

Combined Financial Statements and  
Report of Independent Certified Public  
Accountants

**Chancery Office of the Roman Catholic  
Diocese of Paterson and Affiliates**

June 30, 2024 and 2023

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Most Reverend Kevin J. Sweeney  
Bishop of the Roman Catholic Diocese of Paterson

**Opinion**

We have audited the combined financial statements of the Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates (collectively, the “Chancery”), which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Chancery as of June 30, 2024 and 2023, 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 of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 the combined financial statements are available to be issued.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

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

*Grant Thornton LLP*

Iselin, New Jersey  
April 14, 2025

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

**As of June 30,**

	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,885,720	\$ 19,107,882
Restricted cash for insurance claim payable	9,756,211	10,500,639
Accounts and loans receivable, net	6,179,722	5,807,149
Investments, at fair value	64,696,845	53,924,130
Mortgages receivable	3,865,680	3,888,528
Crypt inventory	10,204,652	10,346,100
Land, buildings and equipment, net	12,271,636	12,200,988
Other assets	<u>787,803</u>	<u>765,087</u>
Total assets	<u><u>\$ 117,648,269</u></u>	<u><u>\$ 116,540,503</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,380,699	\$ 2,821,440
Insurance claim payable	9,756,211	10,500,639
Amounts payable to related parties	37,852,052	36,996,892
Debt obligations	1,665,584	1,706,926
Conditional asset retirement obligations	8,262,214	7,722,417
Reserves for self-insurance	4,194,206	3,459,727
Obligations due under split-interest agreements	173,977	130,024
Liability for postretirement benefits	<u>12,694,928</u>	<u>12,751,314</u>
Total liabilities	<u>77,979,871</u>	<u>76,089,379</u>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	38,867,343	39,685,371
With donor restrictions	<u>801,055</u>	<u>765,753</u>
Total net assets	<u>39,668,398</u>	<u>40,451,124</u>
Total liabilities and net assets	<u><u>\$ 117,648,269</u></u>	<u><u>\$ 116,540,503</u></u>

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

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**COMBINED STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains and other support</b>			
Parish assessments	\$ 6,159,747	\$ -	\$ 6,159,747
Annual appeal	3,638,505	-	3,638,505
Contributions	666,048	-	666,048
Rental income	418,306	-	418,306
Cemetery income	1,013,315	-	1,013,315
Property and liability insurance program	11,864,349	-	11,864,349
Employee benefits program	23,804,608	-	23,804,608
Other	1,125,541	-	1,125,541
Central lending agency program	289,800	-	289,800
Interest and dividend income	3,115,382	16,650	3,132,032
Net unrealized and realized gain	3,245,231	18,652	3,263,883
<b>Total revenues, gains and other support</b>	<b>55,340,832</b>	<b>35,302</b>	<b>55,376,134</b>
<b>Expenses</b>			
Programs:			
Evangelization	2,085,649	-	2,085,649
Social ministry	1,112,108	-	1,112,108
Pastoral	5,133,664	-	5,133,664
Communications	292,937	-	292,937
Annual appeal	270,080	-	270,080
Schools subsidies and other educational expenses	1,787,062	-	1,787,062
Cathedral renovation subsidy	132,327	-	132,327
Cemetery - cost of sales and expenses	1,148,315	-	1,148,315
Property and liability insurance program	11,920,471	-	11,920,471
Employee benefits program	21,337,971	-	21,337,971
Central lending agency program	1,444,545	-	1,444,545
Property rental	408,569	-	408,569
<b>Total program expenses</b>	<b>47,073,698</b>	<b>-</b>	<b>47,073,698</b>
Supporting services:			
General and administration	8,556,542	-	8,556,542
Fundraising	471,756	-	471,756
<b>Total supporting services expenses</b>	<b>9,028,298</b>	<b>-</b>	<b>9,028,298</b>
<b>Total expenses</b>	<b>56,101,996</b>	<b>-</b>	<b>56,101,996</b>
Change in net assets before postretirements-related changes other than service cost	(761,164)	35,302	(725,862)
Postretirement-related changes other than service cost	56,864	-	56,864
<b>CHANGE IN NET ASSETS</b>	<b>(818,028)</b>	<b>35,302</b>	<b>(782,726)</b>
<b>Net assets, beginning of year</b>	<b>39,685,371</b>	<b>765,753</b>	<b>40,451,124</b>
<b>Net assets, end of year</b>	<b>\$ 38,867,343</b>	<b>\$ 801,055</b>	<b>\$ 39,668,398</b>

