and, as of the Effective Date, the reorganization assets were vested in the Archdiocese free and clear of all liens, claims and interests of creditors, including any successor liability claims other than those required to meet obligations of the Plan of Reorganization.

In accordance with the Plan and Confirmation Order, the Archdiocese of St. Paul and Minneapolis Trust (Plan Trust) was established on October 11, 2018, for the benefit of claimants and the holders of future claims. The Archdiocese has no rights or interests in the Plan Trust or its assets.

As a condition of the Plan, the Archdiocese entered into a non-interest bearing Promissory Note with the Plan Trust in the amount of \$5,000,000 to be payable in five equal annual installments of \$1,000,000 commencing on the 365th day after the Effective Date. The note may be prepaid at any time at the option of the Archdiocese. The Archdiocese made the first annual payment of \$1,000,000 on October 10, 2019 and the second annual payment of \$1,000,000 on October 9, 2020.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Archdiocese

The Archdiocese of Saint Paul and Minneapolis (the Archdiocese) was first established as a diocese by the Holy See in 1850 (originally Minnesota and the Dakotas), and elevated to archdiocese 38 years later. Now comprising a 12-county area, there are 186 parishes and 90 Catholic schools (including elementary and high schools) within the Archdiocese. The Archdiocese is home to over 825,000 Catholics, including hundreds of clergy and religious sisters and brothers as well as thousands of lay personnel and volunteers who serve in parishes, Catholic schools and in many other ministries within the Archdiocese. The mission of The Archdiocese of Saint Paul and Minneapolis is making the name of Jesus Christ known and loved by promoting and proclaiming the Gospel in word and deed through vibrant parish communities, quality Catholic education and ready outreach to the poor and marginalized.

Nature of Organization

The financial statements include administrative and program offices and departments of the Chancery Corporation, which serves as the secular arm of the Archdiocese. Under the laws of the State of Minnesota, parishes, their related schools and other separately incorporated and operated Roman Catholic entities within the 12 county area of the Archdiocese are not under the fiscal or operating control of the Chancery Corporation and, therefore, in accordance with accounting principles generally accepted in the United States of America, are not included in the Chancery Corporation's financial statements.

Catholic Services Appeal Foundation

Effective January 1, 2014, an independent 501(c)(3) organization called the Catholic Services Appeal Foundation (CSAF) was established to solicit, collect, hold and distribute all Catholic Services Appeal (CSA) donations for the benefit of a prescribed group of Catholic organizations and Chancery Corporation ministries as outlined in the CSAF by-laws. The Chancery Corporation received contributions from the CSAF to provide for these ministries, including but not limited to Latino Ministry, Evangelization and Catechesis, Youth Ministry, Venezuela Mission and chaplain services at hospitals and prisons throughout the Archdiocese. See further impact of this within contributions receivable in Note 2.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy expenses are allocated on a square footage basis; salaries and benefits, grants and allocations, professional services, supplies and equipment, travel and meetings, depreciation and other, are allocated on the basis of estimates of time and effort.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Archdiocese's reported historical revenue.

Additionally in June 2018, FASB issued ASU 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

Basis of Presentation – Accounting for Net Assets

The financial statements of the Chancery Corporation have been prepared on the accrual basis of accounting.

The Chancery Corporation reports information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. These classes of net assets are summarized as follows:

Net Assets Without Donor Restrictions – Net assets that are those currently available at the discretion of the Chancery Corporation for use in operations and are not subject to donor (or certain grantor) restrictions. This includes net assets designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Accounts for resources that are limited by donor restrictions as to either time restrictions or purpose restrictions to support certain program activities. Also includes resources that are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Other Activities

The Chancery Corporation accomplishes its mission in the following program areas:

Catholic Education

The mission of the Office of Catholic Schools is to develop strong partnerships between home and school that fully infuse Catholic teaching and values into every element of the student's educational experience and foster academic excellence. Students are formed to live out the Gospel message, achieve academic excellence, and lead by faith, virtue, and reason. The support provided to the 90 Catholic schools within the Archdiocese includes Catholic identity review and support, leadership development, and programmatic oversight to promote innovation and excellence in local urban Catholic schools. Major responsibilities include identification of the strategic needs of Catholic schools and continuing to serve families in the tradition of excellence Catholic schools have cultivated for more than 160 years.

Central Services

Central Services provides support and services to the Chancery Corporation staff and the parishes. The Department includes Parish Accounting Service Center; Parish Standards; Metropolitan Tribunal; Records and Archives; Chancellor's Office; IT/Computer Services; Human Resources and Benefits Administration; and Printing Services.

