

FINANCIAL REPORT

CHANCERY OFFICE OF THE CATHOLIC
DIOCESE OF JACKSON

JACKSON, MISSISSIPPI

JUNE 30, 2022

Presented by: Harper, Rains, Knight & Company, P.A.
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The Finance Council
Chancery Office of the
Catholic Diocese of Jackson
Jackson, Mississippi

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chancery Office of the Catholic Diocese of Jackson ("the Chancery"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows and functional expenses 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 Chancery as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chancery 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.

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Responsibilities of Management for the Financial Statements (continued)

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 Chancery's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 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 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 Chancery'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 Chancery's ability to continue as a going concern for a reasonable period of time.

The Finance Council
Chancery Office of the
Catholic Diocese of Jackson (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

Hoyper, Raines, Knight & Company, P.A.

January 31, 2023
Ridgeland, Mississippi

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 9,573,826	\$ 15,936,074
Other receivables	689,736	662,633
Short-term certificates of deposit	-	316,557
Prepaid expenses	<u>55,739</u>	<u>18,224</u>
Total current assets	10,319,301	16,933,488
Property and equipment, net	2,174,277	2,419,291
Investments	38,674,924	35,223,540
Loans receivables, net	<u>5,422,645</u>	<u>5,526,889</u>
Total assets	<u>\$ 56,591,147</u>	<u>\$ 60,103,208</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 575,760	\$ 532,099
Deferred support and revenue	151,120	145,700
Deposits payable to parishes and others	<u>46,454,137</u>	<u>36,787,254</u>
Total current liabilities	47,181,017	37,465,053
Accrued pension liability	<u>2,026,856</u>	<u>1,633,129</u>
Total liabilities	<u>49,207,873</u>	<u>39,098,182</u>
Net assets		
Without donor restrictions	4,115,125	17,288,108
With donor restrictions	<u>3,268,149</u>	<u>3,716,918</u>
	<u>7,383,274</u>	<u>21,005,026</u>
	<u>\$ 56,591,147</u>	<u>\$ 60,103,208</u>

The Notes to Financial Statements are an integral part of these statements.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue, support and reclassifications			
Parish assessments	\$ 5,818,480	\$ -	\$ 5,818,480
Donations	335,045	-	335,045
Investment income, net	664,766	18,494	683,260
Loan interest income	196,760	-	196,760
Unrealized and realized gain (loss) on investments	(3,361,984)	-	(3,361,984)
Grants	256,731	-	256,731
Catholic service appeal	1,297,263	-	1,297,263
Management fees	96,200	-	96,200
Registration fees and tuition	79,120	-	79,120
Newspaper and periodicals	47,223	-	47,223
Workshops and conventions	58,267	-	58,267
Insurance premiums	2,252,782	-	2,252,782
Catholic Foundation	354,003	-	354,003
Rental income	17,300	-	17,300
Gain on disposal of equipment	169,718	-	169,718
Other	79,339	-	79,339
Net assets released from restrictions	467,263	(467,263)	-
Total revenue, support and reclassifications	8,828,276	(448,769)	8,379,507
Expenses			
Salaries	1,544,469	-	1,544,469
Employee benefits	1,672,443	-	1,672,443
Insurance	2,091,877	-	2,091,877
Interest expense	234,669	-	234,669
Advertising	17,708	-	17,708
Provision for (reversal of) loan losses and bad debt expenses	(100,000)	-	(100,000)
Catholic Charities	380,973	-	380,973
Computer maintenance	28,543	-	28,543
Depreciation	275,982	-	275,982
Ecclesiastical affairs	62,896	-	62,896

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES (continued)
Year Ended June 30, 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Expenses (continued)			
Grants and contributions	\$ 13,773,528	\$ -	\$ 13,773,528
Maintenance	77,933	-	77,933
MS Catholic newspaper	222,202	-	222,202
Newspaper and periodicals	15,501	-	15,501
Office supplies	25,694	-	25,694
Pastoral	118,703	-	118,703
Professional services	385,406	-	385,406
Public relations	5,718	-	5,718
Registration fees and tuition	287,693	-	287,693
Taxes	2,108	-	2,108
Travel	22,225	-	22,225
Utilities	78,934	-	78,934
Workshops and conventions	145,117	-	145,117
Other	155,602	-	155,602
Total expenses	<u>21,525,924</u>	<u>-</u>	<u>21,525,924</u>
Change in net assets before other expense	(12,697,648)	(448,769)	(13,146,417)
Other expense			
Other pension costs	<u>475,335</u>	<u>-</u>	<u>475,335</u>
Change in net assets	(13,172,983)	(448,769)	(13,621,752)
Net assets at beginning of year	<u>17,288,108</u>	<u>3,716,918</u>	<u>21,005,026</u>
Net assets at end of year	<u>\$ 4,115,125</u>	<u>\$ 3,268,149</u>	<u>\$ 7,383,274</u>