The accompanying notes are an integral part of this combined financial statement.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**COMBINED STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains and other support</b>			
Parish assessments	\$ 6,246,978	\$ -	\$ 6,246,978
Annual appeal	3,726,457	-	3,726,457
Contributions	1,216,558	-	1,216,558
Rental income	150,127	-	150,127
Cemetery income	865,665	-	865,665
Property and liability insurance program	10,495,021	-	10,495,021
Employee benefits program	23,552,787	-	23,552,787
Other	1,130,497	-	1,130,497
Central lending agency program	242,455	-	242,455
Interest and dividend income	2,170,030	15,825	2,185,855
Net unrealized and realized gain	2,014,656	17,787	2,032,443
Gain on sale of property/land	12,526,282	-	12,526,282
<b>Total revenues, gains and other support</b>	<b>64,337,513</b>	<b>33,612</b>	<b>64,371,125</b>
<b>Expenses</b>			
Programs:			
Evangelization	1,995,942	-	1,995,942
Social ministry	1,095,951	-	1,095,951
Pastoral	5,134,141	-	5,134,141
Communications	202,597	-	202,597
Annual appeal	297,479	-	297,479
Schools subsidies and other educational expenses	1,818,145	-	1,818,145
Cathedral renovation subsidy	136,210	-	136,210
Cemetery - cost of sales and expenses	1,022,529	-	1,022,529
Property and liability insurance program	9,487,817	-	9,487,817
Employee benefits program	21,513,697	-	21,513,697
Central lending agency program	794,666	-	794,666
Bad debt expense	1,009,364	-	1,009,364
Property rental	419,617	-	419,617
<b>Total program expenses</b>	<b>44,928,155</b>	<b>-</b>	<b>44,928,155</b>
Supporting services:			
General and administration	7,594,503	-	7,594,503
Fundraising	424,273	-	424,273
<b>Total supporting services expenses</b>	<b>8,018,776</b>	<b>-</b>	<b>8,018,776</b>
<b>Total expenses</b>	<b>52,946,931</b>	<b>-</b>	<b>52,946,931</b>
Change in net assets before postretirements-related changes other than service cost	11,390,582	33,612	11,424,194
Postretirement-related changes other than service cost	(4,194,742)	-	(4,194,742)
<b>CHANGE IN NET ASSETS</b>	<b>15,585,324</b>	<b>33,612</b>	<b>15,618,936</b>
<b>Net assets, beginning of year</b>	<b>24,100,047</b>	<b>732,141</b>	<b>24,382,188</b>
<b>Net assets, end of year</b>	<b>\$ 39,685,371</b>	<b>\$ 765,753</b>	<b>\$ 40,451,124</b>

The accompanying notes are an integral part of this combined financial statement.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**COMBINED STATEMENTS OF CASH FLOWS**