Clergy Services

Various offices and programs of the Chancery Corporation work to provide personal and ministerial resources as well as formation and ongoing clergy education for priests and deacons to enhance the fruitfulness of their ministries. The Office of Clergy Services helps support clergy assignment at parishes and other institutions, as well as hospital and correctional facility chaplaincies. The Office of Vocations encourages prayerful discernment of call to ordained or religious life. The Saint Paul Seminary provides formation for men preparing for ordination to the priesthood. The Byrne Residence offers housing for retired priests. The Office of Clergy Services also provides oversight of victim

advocacy and assistance: abuse prevention efforts, intervention on clergy misconduct, support of the work of the Clergy Review Board to ensure prompt and thorough review of clergy misconduct allegations, the Promotion of Ministerial Standards program to ensure that all priests and deacons uphold the standards expected of Catholic clergy, and are provided appropriate support for their spiritual, physical, and mental well-being.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Other Activities (Continued)

Communications

The mission of the Office of Communications is to communicate the spiritual messages and theological teachings of the Church as articulated through the Archbishop and his auxiliary bishops. The Office of Communications is also charged with ensuring effective ongoing two-way communications between the Chancery Corporation offices and the many audiences they serve. Office of Communications staff produce 24 issues of *The Catholic Spirit* newspaper annually, send the bi-weekly Archdiocesan Update electronic newsletter to 1,500 parish and Catholic school leaders, and manage nearly 20 web sites, blogs and social media sites.

Community Services

Through the work of offices of the Chancery Corporation and the support of community partners, we help men, women, and children most in need, including the hungry and homeless, as well as immigrants, the elderly, those with disabilities and others with special needs.

Evangelization and Catechesis

The Office of Evangelization (OE) creates opportunities for people to encounter Jesus Christ and to make the truth of Christ and his Church clearly understood and accessible. Evangelization efforts are created and experienced in cooperation with parishes and Catholic schools and the many ministry groups throughout this local Church.

Marriage, Family and Life

The mission of the Office of Marriage, Family and Life is to assist and encourage all Christians to fulfill their call to holiness. This office promotes a culture of life through programs that support the vocation of marriage, the single state and outreach to youth and young adults. Programs and advocacy efforts include marriage enrichment, marriage preparation, Early Catholic Family Life and other family outreach, respect life and prolife groups, bio-medical ethics and outreach for persons with disabilities. In addition, Archdiocesan Youth Day, World Youth Day, National Catholic Youth Conference and other youth events are coordinated through the staffing and support of the department. In all, the office sponsors or collaborates on over 50 events and programs annually.

Parish Services and Outreach

Several offices and programs offer services to parishes within the Archdiocese, including the Office of Parish Services, which encourages a community of sharing and collaboration in parishes and helps parishes learn from one another.

The Office of Worship supports the liturgical life of the local Church and serves as a resource on liturgical law and practice for pastors and parishes serving within the Archdiocese. The Office coordinates major Archdiocesan liturgical celebrations, and provides catechetical and practical support for the full, conscious and active participation of God's Holy People in the Church's sacramental and liturgical life.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Other Activities (Continued)

Parish Services and Outreach (Continued)

Other ministries within Parish Services include the Indian ministry for members of the local Native American community and Deaf Ministry are also supported. Through the generosity of Catholics in the Archdiocese, 65,000 people in Ciudad Guayana, Venezuela are offered access to the sacraments, food and essential services at the Jesucristo Resucitado mission parish. The important work of the Archdiocesan Council of Catholic Women is also supported in this parish service program area.

Latino Ministries

The Office of Latino Ministry serves the large number of Latino Catholics in the community at more than 20 parishes with Spanish language Masses, catechetical offering and pastoral care. Latino Ministries offers outreach and diverse programs with an area of emphasis including but not limited to evangelization and formation.

Special Issues

Special Issues represent expenses related to the Archdiocese Bankruptcy Settlement. Special Issues expense consist mainly of third party professionals related predominantly to both fees incurred for attorneys representing the Archdiocese in the reorganization and the Ramsey County charges, as well as attorneys representing the unsecured creditors committee and the parish committee.

Priest Benefits

The Archdiocese of Saint Paul and Minneapolis coordinates a self-insured health and dental benefit fund for active clergy members, seminarians, international clergy members and religious order sisters within the Archdiocese. The Archdiocese invoices other Catholic entities based on clergy assignments and pay benefit providers directly for any claims.

Cash

At times throughout the year, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Cash is classified into three categories, without donor restriction and board-designated, and with donor restriction. As of June 30, 2020, \$1,000,000 is classified as board-designated funds representing the current obligation of the Note Payable Bankruptcy Settlement.