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and reclassifications			
Parish assessments	\$ 2,866,313	\$ -	\$ 2,866,313
Donations	149,992	-	149,992
Bequest	4,433,622	857,642	5,291,264
Investment income, net	477,360	62,699	540,059
Loan interest income	218,869	-	218,869
Unrealized and realized gain on investments	1,243,752	-	1,243,752
Grants	216,239	-	216,239
Catholic service appeal	944,506	-	944,506
Management fees	88,600	-	88,600
Registration fees and tuition	67,941	-	67,941
Newspaper and periodicals	37,808	-	37,808
Workshops and conventions	17,266	-	17,266
Insurance premiums	2,133,397	-	2,133,397
Catholic Foundation	229,943	-	229,943
Rental income	16,762	-	16,762
Gain on disposal of equipment	97,585	-	97,585
Other	38,214	-	38,214
Net assets released from restrictions	<u>18,101,897</u>	<u>(18,101,897)</u>	<u>-</u>
Total revenue, support and reclassifications	<u>31,380,066</u>	<u>(17,181,556)</u>	<u>14,198,510</u>
Expenses			
Salaries	1,586,791	-	1,586,791
Employee benefits	1,244,040	-	1,244,040
Insurance	1,860,933	-	1,860,933
Interest expense	188,189	-	188,189
Advertising	21,461	-	21,461
Provision for (reversal of) loan losses and bad debt expenses	(501,539)	-	(501,539)
Catholic Charities	255,302	-	255,302
Computer maintenance	68,061	-	68,061
Depreciation	288,177	-	288,177
Ecclesiastical affairs	52,997	-	52,997

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES (continued)
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued)			
Financial aid	\$ 8,100	\$ -	\$ 8,100
Grants and contributions	18,320,421	-	18,320,421
Maintenance	74,899	-	74,899
MS Catholic newspaper	191,452	-	191,452
Newspaper and periodicals	9,146	-	9,146
Office supplies	25,532	-	25,532
Pastoral	80,640	-	80,640
Professional services	275,894	-	275,894
Public relations	9,687	-	9,687
Registration fees and tuition	268,476	-	268,476
Taxes	5,302	-	5,302
Travel	15,544	-	15,544
Utilities	87,256	-	87,256
Workshops and conventions	33,969	-	33,969
Other	121,654	-	121,654
Total expenses	<u>24,592,384</u>	<u>-</u>	<u>24,592,384</u>
Change in net assets before other expense	6,787,682	(17,181,556)	(10,393,874)
Other expense			
Other pension costs	<u>6,884</u>	<u>-</u>	<u>6,884</u>
Change in net assets	6,780,798	(17,181,556)	(10,400,758)
Net assets at beginning of year	<u>10,507,310</u>	<u>20,898,474</u>	<u>31,405,784</u>
Net assets at end of year	<u>\$ 17,288,108</u>	<u>\$ 3,716,918</u>	<u>\$ 21,005,026</u>

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$(13,621,752)	\$(10,400,758)
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Net realized and unrealized (gain) loss on investments	3,361,984	(1,243,752)
Depreciation	275,982	288,177
Gain on disposal of assets	(169,718)	(97,585)
Reversal of loan losses	(100,000)	(501,539)
Changes in assets and liabilities:		
Other receivables	(27,103)	(150,043)
Bequest receivable	-	26,224,139
Prepaid expenses	(37,515)	25,672
Accounts payable and accrued expenses	43,661	(51,286)
Deferred support and revenue	5,420	51,200
Deposits payable to parishes and others	9,666,883	716,749
Unfunded pension liability	393,727	(685,998)
Net change in cash and cash equivalents from operating activities	<u>(208,431)</u>	<u>14,174,976</u>
Cash flows from investing activities:		
Purchases of property and equipment	(96,237)	(93,993)
Proceeds from sale of property and equipment	234,987	469,118
Proceeds from maturity of certificates of deposit	316,557	140,499
Purchases of certificates of deposit	-	(316,557)
Purchases of marketable securities	(19,833,429)	(8,780,915)
Proceeds from sale of marketable securities	13,020,061	7,905,401
Issuance of loans	(1,172,149)	(1,715,273)
Repayment of loans	1,376,393	2,602,598
Net change in cash and cash equivalents from investing activities	<u>(6,153,817)</u>	<u>210,878</u>
Cash flows from financing activities:		
Payments on line of credit	-	(1,441,000)
Net change in cash and cash equivalents from financing activities	<u>-</u>	<u>(1,441,000)</u>
Net change in cash and cash equivalents	(6,362,248)	12,944,854
Cash and cash equivalents, beginning	<u>15,936,074</u>	<u>2,991,220</u>
Cash and cash equivalents, ending	<u>\$ 9,573,826</u>	<u>\$ 15,936,074</u>
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 234,669</u>	<u>\$ 188,189</u>