**For the years ended June 30,**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (782,726)	\$ 15,618,936
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	625,143	598,583
Bad debt expense	-	1,009,364
Unrealized and realized appreciation in fair value of investments	(3,263,883)	(2,032,443)
Gain on sale of land, building and equipment	-	(12,526,282)
Accretion of interest on conditional asset retirement obligations	539,797	511,587
Changes in assets and liabilities:		
Accounts and loans receivable	(372,573)	(9,038)
Crypt inventory	141,448	89,907
Other assets	(22,716)	171,513
Accounts payable and accrued expenses	559,259	(815,919)
Reserves for self-insurance	734,479	(356,188)
Obligations due under split-interest agreements	43,953	37,452
Liability for postretirement benefits	(56,386)	(3,966,870)
Net cash used in operating activities	<u>(1,854,205)</u>	<u>(1,669,398)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	(641,396)	2,490,602
Purchases of investments	(6,867,436)	(8,786,189)
Proceeds from sale of land, building and equipment	-	9,838,253
Payments received on mortgage receivable	22,848	20,001
Purchases of land, buildings, and equipment	<u>(695,791)</u>	<u>(322,329)</u>
Net cash (used in) provided by investing activities	<u>(8,181,775)</u>	<u>3,240,338</u>
<b>Cash flows from financing activities:</b>		
Deposits received from related parties	5,081,519	5,188,184
Repayment of deposits received from related parties	(4,226,359)	(3,836,572)
Cash (paid) received for insurance claim payable	(744,428)	1,758,404
Cash received for sale of easement revenue	-	1,650,000
Principal repayments of debt and finance lease obligations	<u>(41,342)</u>	<u>(247,895)</u>
Net cash provided by financing activities	<u>69,390</u>	<u>4,512,121</u>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<u>(9,966,590)</u>	<u>6,083,061</u>
<b>Cash, cash equivalents, and restricted cash at beginning of the year</b>	<u>29,608,521</u>	<u>23,525,460</u>
<b>Cash, cash equivalents, and restricted cash at end of the year</b>	<u><u>\$ 19,641,931</u></u>	<u><u>\$ 29,608,521</u></u>

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



## **Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

### **NOTES TO COMBINED FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

#### **NOTE 1 - NATURE OF THE ENTITY**

The Roman Catholic Diocese of Paterson (the "Diocese") is a separately incorporated entity in the State of New Jersey. The Diocese has ultimate responsibility and oversight of all Roman Catholic Church entities in the counties of Passaic, Morris, and Sussex in Northern New Jersey. The Diocese is under the leadership of Reverend Kevin J. Sweeney who was ordained the 8th Bishop of the Diocese of Paterson on July 1, 2020. The Diocese provides oversight to the parishes, schools, agencies, and ministries that serve the 425,000 Catholics who live in the geographic area of the Diocese. This oversight comes from both civil law and Canon Law declaring the authority and responsibilities of the Diocese.

The accompanying combined financial statements reflect the financial activities of the Chancery Office of the Roman Catholic Diocese of Paterson (which includes the assets, liabilities, net assets, and activities of the central business operations, the self-insurance programs, the catastrophic healthcare plan for Diocesan priests), the Diocese of Paterson Mission Fund, Inc., the Diocese of Paterson Catholic Education Trust and Calvary Cemetery (collectively referred to as the "Chancery"). The Chancery's accounts do not include the assets, liabilities, net assets, or activities of individual parishes, missions, schools, and social service organizations, among others. These entities may or may not be separately incorporated; however, each is distinct from the Chancery and maintains separate financial records.

The Chancery provides financing, investing, employee benefit programs and other services to various Diocesan affiliated organizations that include, but are not limited to Diocesan parishes, educational institutions, social service agencies, and cemeteries, which share a common mission with the Bishop of Paterson.

The Diocese of Paterson Mission Fund, Inc. ("Mission Fund") commenced operations in May 2015. The Mission Fund is a separately incorporated 501(c)(3) organization that was created to assist the Diocese in fulfilling its religious, charitable and educational mission by providing funding for education, religious personnel development, health care needs, poor parishes and long-term capital needs. The Diocese is the sole member of the Mission Fund.

The Diocese of Paterson Catholic Education Trust ("Education Trust") was also established in May 2015 to hold in trust, funds designated for Catholic education as well as for the maintenance of the infrastructure which supports education in Diocesan parishes, schools and other Diocesan organizations located within the Diocese. The Bishop of Paterson serves as trustee of the Education Trust.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation***

The accompanying combined financial statements have been prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP"). All inter-entity transactions have been eliminated in combination. The following represents the Chancery's significant accounting policies.

The Chancery's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Chancery and changes therein are classified and reported as follows:

##### ***Net Assets Without Donor Restrictions***

Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Trustees and management, for the Chancery to utilize in any of its programs or supporting services. Net assets without donor restrictions may also be designated for specific purposes by the Chancery's Board of Trustees or may be limited by legal requirements or contractual agreements with outside parties.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

*Net Assets With Donor Restrictions*

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require the Chancery to use or expend the gifts as specified, based on purpose or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the donor-restricted net assets are reclassified to net assets without donor restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.