For purposes of the statement of cash flows, the Archdiocese considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

Included within contributions receivable are contributions and reimbursable expenses receivable from Catholic Services Appeal Foundation of \$380,303 and \$212,263 at June 30, 2020 and 2019, respectively.

In addition, there is \$145,000 in restricted contributions receivable from a single donor at June 30, 2020.

Estates Receivable

The Archdiocese was the beneficiary of two estate trust gifts totaling approximately \$9,617,810 as of June 30, 2020. These gifts were not restricted by the donors. As a result, an Estate Gift Receivable and Estate Gift Income in the amount of \$9,617,810 was recorded as of June 30, 2020. Subsequent to June 30, 2020, the Archdiocese received cash payments totaling \$490,000 and expect additional cash payments totaling \$9,127,810 during the year ending June 30, 2021. The estate gifts have been board-designated for payment of the bankruptcy note payable and other guaranteed loan obligations, and capital projects.

Accounts Receivable

Accounts receivable are due from parishes and other Catholic entities and are non-interest bearing, unsecured and due currently. Credit terms for payment of assessments, insurance and other billings are extended to the borrowers in the normal course of operations, and no collateral is required. Approximately 86% and 73% of the outstanding receivables from parishes and other related entities are attributable to 16 parishes at June 30, 2020 and 2019, respectively. A portion of the parish assessments will be repaid over a period of several years. The aging of these receivables, as well as any extended payment terms, are factored into the allowance for doubtful accounts. The Chancery Corporation provides for an allowance for doubtful loans, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience and the financial condition of the creditor. Accounts receivable are written off and charged to the allowance only under extraordinary circumstances. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term. Approximately 83% and 61% of total accounts receivable are due from parish assessments at June 30, 2020 and 2019, respectively.

Loan Receivable

The loan is due from a parish and represents an outstanding demand note with a balance of \$669,066 and \$675,066 as of June 30, 2020 and 2019, respectively (to be paid on a long-term basis). Loans receivable are recorded at their net realizable values, net of an allowance for doubtful accounts, where applicable. No allowance was deemed necessary for the years ended June 30, 2020 and 2019.

The Chancery Corporation provides for an allowance for doubtful loans, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience and the financial condition of the borrower. Loans receivable are written off and charged to the allowance only under extraordinary circumstances, and write-offs must be approved by the Archbishop.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are measured at fair value. Investments in perpetual trust assets held at The Catholic Community Foundation of Minnesota (CCF), are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments. Such assets held at CCF are reported at fair value/estimated fair value as reported to the Chancery Corporation by CCF.

The Chancery Corporation's remaining interest in perpetual trust assets held at a bank is reported based on the fair value of the underlying trust assets.

Realized and unrealized gains and losses on investments are recorded in the statement of activities based upon the existence or absence of donor-imposed restrictions.

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

Fair Value

The Chancery Corporation's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adhere to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Chancery Corporation has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Chancery Corporation uses valuation techniques in a consistent manner from year-to-year.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Property and Equipment

Land, property and equipment are recorded at their net book value. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized according to the Archdiocesan capitalization policy.

Contributions and Revenue Recognition

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Chancery Corporation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Chancery Corporation does not believe they are required to provide additional goods or services to the client. Parish Assessments and Priests Benefits Revenue are recognized over time, within the fiscal year, as the underlying services are rendered. Fees and Program Revenues are recognized at both a point in time and over time depending on the underlying nature of the revenue producing activity.

The Chancery Corporation 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

The Chancery Corporation reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Chancery Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenue received for services to be provided in a future period are recorded as deferred revenue at the time of receipt and earned when the services are delivered.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and estimates may change during the near term.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension and Medical Benefit Plans

The Chancery Corporation contributes to the Pension Plan for Priests and to the Pension Plan for Lay Employees of the Chancery Corporation, parishes and Catholic schools, and certain other Catholic entities within the Archdiocese. These contributions include normal costs, and an amount to amortize the unfunded past service liabilities of the plans. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available at the individual organization level. The plans are multiple-employer, defined benefit plans and cover substantially all priests and most full-time lay employees of participating employers operating within the boundaries of the Archdiocese.

Benefits for full-time lay employees under the Pension Plan for Lay Employees were frozen January 31, 2011. The Chancery Corporation contributes to the Archdiocesan Medical Benefit Plan, which is a multiple-employer plan, providing medical, dental and other flexible benefits to the participating employer's participating employees. The Plan is a self-insured plan with stop-loss protection. In the event the Plan is terminated and all obligations to the insurers providing group benefits and to the beneficiaries of the Plan have been satisfied, any remaining trust funds shall be distributed to the Chancery Corporation and the Trust shall terminate. The Plan's Trustees have no plans to terminate the Plan.