The Notes to Financial Statements are an integral part of these statements.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Canonical Ministries	Clergy and Religious Support	Newspaper/ Communication	Deposits and Loan Fund	Education and Formation	Other Program Funds	Property and Liability Insurance	Seminarians	Management and General	Total
Personnel	\$ 316,995	\$ 1,163,340	\$ 144,938	\$ -	\$ 404,198	\$ 101,246	\$ -	\$ 305,234	\$ 1,335,540	\$ 3,771,491
Insurance	-	-	-	-	-	-	2,257,836	-	-	2,257,836
Professional services	29,890	135	3,174	150	9,868	4,241	-	7,663	547,465	602,586
Interest	-	-	-	234,669	-	-	-	-	-	234,669
Occupancy	-	-	-	-	-	-	-	-	551,776	551,776
Charitable giving and subsidies	49,944	375,329	-	-	5,426	13,762,452	-	-	12,050	14,205,201
Other	-	-	73,266	(100,000)	-	-	-	-	61,895	35,161
Travel and professional development	-	-	-	-	-	-	-	-	68,492	68,492
Supplies	8,723	391	69,296	-	98,313	66,130	-	14,306	16,888	274,047
	<u>\$ 405,552</u>	<u>\$ 1,539,195</u>	<u>\$ 290,674</u>	<u>\$ 134,819</u>	<u>\$ 517,805</u>	<u>\$ 13,934,069</u>	<u>\$ 2,257,836</u>	<u>\$ 327,203</u>	<u>\$ 2,594,106</u>	<u>\$ 22,001,259</u>

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Canonical Ministries	Clergy and Religious Support	Newspaper/ Communication	Deposits and Loan Fund	Education and Formation	Other Program Funds	Property and Liability Insurance	Seminarians	Management and General	Total
Personnel	\$ 269,528	\$ 536,214	\$ 135,024	\$ -	\$ 459,534	\$ 113,898	\$ -	\$ 302,602	\$ 1,029,262	\$ 2,846,062
Insurance	-	-	-	-	-	-	2,020,394	-	-	2,020,394
Professional services	11,530	8,799	3,863	-	18,731	4,196	-	4,534	469,764	521,417
Interest	-	-	-	187,061	-	-	-	-	1,128	188,189
Occupancy	-	301	-	-	10	-	-	-	269,290	269,601
Charitable giving and subsidies	55,568	250,000	-	-	66,477	18,255,545	-	-	14,000	18,641,590
Other	684	530	126,445	(502,050)	7,781	51,261	-	1,008	327,170	12,829
Travel and professional development	-	13,452	-	-	-	-	-	7,330	27,108	47,890
Supplies	4,396	2,000	13,591	-	9,787	1,627	-	9,726	10,169	51,296
	<u>\$ 341,706</u>	<u>\$ 811,296</u>	<u>\$ 278,923</u>	<u>\$ (314,989)</u>	<u>\$ 562,320</u>	<u>\$ 18,426,527</u>	<u>\$ 2,020,394</u>	<u>\$ 325,200</u>	<u>\$ 2,147,891</u>	<u>\$ 24,599,268</u>

The Notes to Financial Statements are an integral part of this statement.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The nature of the organization and the significant accounting policies which have been followed by the Chancery Office of the Catholic Diocese of Jackson (the "Chancery") in preparing the accompanying financial statements are set forth below.

Organization and Operations

The Catholic Diocese of Jackson (the "Diocese") consists of 65 counties in the central and northern portions of the State of Mississippi. Titles to most church properties in the Diocese are held by the Bishop as Trustee. The Bishop has jurisdiction over 91 parishes and missions.

The purpose of the Diocese is to further the tradition of the Roman Catholic Church in the Diocese of Jackson, Mississippi, by the acceptance and prudent management of gifts and bequests of monies and properties to the Diocese, by acquiring lands incidental to establishment of new parishes and missions and by rendering financial assistance, advice and support to parishes, missions and programs of the Diocese, all to the glory of God and the spread of His Kingdom.

The accompanying financial statements include only the accounts maintained by and directly under the control of the Chancery, which include primarily the operations of the Diocesan staff at the Diocese Chancery Office in Jackson, Mississippi.