Net assets with donor restrictions also includes the corpus of gifts, which must be maintained in perpetuity, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Net assets without donor restrictions consist of the following subcategories:

*Undesignated Net Assets* - include all funds that are expendable, at the discretion of the Chancery, for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose(s).

*Designated Net Assets* - include amounts set aside for specific program service needs and used at the sole discretion of the Bishop of Paterson. However, the operating use of these resources is not externally restricted.

Net assets without donor restrictions at June 30, 2024 and 2023 consist of the following:

	2024	2023
Prepare The Way	\$ 14,682,316	\$ 14,312,608
Diocese of Paterson Mission Funds, Inc.	3,883,761	3,963,844
Diocese of Paterson Catholic Education Trust	9,506,867	9,346,442
Other designated funds	605,930	560,228
Perpetual care of cemetery property	10,334,267	10,334,267
Total designated net assets	39,012,960	38,517,389
Undesignated net assets	(145,617)	1,167,982
Total net assets without donor restrictions	<u>\$ 38,867,343</u>	<u>\$ 39,685,371</u>

Designated net assets are to address the pastoral, charitable and financial needs of parishes, schools and Diocesan ministries and to be used for the long-term care and maintenance of cemetery lots and mausoleums. Although the Chancery does not intend to spend amounts from its net assets designated by the Bishop, if necessary, certain funds could be made available by the Bishop of Paterson.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Net assets with donor restrictions at June 30, 2024 and 2023 consisted of the following:

	2024	2023
For use in subsequent fiscal periods	\$ 116,336	\$ 116,336
For support of specific programs	430,367	395,065
Endowment gift invested and maintained in perpetuity	254,352	254,352
	<hr/>	<hr/>
Total net assets with donor restriction	\$ 801,055	\$ 765,753
	<hr/>	<hr/>

***Cash and Cash Equivalents***

The Chancery considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in the Chancery's investment portfolio which are held for long-term investment purposes.

***Investments***

Investments in equity and debt securities with readily determinable fair values are recorded at fair value determined on the basis of quoted market values.

The Chancery's alternative investments in certain not-readily-marketable securities consist of hedge funds for which market values are not readily obtainable. The estimated value provided by these managers may differ from actual values had a ready market for these investments existed. The Chancery follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value; and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, the Chancery follows guidance that removes the requirement to categorize, within the fair value hierarchy, all investments for which the fair value is measured using NAV.

All investments are managed by outside investment advisors subject to the review, approval, and control by the Chancery. Such valuations involve assumptions and methods that are reviewed by the Chancery.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost and are recorded in the combined statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

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

***Fair Value Measurements***

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

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

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

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Chancery. The Chancery considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Chancery's perceived risk of that instrument.

***Concentration of Market and Credit Risks***

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. The Chancery maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Chancery's cash accounts are placed with high-credit quality financial institutions, and the Chancery's investment portfolio is diversified with several investment managers in a variety of asset classes. The Chancery regularly evaluates its depository arrangements and investments, including performance thereof.

***Split-Interest Agreements***

Assets held under charitable gift annuities, with the Chancery acting as trustee, are included in investments. A portion of the contributed assets is considered to be a charitable contribution and has been recognized as a contribution without donor restrictions at the date of the gift unless otherwise stipulated by the donor. When the terms of the gift annuity have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor and will be recognized as a contribution at that time. Under the Chancery's charitable gift annuities program where the Chancery is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other life beneficiaries. The discount rates used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2024 and 2023 was 1.4%.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

As of June 30, 2024 and 2023, all of the Chancery's charitable gift annuities are administered on behalf of The Catholic Foundation of the Diocese of Paterson, Inc. (the "Foundation"). The Foundation, an affiliate of the Chancery, is a separately incorporated entity in the State of New Jersey that was established in fiscal 2012 for the purpose of raising funds to provide grants to Diocesan sponsored programs and causes. In connection with these charitable gift annuities, the Chancery has obligations due under split-interest agreements to annuitants of \$40,682 and \$43,023 as of June 30, 2024 and 2023, respectively. As the Foundation has been specified as the residuary beneficiary of the gift annuity arrangements, the Chancery also has recorded a liability of \$38,322 due to the Foundation as of June 30, 2024 and 2023, which is included within amounts payable to related parties on the accompanying combined statements of financial position.