The following is the amount charged to expense on the Archdiocese's Statement of Activities as of June 30:

| | 2020 | Unaudited 2019 |
|-----------------------------------|---------------------|---------------------|
| Lay Pension | \$ 267,660 | \$ 267,660 |
| Priests' Pension | 382,193 | 398,206 |
| Archdiocesan Medical Benefit Plan | 1,507,628 | 1,449,439 |
| Total | <u>\$ 2,157,481</u> | <u>\$ 2,115,305</u> |

Income Taxes

The Chancery Corporation is exempt from Federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and similar state statutes.

The Chancery Corporation has evaluated whether it has any significant tax uncertainties that would require recognition or disclosure. Primarily due to the exempt status, the Chancery Corporation does not have any significant tax uncertainties that would require recognition or disclosure.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 INVESTMENTS

The fair value and composition of Investments with donor restriction consists of two funds with donor restrictions solely for the purpose of the General Seminary Endowment and the Braun Fund. Both with donor restrictions towards seminary education. As of June 30, 2020, there were no investments without donor restriction.

The Chancery Corporation is the beneficiary of the General Seminary Endowment. CCF retains variance power over these funds and can redirect the distribution of these assets at the discretion of its board.

The Braun Fund is invested with American Funds and the Chancery Corporation receives distributions annually.

Investments are carried at fair value. The balances of the General Seminary Endowment and the Braun Fund as of June 30, 2020 were \$983,768 and \$80,448, respectively.

The following is the approximate fund allocation of investments at June 30:

| | 2020 | | |
|--------------------------------------|------------------|-------------------|---------------------|
| | American Funds | CCF | Total |
| Cash and Cash Equivalents | \$ - | \$ 9,838 | \$ 9,838 |
| Corporate Bonds | - | 157,403 | 157,403 |
| Corporate and International Equities | 80,448 | 678,801 | 759,249 |
| Alternative Investments | - | 137,726 | 137,726 |
| Total | <u>\$ 80,448</u> | <u>\$ 983,768</u> | <u>\$ 1,064,216</u> |

| | 2019 | | |
|--------------------------------------|------------------|---------------------|---------------------|
| | American Funds | CCF | Total |
| Cash and Cash Equivalents | \$ 8,730 | \$ 10,319 | \$ 19,049 |
| Corporate Bonds | - | 175,413 | 175,413 |
| Corporate and International Equities | 83,165 | 742,926 | 826,091 |
| Alternative Investments | - | 103,184 | 103,184 |
| Total | <u>\$ 91,895</u> | <u>\$ 1,031,842</u> | <u>\$ 1,123,737</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------|----------------------------------|-------------------------------|-----------------|
| Interest and Dividends | \$ - | \$ 20,606 | \$ 20,606 |
| Unrealized Loss | - | (16,443) | (16,443) |
| Total | <u>\$ -</u> | <u>\$ 4,163</u> | <u>\$ 4,163</u> |

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Chancery Corporation is the sole income beneficiary in three irrevocable perpetual trusts, the assets of which are not in the possession of the Chancery Corporation and for which the Chancery Corporation is not the trustee. The values of these trusts totaled \$1,424,738 and \$1,490,207 at June 30, 2020 and 2019, respectively. These trusts were established with specific donor intent for restricted purposes. The assets recorded on the statement of financial position represent the estimated present values of future cash flows from the trusts, which are assumed to equal the fair value of the underlying trust investments. The Chancery Corporation has legally enforceable rights and claims to distributions from the trusts but not to the underlying assets themselves and receives income distributions based on the funds' income after certain trust expenses.

These income distributions are received with donor restrictions for specific purposes: the Saint Paul Seminary support, support for physically disabled priests, and housing for elderly members of the Christian Brothers religious order.

NOTE 5 FAIR VALUE

The following table sets forth the balance of assets by level, within the fair value hierarchy, carried at fair value as of June 30:

| | 2020 | | | |
|---|------------------------------|-------------|---------------------|---------------------|
| | Fair Value Measurement Using | | | Fair Value |
| | Level 1 | Level 2 | Level 3 | Amount |
| Assets: | | | | |
| Investments: | | | | |
| Mutual Funds - American Funds | \$ 80,448 | \$ - | \$ - | \$ 80,448 |
| Investments Held at CCF | - | - | 983,768 | 983,768 |
| Beneficial Interest in Perpetual Trusts | - | - | 1,424,738 | 1,424,738 |
| Total | <u>\$ 80,448</u> | <u>\$ -</u> | <u>\$ 2,408,506</u> | <u>\$ 2,488,954</u> |
| | | | | |
| | 2019 | | | |
| | Fair Value Measurement Using | | | Fair Value |
| | Level 1 | Level 2 | Level 3 | Amount |
| Assets: | | | | |
| Investments: | | | | |
| Mutual Funds - American Funds | \$ 91,895 | \$ - | \$ - | \$ 91,895 |
| Investments Held at CCF | - | - | 1,031,842 | 1,031,842 |
| Beneficial Interest in Perpetual Trusts | - | - | 1,424,738 | 1,424,738 |
| Total | <u>\$ 91,895</u> | <u>\$ -</u> | <u>\$ 2,456,580</u> | <u>\$ 2,548,475</u> |