Transactions with the parishes and other organizations mentioned above (whose accounts are not consolidated in the accompanying financial statements) are recorded on their records on the basis determined by the parties. Such transactions for 2022 and 2021 include loans to/from parishes and schools, assessments to parishes, insurance premiums and other transactions from special funds and the deposit and loan fund.

Basis of Presentation

The Chancery's financial statements are presented in accordance with Financial Accounting Standards Board in its Not-for-Profit Entities topic of the FASB Accounting Standards Codification.

Basis of Accounting

The Chancery presents its financial statements on the accrual basis of accounting.

For 2022 and 2021, the Chancery maintained its accounting records for net assets without donor restrictions on a fund basis as follows:

Current Fund

The majority of all financial transactions of the Chancery are recorded in the Current Fund, which is the General Operating Fund. Contributions and donations are considered to be

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Current Fund (continued)

available for use without donor restrictions unless specifically restricted by the donor. Assessment revenue is recognized when earned, that is, when the service is performed or resource is provided to the parish or school.

Deposit and Loan Fund

The Deposit and Loan Fund is a cooperative investment and lending program established for the mutual benefit of the parishes and other institutions of the Diocese. The current maturities of loans receivable are not feasible to determine; therefore, all are considered long-term. Deposits payable to parishes and others are due on demand or have maturities of less than one year.

Net Assets

The Chancery reports information regarding its financial position and activities according to two classes of net assets: (1) net assets without donor restrictions and (2) net assets with donor restrictions. The Chancery records donor-restricted contributions for which the restrictions are met in the same reporting period as net assets without donor restrictions.

Net assets with donor restrictions are those which have been restricted by donors outside of the Chancery. 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 in the statements of activities as net assets released from restriction. Board designated net assets are certain net assets without donor restrictions designated by the Board for future use by specific programs.

Revenue

Revenue recognized from contracts with customers is reported separately in the accompanying statements of activities for the year ended June 30, 2022 and 2021, as follows:

- *Management fees and registration fees and tuition* - recorded as revenue for services provided over a period of time. Management fees are due from the Catholic Foundation quarterly for administrative support provided ratably during the fiscal year. Registration fees and tuition is revenue billed annually to the parish schools for fees and other support provided by the Chancery.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

- *Newspaper and periodicals, and workshops and conventions* - recorded as revenue at a point in time (upon delivery of the goods or service) and consists of ad revenue in Chancery publications and registration for workshops and conventions hosted by the Chancery. The ad revenue is collected when the order for an ad is placed. Registration fees for workshops and conventions is collected in a set amount of time prior to the event being held.

Donations

Contributions are recognized as revenue when unconditional promises to give are received. The Chancery reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit use of the donated assets.

Parish Assessments

Parish assessments are reported at estimated net realizable value. Assessments are based on the earnings of individual Parishes during the year. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge against the existing allowance for doubtful accounts or directly to operating expenses.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Chancery considers all highly liquid investments with maturity when purchased of three months or less to be cash equivalents. However, cash equivalents invested in money market accounts maintained or held by the Chancery's investment brokers or custodians are considered investments. Certificates of deposit with original maturities greater than three months, but less than or equal to one-year are classified as current assets. Certificates of deposit with maturities greater than one-year are classified as long-term assets (investments).

Other Receivables

Other receivables consist of all amounts expected to be received within the next 12 months. As of June 30, 2022 and 2021, management has determined that no allowance over other receivables is considered necessary. Should amounts become uncollectible, balances would be charged off to bad debt expense. As of June 30, 2022 and 2021, other receivables consisted of the following amounts:

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivables (continued)

	<u>2022</u>	<u>2021</u>
Catholic Charities - related party	\$ 195,532	\$ 126,237
Catholic Extension Grant	151,120	155,700
Other receivables	<u>343,084</u>	<u>380,696</u>
Balance at end of year	<u>\$ 689,736</u>	<u>\$ 662,633</u>

Bequest receivable

The Chancery received a bequest for the sole use, benefit and welfare of St. Joseph Catholic Church and Parish. The will was validated in probate court in December 2018, and accordingly, the Chancery recorded the gift at the estimated fair market value of the assets at this time. The bequest consisted of a combination of cash and cash equivalents, debt and equity securities and other financial assets. The change in fair market value of the marketable securities from June 30, 2019, until the bequest was received in full during fiscal year 2021 was recognized in bequest income in the 2021 statement of activities.

Investments

The Chancery reports all investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value for assets and liabilities required to be recorded at fair value, the Chancery considers the principal or the most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance.

Although the Chancery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. See Note 2 for a discussion of fair value measurements.

Gains or losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted.

Investment income is presented net of investment management fees of \$154,169 and \$133,784 for the years ending June 30, 2022 and 2021, respectively.