In connection with these charitable gift annuities, the Chancery has established annuity funds which are invested in fixed income, exchange-traded funds and money market funds. The assets of the annuity funds at June 30, 2024 and 2023 totaled \$217,416 and \$201,021, respectively, and include additional amounts set aside by the Chancery for state-mandated insurance reserves, which are maintained at the required level.

***Accounts, Loans and Contributions Receivable***

Accounts and loans receivable relate primarily to amounts due from parish assessments, employee benefits, and insurance premiums and loans to parishes, educational institutions, and other Diocesan affiliated organizations that are in financial need bearing interest at a fixed rate of 3.31% for the years ended June 30, 2024 and 2023. Contributions receivable relate primarily to unconditional promises to give to be received in future periods. Because of the uncertainty surrounding the collection, management provides an allowance for credit losses based on consideration of the type of receivable, responsible party, the known financial condition of the respective parish or Diocesan affiliated organization, historical collection patterns and comparative aging. These allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. These estimates are reviewed periodically and if the financial condition of the responsible party changes significantly, the Chancery will re-evaluate the recoverability of any accounts, loans and contributions receivable from that organization. The Chancery writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

***Land, Buildings, and Equipment***

Land, buildings, and equipment are stated at cost, or in the case of donations, at fair value on the date of the gift. Additions and improvements costing more than \$2,000 and with useful lives greater than one year are capitalized. Maintenance and repairs are expensed as incurred. Depreciation expense is calculated using the straight-line method over the following useful lives:

	Years
Building	40
Building and land improvements	10 - 20
Furniture and fixtures	10
Machinery and equipment	3 - 10

***Crypt Inventory***

Crypt inventory, which represents the cost of each unsold space, is stated at the lower of cost (computed based on the allocation of total costs incurred in the construction of the mausoleums) or market. As sales are made, inventory is reduced by the cost of the space sold.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Amounts Payable to Related Parties***

Amounts received and held by the Chancery on behalf of related parties are recorded as amounts payable to related parties on the combined statements of financial position. These amounts primarily relate to deposits from parishes, schools, social service agencies and various Diocesan affiliated organizations made to the Central Lending Agency program administered by the Chancery, bearing interest at a fixed rate of 1.31% for the year ended June 30, 2023. Effective July 1, 2023 the rate was changed to 2% which is the rate in effect at June 30, 2024.

***Insurance Claim Payable***

As of June 30, 2024 and 2023, the Diocese had balances of \$9,756,211 and \$10,500,639, respectively, pertaining to cash advances received on behalf of a participant in the Chancery's property and liability insurance program from insurance underwriters for property damage. As this amount was received on behalf of, and will be distributed to, the respective organization the Chancery recorded this as both restricted cash and insurance claim payable on the statements of financial position.

***Contributions and Parish Assessments***

The Chancery recognizes revenues from contributions in accordance with guidance requiring the Chancery to evaluate whether (1) transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional.

Contributions and promises to give are recognized as revenue when an unconditional promise to give is received from a donor. Conditional contributions are recorded as revenue when the conditions on which they depend have been substantially met. Contributions of non-monetary assets are recorded at the estimated fair value of the assets contributed at the date of the gift. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using an appropriate rate of return. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Contributions are reported as increase in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Contributions that are restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure. Income amounts that exceed related expenditures during a fiscal period remain as net assets with donor restrictions.

During the years ended June 30, 2024 and 2023, the Chancery received approximately \$464,852 and \$823,369, respectively, from the Foundation restricted for seminarian education and healthcare costs for priests. As the restrictions on these contributions were met in the same accounting period, the Chancery recorded these amounts as part of contributions without donor restriction in the accompanying combined statements of activities.