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 FAIR VALUE (CONTINUED)

The reconciliation of beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) are as follows:

| | Investments Held at CCF | Beneficial Interest in Perpetual Trust: |
|-------------------------------|----------------------------|--|
| Ending Balance, June 30, 2019 | \$ 1,031,842 | \$ 1,490,207 |
| Realized Losses | (3,800) | (1,699) |
| Unrealized Losses | (10,943) | (7,010) |
| Investment Income | 14,243 | 27,237 |
| Commissions and Fees | (8,074) | (25,948) |
| Distributions | (39,500) | (58,049) |
| Ending Balance, June 30, 2020 | <u>\$ 983,768</u> | <u>\$ 1,424,738</u> |

NOTE 6 LAND, PROPERTY, AND EQUIPMENT

Land, property and equipment consisted of the following at June 30:

| | Life in Years | 2020 | 2019 |
|-------------------------------------|---------------|---------------------|---------------------|
| Building | 20-400 | \$ 3,269,815 | \$ 3,269,815 |
| Furniture, Equipment and Technology | 3-10 | 2,461,080 | 2,543,654 |
| Vehicles | 3-5 | 133,185 | 157,262 |
| Leasehold Improvements | See Below | 1,402,172 | 1,307,833 |
| Right to Use Asset | See Below | 1,721,613 | 1,721,613 |
| | | 8,987,865 | 9,000,177 |
| Less: Accumulated Depreciation | | (5,702,741) | (5,629,176) |
| Net Land, Property and Equipment | | <u>\$ 3,285,124</u> | <u>\$ 3,371,001</u> |

Certain facilities owned by the Chancery Corporation are utilized and subject to third party mortgages. The Chancery Corporation has a lease agreement with the Cathedral of Saint Paul with a base rent of \$1 per year. The lease agreement matures in May 2021 and has a renewal option for an additional 20 years.

The Chancery Corporation has a long-term lease agreement with the St. Paul Seminary for the rent-free use of the Byrne Residence property. The lease agreement matures in 2094 and automatically renews for 25-year terms unless the Chancery Corporation provides a notice prior to the expiration of the lease.

In addition, the Chancery Corporation leased land to three Catholic high schools within the Archdiocese for \$1 per year. The leases had varying terms of approximately 20-30 years, which were set to expire on December 31, 2025, June 30, 2030 and June 30, 2038. On October 11, 2018, the Archdiocese sold the land previously leased by three Catholic high schools to each of the schools for an aggregate sales price of \$4,000,000. The purchasers were responsible for all of the closing costs and related expenses.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 GENERAL INSURANCE PROGRAM

Effective September 1, 1980 a trust was established for the benefit of the Archdiocese, all of the parishes, and certain other Catholic entities, commonly referred to as the "General Insurance Fund" (GIF). The GIF provides comprehensive and uniform insurance coverage for the participants. The coverage provided by the GIF includes commercial property, casualty, general liability and workers' compensation insurance. The GIF is maintained for the benefit of the participants who have contributed funds in exchange for obtaining insurance coverage. Effective July 1, 2019, the General Insurance Program was renamed the "Archdiocese of Saint Paul and Minneapolis Participants' Restated and Amended Irrevocable Trust" (Trust) and as a result all assets totaling \$12,881,854 and liabilities totaling \$5,349,348 were transferred to the new trustee.

The net impact to the current year Statement of Activities ending June 30, 2020 is a nonoperating loss of \$7,532,506. The Trust assumed certain obligations of the Archdiocese under the Joint Chapter 11 Plan of Reorganization and all disputes related to the Trust were resolved and the funds then held in trust, not distributed as part of the Plan, are to continue to be held in trust to be used for the benefit of all such participating entities consistent with past practices.

NOTE 8 AMOUNTS HELD FOR OTHERS UNDER AGENCY TRANSACTIONS

Amounts held for others under agency transactions consist of charitable collection accounts and funds held for others totaling \$247,606 and \$182,129 as of June 30, 2020 and 2019, respectively.