The Chancery invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

Property and Equipment

Property and equipment acquisitions are recorded at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Maintenance and repairs are expensed in the period incurred; major renewals and betterments are capitalized. When items of property are sold or retired, the related costs are removed from the accounts and any gain or loss is included in income. The Chancery capitalizes all property and equipment additions valued at \$1,000 and having a useful life of more than one year. In addition, the policy provides for the capitalization of works of art valued at \$1,000 and having a useful life of more than one year. Depreciation is provided over the estimated useful lives using the straight-line method.

Property and equipment at June 30, 2022 and 2021, are as follows:

	<u>Estimated useful life</u>	<u>2022</u>	<u>2021</u>
Land	--	\$ 41,183	\$ 41,183
Buildings	30 years	3,353,115	3,590,747
Furniture and equipment	3-10 years	536,392	474,897
Automotive equipment	3 years	70,132	96,377
Works of art	--	68,256	68,256
Software	3 years	<u>130,692</u>	<u>108,442</u>
Total property and equipment		4,199,770	4,379,902
Accumulated depreciation		<u>2,025,493</u>	<u>1,960,611</u>
Net property and equipment		<u>\$ 2,174,277</u>	<u>\$ 2,419,291</u>

The Chancery periodically evaluates whether current facts or circumstances indicate that the carrying amount of its depreciable and non-depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable

Loans receivable which consists of advances to parishes or schools within the Diocese are stated at the amount of unpaid principal, less an allowance for credit losses. The allowance is based on management's estimate of the amount necessary to absorb losses on existing loans. Management's estimate is based on a review of specific loans and current economic conditions.

The Chancery has a policy in which delinquent loans are never placed in a non-accrual status due to the nature of the relationship between the parishes and the Chancery and the fact that the Bishop has jurisdiction over all parishes within the Diocese. Accordingly, as of June 30, 2022 and 2021, the Chancery has no past due loans on which accrual of interest has been discontinued. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loans are charged-off, wholly or partially, as appropriate, at the time they are determined to be uncollectible. An analysis of the activity in the allowance account during the years ended June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 866,292	\$ 1,368,341
Provision (reversal) for loan losses	(100,000)	(501,539)
Charge-offs	<u>-</u>	<u>(510)</u>
Balance at end of year	<u>\$ 766,292</u>	<u>\$ 866,292</u>

The aging of loan receivables as of June 30, 2022, is as follows:

	<u>Days Delinquent:</u>			<u>Current</u>	<u>Total</u>
	<u>30-59 days</u>	<u>60-89 days</u>	<u>Greater than 90 Days</u>		
Loans receivable, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,422,645</u>	<u>\$ 5,422,645</u>

The aging of loan receivables as of June 30, 2021, is as follows:

	<u>Days Delinquent:</u>			<u>Current</u>	<u>Total</u>
	<u>30-59 days</u>	<u>60-89 days</u>	<u>Greater than 90 Days</u>		
Loans receivable, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,706,046</u>	<u>\$ 2,820,843</u>	<u>\$ 5,526,889</u>

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract Assets and Liabilities

Contract assets represents amounts related to services provided that have not been billed and that do not meet the conditions of unconditional rights to payment. The Chancery does not report any contract assets in the accompanying statements of financial position as of June 30, 2022 and 2021. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. The Chancery reports such contract liabilities as deferred revenue in the accompanying statements of financial position as of June 30, 2022 and 2021.

Advertising

The Chancery expenses all advertising costs related to fundraising activities and programs as incurred.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in determining the unfunded pension liability, allowance for credit losses, functional allocation of expenses, useful lives of fixed assets and fair value amounts at year-end. It is at least reasonably possible that the significant estimates used will change within the next year.

Concentration of credit risk

The Chancery has deposits with various financial institutions that, at times, exceed federally insured limits. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of June 30, 2022, the Chancery had demand deposits in local banks of \$864,978 in excess of amounts insured by the FDIC. The Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Liquidity and Availability

The following represents the Chancery's financial assets available for general expenditures at June 30, 2022 and 2021:

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability (continued)

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 9,573,826	\$ 15,936,074
Receivables	689,736	662,633
Short-term certificates of deposit	<u>-</u>	<u>316,557</u>
Total financial assets	<u>10,263,562</u>	<u>16,915,264</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,263,562</u>	<u>\$ 16,915,264</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to implied time restrictions, but are expected to be collected within one year. The Chancery has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,384,000 and \$1,118,000 for 2022 and 2021, respectively. The Chancery has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, the Chancery has net assets with donor restrictions of \$3,268,149 and \$3,716,918 for 2022 and 2021, respectively, which could potentially reduce the amount of financial assets available to meet general expenditures based upon when the funds are released from restriction. In addition, as part of its liquidity management the Chancery invests cash in various investments, including certificates of deposit, fixed income securities and pooled investment funds. As more fully described in Note 4, the Diocese also has committed lines of credit, which it could draw upon in the event of an unanticipated liquidity need.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are reported on a functional and natural basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Chancery is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Chancery has no unrecognized tax benefits identified or recorded at June 30, 2022 and 2021. The Chancery would recognize interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of lease assets and lease liabilities for operating leases on the balance sheet of lessees and the disclosure of key information about leasing arrangements. This new accounting standard will be effective for the Chancery's 2023 financial statements. Its impact has not yet been determined.