Annual parish assessments are paid by the parishes and billed by the Chancery over an eight-month period and are recognized as revenue in the period to which they pertain.

***Revenue Recognition***

The Chancery follows guidance whereby revenue is recognized when control of the promised goods or services are transferred to the Chancery's customers in an amount that reflects the consideration the Chancery expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Diocese has identified employee benefit and insurance programs, cemetery income and rental income as the primary revenue categories subject to this guidance.

Payments received in advance of the Chancery satisfying its performance obligations are deferred and recognized upon satisfaction of the respective performance obligations. The Chancery's contracts with customers generally contain terms that are less than one year. Accordingly, the Chancery elected the practical expedient not to disclose the information regarding the remaining performance obligations for contracts with customers.

Premiums for property and liability insurance and employee benefits are billed by the Chancery on a quarterly and monthly basis, respectively, to parishes, institutions and agencies owned by or related to the Diocese and are recognized as revenue over time in the period for which the coverage pertains. Calvary Cemetery sells rights to graves and crypts for which revenue is recognized upon date of sale. Rental income is recognized over the period the respective performance obligations are satisfied. Other revenues are recorded as income when earned or realized as the respective performance obligations are satisfied.

***Donated Materials and Services***

The Chancery recognizes in its combined financial statements the fair value of donated materials and services. Donated materials are recorded as contributions at their estimated fair value at the date of receipt. The Chancery recognizes donated services provided by individuals possessing specialized skills which would typically need to be purchased if not provided by donation. There were no such donated materials or services during the years ended June 30, 2024 and 2023.

***Diocesan Ministry Appeal***

During September of each calendar year, a direct appeal is made to the people of the Diocese for operating support. Annual appeal contributions are recognized as operating support without donor restrictions in the year received.

***Functional Expense Allocation***

Included in program expenses are the costs of evangelization, social ministry, pastoral, communications, educational, property and liability insurance, employee benefits and other program services provided directly by the Chancery, including subsidies given to Diocesan related organizations providing such services. These costs have been summarized on a functional basis. These costs can generally be identified with the program service to which they relate and are charged accordingly. Other expenses, by function, have been allocated amongst the programs and supporting services benefited on the basis of square footage of office space occupied, salaries, and other bases as determined by management of the Chancery to be reasonable and appropriate.

***Special Collections***

Parishes throughout the Diocese conduct special offertory collections on designated days for the benefit of other non-Diocesan Catholic entities at the direction of the U.S. Conference of Catholic Bishops. The amounts collected by the parishes are remitted to the Chancery and then transferred to the entities for whom the collections were conducted. The parishes and the Chancery act as agents for the collections and the amounts collected are not revenues to the parishes or the Chancery. As of June 30, 2024 and 2023, special collections of approximately \$429,000 and \$496,000, respectively, have been reflected within accounts payable and accrued expenses in the accompanying combined statements of financial position.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Use of Estimates***

The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined statements of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the accompanying combined financial statements relate to the determination of depreciation expense, the reported fair value of certain financial instruments, the actuarial assumptions used to determine the reserves for self-insurance and liability for postretirement benefits, provision for operating accruals and the collectability of accounts, loans and contributions receivable. Actual results could differ from those estimates.

***Income Taxes***

The Chancery recognizes an individual tax position in its combined financial statements based upon whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Chancery has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2024 and 2023, management has determined that the Chancery has no uncertain tax positions that would require recognition or disclosure in the combined financial statements.

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

***Leases***

The Chancery elected certain practical expedients which eliminates the need to separately assess lease and non-lease components and to recognize ROU lease assets or lease liabilities for leases with terms less than 12 months. In addition, the Chancery utilizes the portfolio approach to group leases with similar characteristics.

The Chancery determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration.

The Chancery analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. As most of the Chancery’s leases do not provide an implicit interest rate, the Chancery uses the estimated risk-free rate that is comparable with the lease term in effect at the commencement date of the respective lease agreement in determining the present value of lease payments. ROU assets and lease liabilities for operating and finance leases are included in the statements of financial position and presented separately based on the classification of the underlying lease arrangement.