NOTE 9 NET ASSETS

Net assets with donor restrictions whether restricted by time or purpose consist of the following at June 30:

| | 2020 | 2019 |
|---------------------------|---------------------|---------------------|
| Clergy Services | \$ 740,985 | \$ 711,598 |
| Catholic Education | 234,210 | 243,254 |
| Parish Services | 49,803 | 43,729 |
| Marriage, Family and Life | 117,244 | 130,409 |
| Other | 178,313 | 103,331 |
| Total | <u>\$ 1,320,555</u> | <u>\$ 1,232,321</u> |

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by donors, or by the passage of time. Net assets released from restrictions are as follows for the years ended June 30:

| | 2020 | 2019 Unaudited |
|---------------------------|-------------------|-------------------|
| Clergy Services | \$ 212,347 | \$ 181,836 |
| Catholic Education | 11,560 | 11,812 |
| Parish Services | 8,401 | 17,746 |
| Marriage, Family and Life | 44,377 | 87,552 |
| Other | 135,545 | 537,031 |
| Total | <u>\$ 412,230</u> | <u>\$ 835,977</u> |

Net assets with donor restrictions on accumulated endowment earnings consist of the following at June 30:

| | 2020 | 2019 |
|---------------------------|-------------------|-------------------|
| Clergy Services | \$ 751,619 | \$ 799,692 |
| Marriage, Family and Life | 42,819 | 41,967 |
| Total | <u>\$ 794,438</u> | <u>\$ 841,659</u> |

Net Assets with donor restrictions that are restricted in perpetuity consist of the following at June 30:

| | 2020 | 2019 |
|-----------------|---------------------|---------------------|
| Clergy Services | \$ 1,656,888 | \$ 1,722,357 |
| Other | 5,000 | 5,000 |
| Total | <u>\$ 1,661,888</u> | <u>\$ 1,727,357</u> |

NOTE 10 ENDOWMENT FUNDS

The Chancery Corporation's endowment consists of endowment funds with donor restrictions established for a variety of purposes. As required by generally accepted accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Chancery Corporation receives distributions from these endowments each year based on the spending policies of the financial institution where these endowment funds are held.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law

The Archdiocesan Corporate Board has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chancery Corporation classifies these net assets with donor restrictions in perpetuity at the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment with donor restrictions, and (c) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as donor-restricted in perpetuity is classified as net assets with donor restrictions by time and/or purpose until those amounts are appropriated for expenditure by the Chancery Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

As approved by the Corporate Board, a majority of the Chancery Corporation's endowment funds are held at CCF. Those funds are managed according to CCF's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital and the purchasing power of the endowment assets, while providing a predictable funding stream to support programs. Endowment assets held at CCF include those assets with donor restrictions that the Chancery Corporation must hold in perpetuity. Under these policies, these assets are invested by CCF in a manner to achieve a return over a rolling 10-year period which exceeds the rate of inflation by 5% to 7%, while outperforming a passive market index portfolio consisting of similar asset allocations over a rolling 5-year period.

The endowment funds held and managed by the Chancery Corporation are subject to similar policies as directed by the Chancery Corporation Corporate Board.

To satisfy its long-term rate-of-return objectives, the Chancery Corporation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chancery Corporation targets diversified asset allocations that seek to achieve its long-term return objectives within prudent risk constraints. CCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

As approved by the Chancery Corporation Corporate Board, the endowment assets invested by CCF are managed according to CCF's investment and spending policies. The Chancery Corporation receives distributions from these endowments each year based on CCF's spending policies. CCF has a policy of appropriating for distribution each year a board-determined percentage of its endowment fund's average fair value over a designated measurement period. CCF's board-determined distribution percentage was 4% for 2019. In establishing this policy, CCF considered the long-term expected return on its endowment.

With respect to endowment funds held and managed by the Chancery Corporation, the board has an informal policy of appropriating for distribution sufficient funds to achieve program objectives while considering the long-term expected return on its investment assets, considering the nature and duration of the individual endowment funds, and the possible effects of inflation.

These spending policies are consistent with the Chancery Corporation's objective to maintain the purchasing power of endowment assets held in perpetuity, to provide a consistent and predictable funding stream to support the endowment purposes specified, as well as to provide additional growth through investment return.