Subsequent Events

Subsequent events were evaluated by the Chancery through January 31, 2023, which is the date the financial statements were available to be issued.

NOTE 2 • FAIR VALUE MEASUREMENTS

Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or the liabilities.

Level 3: Inputs that are not observable on the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Listed below are the recorded amount of assets measured at fair value on a recurring basis in the statement of financial position as of June 30, 2022:

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 2 • FAIR VALUE MEASUREMENTS (continued)

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 671,582	\$ -	\$ 671,582
Governmental securities	-	13,609,357	-	13,609,357
Corporate bonds	-	16,536,164	-	16,536,164
Pooled investment fund	-	7,857,821	-	7,857,821
	<u>\$ -</u>	<u>\$ 38,674,924</u>	<u>\$ -</u>	<u>\$ 38,674,924</u>

Listed below are the recorded amount of assets measured at fair value on a recurring basis in the statement of financial position as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,133,468	\$ -	\$ 1,133,468
Governmental securities	-	11,038,863	-	11,038,863
Corporate bonds	-	15,709,574	-	15,709,574
Pooled investment fund	-	7,341,635	-	7,341,635
	<u>\$ -</u>	<u>\$ 35,223,540</u>	<u>\$ -</u>	<u>\$ 35,223,540</u>

NOTE 3 • RELATED PARTY TRANSACTIONS

The Chancery has a relationship with Catholic Charities, Inc. in which Catholic Charities, Inc. receives a direct subsidy from the Catholic Service Appeal. The Catholic Service Appeal is the annual giving campaign of the Chancery. Catholic Charities, Inc. received \$375,329 and \$250,000 for the years ended June 30, 2022 and 2021, respectively. Additionally, the Chancery has a receivable from Catholic Charities, Inc. as of June 30, 2022 and 2021, which is disclosed in Note 1.

NOTE 4 • LINES OF CREDIT

The Chancery had a \$1,500,000 line of credit to meet short-term financing needs with Regions Bank until it was closed October 5, 2021. The line of credit was unsecured, and interest was payable monthly at the financial institution's floating prime rate of 3.25 percent as of October 5, 2021 and June 30, 2021, respectively. As of October 5, 2021 and June 30, 2021, the Chancery did not maintain a balance on this line of credit. As of October 5, 2021 and June 30, 2021, the unused portion of the balance of this line of credit was \$1,500,000.

The Chancery had a \$2,920,528 and \$20,233,456 line of credit at June 30, 2022 and 2021, respectively, with Wells Fargo Advisors to meet short-term financing needs. The line of credit is secured by the investments in the Chancery's account and interest is paid monthly at the financial

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 4 • LINES OF CREDIT (continued)

institution's floating prime rate of 4.00 percent and 3.25 percent of as of as of June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Chancery did not maintain a balance on this line of credit. As of June 30, 2022 and 2021, the unused portion of the balance of this line of credit was \$2,920,528 and \$20,233,456, respectively.

NOTE 5 • NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pastoral	\$ 858,767	\$ 858,756
St. Joseph Church and Parish	-	467,264
Educational	737,596	719,112
Supplementary benefits to retired priests	24,979	24,979
Low income housing	377,910	377,910
Property - Bishop's discretion	1,260,123	1,260,123
Bishop Houck Archive Fund	8,774	8,774
	<u>\$ 3,268,149</u>	<u>\$ 3,716,918</u>

NOTE 6 • PENSION PLANS

Pension Plan for Employees

The Chancery participates with Catholic Charities, Inc. in the Pension Plan for Employees of the Catholic Diocese of Jackson (the "Plan"), which is a multiple employer defined benefit Plan. The Plan is an insured non-contributory Plan that covers lay employees who have attained the age of twenty-one (21) and completed one year of service. Effective June 30, 2014, the Diocese closed the Plan to new participants and froze the benefit accruals of all participants.

Employees are fully vested after seven (7) years of service based on a graduated vesting schedule and the normal retirement age is defined as the employee's 65th birthday, but the Plan also provides for early retirement, disability and death benefits.