**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**Recent Accounting Pronouncements**

On July 1, 2023, the Chancery adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“CECL”), or ASU No. 2016-13, using the modified retrospective approach. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including customer accounts receivable. Following the adoption of the new standard, the Chancery’s process of estimating expected credit losses remains materially consistent with its historical practice. Therefore, the adoption did not have a material effect on reported assets, liabilities, or net assets.

**Subsequent Events**

The Chancery evaluated its June 30, 2024 combined financial statements for subsequent events through April 14, 2025, the date the combined financial statements were available to be issued. The Chancery is not aware of any material subsequent events which would require recognition or disclosure in the accompanying combined financial statements.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The following reflects Chancery’s financial assets as of the combined statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed restrictions, or internal designations within one year of the combined statement of financial position date.

	2024	2023
Cash and cash equivalents	\$ 9,885,720	\$ 19,107,882
Investments	64,696,845	53,924,130
Accounts and loans receivable, net, due within one year	4,231,262	3,348,658
Total financial assets	78,813,827	76,380,670
Less: contractual or donor-imposed restrictions:		
Endowment funds - original gift	(254,352)	(254,352)
Other donor-restricted funds and accumulated endowment gains	(546,703)	(511,401)
Amounts held on behalf of others	(37,852,052)	(36,996,892)
Total	(38,653,107)	(37,762,645)
Financial assets available to meet cash needs for general expenditures within one year before internally designated net assets	40,160,720	38,618,025
Internally designated assets	(39,012,960)	(38,517,389)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,147,760	\$ 100,636

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Although the Chancery does not intend to spend amounts from its net assets designated by the Bishop, if necessary, these funds could be made available by the Bishop of Paterson with the exception of certain assets held in an irrevocable trust and for perpetual care of cemetery property of \$19,841,134 and \$19,680,709, as of June 30, 2024 and 2023, respectively.

The Chancery manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential while balancing the amount of risk the Chancery is comfortable with. Additionally, the Chancery prepares detailed budgets and monitors performance against the budget. As part of the Chancery's liquidity management, it also regularly monitors its financial assets available to meet general expenditures and other obligations as they become due.

**NOTE 4 - ACCOUNTS AND LOANS RECEIVABLE, NET**

As of June 30, 2024 and 2023, accounts and loans receivable, net, consisted of the following:

	2024	2023
Parishes and schools	\$ 23,976,185	\$ 23,642,864
Social service agencies	586,586	611,877
Other	369,307	304,764
	<u>24,932,078</u>	<u>24,559,505</u>
Less: allowance for doubtful accounts	<u>(18,752,356)</u>	<u>(18,752,356)</u>
Accounts and loans receivable, net	<u>\$ 6,179,722</u>	<u>\$ 5,807,149</u>

Accounts and loans receivable due within one year, net totaled \$4,231,262 as of June 30, 2024. The remaining loans are due over periods typically ranging from two to five years.

The activity for the allowance for impaired loans to parishes and schools, social service agencies and other is as follows as of June 30, 2024 and 2023:

	2024			
	Parishes and Schools	Social Service Agencies	Other	Total
Allowance for doubtful accounts, beginning of year	\$ 18,748,356	\$ -	\$ 4,000	\$ 18,752,356
Change in allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allowance for doubtful accounts, end of year	<u>\$ 18,748,356</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 18,752,356</u>

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

	2023			
	Parishes and Schools	Social Service Agencies	Other	Total
Allowance for doubtful accounts, beginning of year	\$ 17,661,500	\$ -	\$ 81,490	\$ 17,742,990
Change in allowance	<u>1,086,856</u>	<u>-</u>	<u>(77,490)</u>	<u>1,009,366</u>
Allowance for doubtful accounts, end of year	<u>\$ 18,748,356</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 18,752,356</u>

At June 30, 2024 and 2023, included in accounts and loans receivables are \$24,638,232 and \$24,339,674 due from related parties, less an allowance for doubtful accounts of \$18,748,356 and \$18,748,356, respectively.