Endowment Net Assets – Composition of Type of Fund:

| | June 30, 2020 | | |
|---|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Funds with Donor Restrictions | \$ - | \$ 1,031,588 | \$ 1,031,588 |
| | | | |
| | June 30, 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Funds with Donor Restrictions | \$ - | \$ 1,078,809 | \$ 1,078,809 |

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets:

| | June 30, 2020 | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets, Beginning of Year | \$ - | \$ 1,078,809 | \$ 1,078,809 |
| Investment Return: | | | |
| Investment Income, Net of Fees | - | 6,444 | 6,444 |
| Net Appreciation (Realized and Unrealized) | - | (14,742) | (14,742) |
| Total Investment Income | - | (8,298) | (8,298) |
| Appropriations of Funds | - | (38,923) | (38,923) |
| Endowment Net Assets, End of Year | <u>\$ -</u> | <u>\$ 1,031,588</u> | <u>\$ 1,031,588</u> |
| | June 30, 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets | | | |
| Beginning of Year (Unaudited) | \$ - | \$ 1,078,567 | \$ 1,078,567 |
| Investment Return: | | | |
| Investment Income, Net of Fees | - | 7,795 | 7,795 |
| Net Appreciation (Realized and Unrealized) | - | 31,647 | 31,647 |
| Total Investment Income | - | 39,442 | 39,442 |
| Appropriations of Funds | - | (39,200) | (39,200) |
| Endowment Net Assets, End of Year | <u>\$ -</u> | <u>\$ 1,078,809</u> | <u>\$ 1,078,809</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Chancery Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restriction. As of June 30, 2020 and 2019, no endowments had deficiencies.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 PENSION AND MEDICAL BENEFIT PLANS

Pension Plans

Effective January 31, 2011, the Pension Plan for Lay Employees (Lay Pension Plan) was frozen. Due to the frozen status of the plan, active plan participants are no longer earning benefits, are no longer accruing additional credited years of service, and pension benefits upon participant retirement will be based upon the participant's credited years of service and salary history as of January 31, 2011. Participants in the plan who were not vested as of the freeze date will continue to earn vesting service after January 31, 2011, for each year in which they work in a full-time capacity until these participants become fully vested by reaching five years of full-time service. Employees who terminate with five or more years of credited service are generally entitled to annual pension benefits as defined by the Lay Employee Plan. Pension benefits are based primarily on years of service and final average earnings calculated as the average of the employee's five highest earning years.

The Pension Plan for Priests (Priest Pension Plan) covers substantially all incardinated priests, or those beginning the process of incardination established by the Chancery Corporation or one of the participating employers. Priest retirement benefits are computed in accordance with the plan document, which can be changed by the trustees of the plan.

Pension benefits are calculated primarily based on age at the date of retirement and years of service, not to exceed 40. Active participants who become totally and permanently disabled receive disability benefits computed as though they had been employed to normal retirement age. The board of trustees has the discretionary authority to pay the cost of medical and dental insurance for participants who retire or become disabled.

The risks of participating in these multiple-employer plans are shared with the other employers participating in the plans. Because this is a multiple-employer plan, valuation information is not available specific to each individual or participating employer. The Chancery Corporation's contribution to the Lay Pension Plan is a fixed amount based on a percentage of qualified salaries and the contribution to the Priest Pension Plan are a fixed amount per priest established by the trustees of the Priest Pension Plan.

NOTE 12 RISKS AND UNCERTAINTIES

During the fiscal year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Archdiocese, COVID-19 may impact various parts of its 2021 operations and financial results, including investment performance and potential loss of revenue due to a reduction in contributions. Management believes the Archdiocese is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 PAYCHECK PROTECTION PROGRAM

On April 14, 2020, the Archdiocese entered into a Promissory Note with Bremer Bank, which provides for a loan of \$1,980,300 pursuant to the Paycheck Protection Program (the PPP) under the Coronavirus, Aid, Relief, and Economic Security Act and applicable regulations (the CARES Act) used to fund payroll, rent and utilities. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Archdiocese fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from 04/14/2020 to 09/28/2020, is the time that a business has to spend their PPP Loan funds.

The Archdiocese intends to use the entire loan amount for designated qualifying expenses and to apply for forgiveness of the loan in accordance with terms of the PPP. No assurance can be given that the Archdiocese will obtain forgiveness of the loan in whole or in part. In the event that the loan, or any portion of it, is not forgiven, it is the Archdiocese's intention to repay the loan immediately. The Archdiocese anticipates that the entire loan will be forgiven and income recognized on the forgiveness during the year ending June 30, 2021. The Chancery Corporation has accounted for its PPP Loan in accordance with Accounting Standards Codification 470, Debt and reports the outstanding balance as a liability as of June 30, 2020.