Benefits are provided through an insurance contract and are based on years of service and average monthly earnings. Funding is accomplished through annual actuarially determined employer contributions based on the anticipated funding of employees' pension benefits spread over the period from their dates of employment to their dates of retirement.

A reconciliation of the beginning and ending balances of the actuarial present value of accumulated plan benefits are as follows:

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 • PENSION PLANS (continued)

Pension Plan for Employees (continued)

	<u>2022</u>	<u>2021</u>
Actuarial present value of accumulated plan benefits, beginning of year	\$ 11,981,694	\$ 12,177,748
Increase (decrease) attributable to:		
Passage of time	599,085	608,887
Benefits accumulated	156,497	(44,869)
Benefits paid	(671,614)	(676,567)
Change in assumptions	<u>-</u>	<u>(83,505)</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 12,065,662</u>	<u>\$ 11,981,694</u>

Net periodic pension cost for the years ended June 30, 2022 and 2021, includes the following components:

	<u>2022</u>	<u>2021</u>
Interest cost on projected benefit obligation	\$ 599,085	\$ 608,887
Actual return on assets	(327,311)	(302,662)
Amortization of unrecognized net (gain) or loss	<u>543,547</u>	<u>612,450</u>
Net periodic pension cost	<u>\$ 815,321</u>	<u>\$ 918,675</u>

The following table sets forth the Plan's funded status as of the measurement dates of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ 12,065,662	\$ 11,981,694
Fair value of plan assets	<u>5,943,714</u>	<u>6,546,225</u>
Unfunded accrued liability	<u>\$ (6,121,948)</u>	<u>\$ (5,435,469)</u>

The pension plan for employees is a multiple employer plan. As such, the Chancery's proportionate share of the unfunded accrued liability as reported in the accompanying statements of financial position is \$1,793,731 and \$1,554,376 as of June 30, 2022 and 2021, respectively.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 • PENSION PLANS (continued)

Pension Plan for Employees (continued)

A comparison of the accumulated plan benefits and plan net assets as of the latest dates available is as follows:

	<u>2022</u>	<u>2021</u>
Actuarial present value of accumulated plan benefits	<u>\$ 12,065,662</u>	<u>\$ 11,981,694</u>
Net assets available for benefit	<u>\$ 5,943,714</u>	<u>\$ 6,546,225</u>

Assumptions

Weighted-average assumptions used to determine benefit obligations at June 30 is as follows:

Discount rate	5%	5%
Rate of compensation increase	0%	0%
Expected long-term return on plan assets	5%	5%

Weighted-average assumptions used to determine net periodic benefit cost at June 30 is as follows:

Discount rate	5%	5%
Rate of compensation increase	0%	0%
Expected long-term return on plan assets	5%	5%

The general approach for determining the long-term rate of return assumptions is to use a weighted average of expected returns for each major asset class, based on the target asset allocation percentages incorporated in the Plan's investment strategy.

Plan Assets

The Plan's investment strategy is to invest in high quality investment grade securities through various equity security and fixed income mutual funds. The Plan intends to limit risk while maintaining a portfolio which will produce a level of investment income adequate to fund the requirements of the Plan in perpetuity.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 • PENSION PLANS (continued)

Plan Assets (continued)

The Plan's fair value of pension plan investments and weighted-average asset allocations at June 30, 2022 and 2021, by asset category is as follows:

<u>Asset Category</u>	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Level 1				
Cash and money market	\$ 280,871	4.7%	\$ 564,222	8.6%
Mass Mutual general account	4,261,199	71.7%	4,544,781	69.4%
Common stocks	361,910	6.1%	444,838	6.8%
Mutual funds	<u>1,039,492</u>	<u>17%</u>	<u>992,384</u>	<u>15%</u>
	<u>5,943,472</u>	<u>100.0%</u>	<u>6,546,225</u>	<u>100.0%</u>
Level 2				
None				
Level 3				
Other receivables	<u>242</u>	<u>0%</u>	<u>-</u>	<u>0%</u>
	<u>242</u>	<u>0%</u>	<u>-</u>	<u>0%</u>
Total	<u>\$ 5,943,714</u>	<u>100.0%</u>	<u>\$ 6,546,225</u>	<u>100.0%</u>

Cash Flows

Contributions to the Plan from all participating employers were \$155,567 and \$663,542, respectively, during the 2022 and 2021 measurement dates. The expected contribution to the Plan from all participating employers in 2023 is \$491,241.

Total benefits paid were \$671,614 and \$676,567 as of June 30, 2022 and 2021, respectively.

The financial health of the multiple-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the Plan as certified by the Plan's actuary. Plans in the red zone are less than 65 percent funded, the yellow zone are between 65 percent and 80 percent funded and the green zone are at least 80 percent funded. The Plan was in the red zone for years ended June 30, 2022 and 2021. Because the Plan is a church plan and is not subject to ERISA requirements, a funding improvement plan is not required.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 • PENSION PLANS (continued)

Pension Plan for Priests

The Chancery participates with The Catholic Diocese of Biloxi in the Association of Priests of the Dioceses of Biloxi/Jackson Retirement Plan (the "Plan"), which is a multi-employer defined benefit Plan. As discussed above, the risks of participating in multi-employer plans are different from single-employer plans.

Employees are fully vested after seven (7) years of service based on a graduated vesting schedule and the normal retirement age is defined as the employee's 65th birthday, but the Plan also provides for early retirement and disability.

Funding is accomplished through annual actuarially determined employer contributions based on the anticipated funding of employees' pension benefits spread over the period from their dates of employment to their dates of retirement.

The measurement date for the pension plan for priests is January 1. As of January 1, 2022 and 2021, the Plan assets totaled \$8,438,278 and \$7,419,309, respectively. The annual contributions to the Plan for the years ended December 31, 2021 and 2020, totaled \$348,870 and \$326,417, respectively. As of January 1, 2022 and 2021, the Plan's accumulated benefit obligation totaled \$7,470,028 and \$7,575,814, respectively. Total benefits paid were \$618,198 and \$603,261 for the year ended December 31, 2021 and 2022, respectively. The pension plan was in an overfunded status in the amount of \$968,250 at the measurement date of January 1, 2022, however, the pension plan's status had changed to an estimated unfunded accrued liability of \$466,250 at June 30, 2022, primarily due to decreases in the market value of the Plan assets. The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the Plan as certified by the Plan's actuary. Plans in the red zone are less than 65 percent funded, the yellow zone are between 65 percent and 80 percent funded and the green zone are at least 80 percent funded. The Plan was in the green zone for the years ended June 30, 2022 and 2021. The pension plan for priests is a multi-employer plan. As such, the Chancery's proportionate share of the accrued contribution as reported in the accompanying statements of financial position is \$233,125 and \$78,753 as of June 30, 2022 and 2021, respectively.

Combined Accrued Liability

The Chancery's accrued pension liability for the pension plan for employees and priests as reported in the accompanying statements of financial position at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Pension plan for employees	\$ (1,793,731)	\$ (1,554,376)
Pension plan for priests	<u>(233,125)</u>	<u>(78,753)</u>
Accrued pension liability	<u>\$ (2,026,856)</u>	<u>\$ (1,633,129)</u>

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 7 • DEFINED CONTRIBUTION PLAN

Effective July 1, 2014, the Chancery established a defined contribution 401(k) plan with Mutual of America ("the 401(k) Plan"). The 401(k) Plan covers all full-time employees except relief staff.

The Chancery matches 100 percent of the elective contributions not to exceed 4 percent of compensation received during the Plan year. In addition, the Chancery makes an employer base contribution equal to 2 percent of compensation for the Plan year.

Participants must be at least twenty-one (21) years of age and have completed one (1) year of service or at least 501 hours of service within that twelve (12) month period to receive employer matching contributions. The 401(k) Plan offers both pre-tax and Roth options. For the years ended June 30, 2022 and 2021, employer contributions made to the 401(k) Plan were \$84,786 and \$89,8107, respectively. This has been included in employee benefits on the statements of activities.

NOTE 8 • GRANTS AND CONTRIBUTIONS

Grants and contributions for the year ended June 30, 2022, included a \$13,523,637 distribution to the St. Joseph Catholic Church and Parish. This distribution represents the earnings remaining from the \$25,541,107 bequest for the benefit of the Church and Parish that was recognized as donor restricted revenue in 2019.

NOTE 9 • COMMITMENTS AND CONTINGENCIES

Litigation

The Chancery is involved in litigation arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the Chancery's future financial position or on the results of its future operations.

Unasserted Claims

The Chancery may be potentially liable for unasserted claims arising in the normal course of business. Based on consultations with legal counsel, it is not possible at this time to evaluate the likelihood an unfavorable outcome on ongoing matters or to estimate the amount or material adverse effect on the Chancery's future financial position or on the results of its future operations.

Religious Order and Indian Priest Retirement

During the year ending 2018, the Chancery began outsourcing priests from the Religious Orders and the Diocese of India. The Chancery is committed to pay funds towards those individuals health care and insurance. For the year ended June 30, 2022, the Chancery paid \$72,000 towards 21 priests and an Archdiocese from the Religious Orders and paid \$45,000 towards the priest from the Diocese of India. For the year ended June 30, 2021, the Chancery paid \$85,500 towards the 21 priests from the Religious Orders and paid \$49,500 toward the priests from the Diocese of India.