NOTE 14 CONTINGENCIES AND COMMITMENTS

Loan Guarantees

Loan guarantees are typically given to enable Parishes and schools to finance property additions or refinance existing debt.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Loan Guarantees (Continued)

At June 30, 2020, the Chancery Corporation was contingently liable as guarantor for approximately \$23,000,000 on six loans for six Catholic institutions operating within the boundaries of the Archdiocese. Of this, the Chancery Corporation guaranteed approximately \$3,600,000 lent by a related financial institution. A single institution makes up 70% of the total guaranteed loan balances. Included in the total amount above are two guaranteed loans covered under a blanket indemnification from a certain organization, which covers a maximum of \$1,000,000 between the two loans. Also included in this amount are guarantees in which the Chancery Corporation is liable under replenishment agreements. Those replenishment agreements have no stated length for covering the payment; therefore, the entire value of the loan is included. In November 2020, a Catholic institution paid off a loan totaling \$2,300,000, which the Chancery Corporation was a guarantor. As a result, the total amount guaranteed by the Chancery Corporation decreased to \$21,000,000 subsequent to year-end. These guarantees pertain to loans with maturity dates ranging from July 2026 to September 2029.

Although generally not specifically limited, the maximum potential amount of future payments (undiscounted) the Chancery Corporation could be required to make under these guarantees would be the outstanding amount plus stated interest. The Chancery Corporation would be required to perform under a guarantee only in the event of default, which is generally nonpayment of installments when due. In certain cases, the requirements of the guarantee call for the Chancery Corporation to continue making debt payments while others become due on demand. Management believes the fair value of such assets are in excess of any guaranteed amounts and that material payments will not be required under these guarantees.

Lease Guarantee

In 2017, the Chancery Corporation entered into a lease agreement for office space located at 777 Forest Street, Saint Paul, Minnesota known as the Catholic Center. As stipulated by the lease agreement, a revolving letter of credit was obtained by the Chancery Corporation effective June 4, 2019. The letter of credit has a maximum principal amount of \$2,500,000 and is utilized to provide a letter for credit to the property owner. Should dollars be drawn from this line of credit, a floating interest rate equal to one-half of one percent (0.50%) per annum below the Prime Rate of Interest would be applied. Payments would be due in monthly installments. There were no draws on the letter of credit as of June 30, 2020.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 14 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Cathedral of Saint Paul

In 2001, the Cathedral of Saint Paul Parish (the Parish) took out a loan for improvements to the Cathedral property that the Parish leases and which the Chancery Corporation owns. The Chancery Corporation approved the property to be mortgaged at that time. In August 2011, the Parish loan was refinanced to an interest only loan with principal due at maturity in August 2017.

In August 2016, the loan was refinanced, requiring accrued interest payments monthly by the Parish and interest and principal due at maturity in August 2021. The amount outstanding on this loan was \$3,959,082 and \$4,412,487 as of June 30, 2020 and 2019, respectively.

The Archdiocese is not a guarantor of the loan. In the event of a default, the lender would have the right to foreclose on the property.

Asbestos Containing Materials

A survey of Chancery Corporation buildings was done in 2007 by an environmental consulting firm, which identified the presence of asbestos containing materials (ACM's). Management's current obligation with respect to the presence of the ACMs is primarily that of monitoring and maintenance. If there is renovation or repair work necessary that disturbs the asbestos, then special removal techniques must be utilized.

Management has determined that an asset retirement obligation related to the presence of ACMs cannot be reasonably determined at this time because insufficient information is available in that both the method of retirement and the expected dates of such retirement cannot be estimated.

Unasserted Claims

From time to time, the Chancery Corporation may become subject to legal proceedings in the conduct of its operations. The Chancery Corporation's policy is to accrue the portion of these costs not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

Currently, the Chancery Corporation is the subject of certain asserted and unasserted claims seeking damages. At June 30, 2020 and 2019, no accruals have been made. Management is unable to estimate the effect of the ultimate resolution of any such claims, but believes such claims will not have a material adverse effect on the financial position of the Chancery Corporation.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 15 LIQUIDITY DISCLOSURE

As part of its liquidity management, the Chancery Corporation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. Total financial assets available for general expenditure as of June 30 consist of:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|---------------------|
| Cash - Without Donor Restriction and Board Designated | \$ 6,986,235 | \$ 4,422,915 |
| Contributions Receivable, Net of Allowances | 525,303 | 212,263 |
| Accounts Receivable, Net of Allowances | <u>2,863,669</u> | <u>3,481,624</u> |
| Total Financial Assets | <u>\$ 10,375,207</u> | <u>\$ 8,116,802</u> |

The Archdiocese has set aside, as board designated, \$10,617,810 and \$1,000,000 as of June 30, 2020 and 2019, respectively, which is not included in the table above. These designations could be made available for general expenditure upon action of the governing body.

NOTE 16 SUBSEQUENT EVENTS

In preparing these financial statements, the Chancery Corporation has evaluated events and transactions for potential recognition or disclosure through December 2, 2020, the date the financial statements were available for issuance.