**NOTE 5 - INVESTMENTS, AT FAIR VALUE**

As of June 30, 2024 and 2023, investments, at fair value, by fair value hierarchy, consisted of the following:

	2024			
	Level 1	Level 3	Net Asset Value <sup>(a)</sup>	Total
Equities	\$ 23,332,217	\$ -	\$ -	\$ 23,332,217
Fixed income	7,455,623	-	-	7,455,623
Money market funds	452,359	-	-	452,359
Treasury bills and cash equivalents	28,219,011	-	-	28,219,011
Participation in investment pool	-	4,465,657	-	4,465,657
Hedge funds	<u>-</u>	<u>-</u>	<u>771,978</u>	<u>771,978</u>
	<u>\$ 59,459,210</u>	<u>\$ 4,465,657</u>	<u>\$ 771,978</u>	<u>\$ 64,696,845</u>

  

	2023			
	Level 1	Level 3	Net Asset Value <sup>(a)</sup>	Total
Equities	\$ 22,386,679	\$ -	\$ -	\$ 22,386,679
Fixed income	5,922,929	-	-	5,922,929
Money market funds	4,645,597	-	-	4,645,597
Treasury bills and cash equivalents	15,635,044	-	-	15,635,044
Participation in investment pool	-	4,028,320	-	4,028,320
Hedge funds	<u>-</u>	<u>-</u>	<u>1,305,561</u>	<u>1,305,561</u>
	<u>\$ 48,590,249</u>	<u>\$ 4,028,320</u>	<u>\$ 1,305,561</u>	<u>\$ 53,924,130</u>

<sup>(a)</sup> Investments measured at fair value using the NAV per share practical expedient have not been categorized in the fair value hierarchy.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

During fiscal 2015, the Diocese of Paterson Catholic Cemetery Perpetual Care Trust (the "Trust") was formed for the purpose of safeguarding the perpetual care funds of Catholic Cemeteries. The Trust's investment pool consists of investments carried at fair value generally determined on the basis of quoted market prices on active exchanges as of the reporting date. These investments are primarily held in money market funds and fixed income mutual funds which are measured at fair value based on Level 1 inputs. Calvary Cemetery's participation in the Trust's investment pool is determined based on its pro rata share of the entire pool which totaled \$4,465,657 and \$4,028,320 as of June 30, 2024 and 2023, respectively.

The following table summarizes the changes in Chancery's Level 3 investments for the years ended June 30, 2024 and 2023:

	Participation in Investment Pool
Balance as of June 30, 2022	\$ 3,735,823
Purchases	151,948
Sales	-
Net unrealized and realized gain	<u>140,549</u>
Balance as of June 30, 2023	4,028,320
Purchases	118,857
Sales	-
Net unrealized and realized gain	<u>318,480</u>
Balance as of June 30, 2024	<u><u>\$ 4,465,657</u></u>

The Chancery's policy is to recognize transfers in and transfers out at the end of the reporting period.

The Chancery uses NAV per share, or its equivalent, to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare its financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

June 30, 2024					
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Redemption Terms
Hedge fund	Seeks stable returns by allocation of assets to a wide range of investment strategies across global financial markets	\$ 771,978	1	Subject to the determination of the fund manager	Monthly with 90 days' notice
June 30, 2023					
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Redemption Terms
Hedge fund	Seeks stable returns by allocation of assets to a wide range of investment strategies across global financial markets	\$ 1,305,561	1	Subject to the determination of the fund manager	Monthly with 90 days' notice

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

There were no unfunded commitments or redemption restrictions in place as of June 30, 2024 for this investment.

Since hedge funds may not be readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed, and the differences could be material. The values assigned to these holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs.

Investment management fees approximated \$132,000 and \$124,000 in fiscal years 2024 and 2023, respectively, and reduced the net unrealized and realized gains on the accompanying combined statements of activities.

**NOTE 6 - SALE OF PROPERTY AND MORTGAGES RECEIVABLE**

In June 2011, the Chancery sold property located in Clifton, New Jersey to Zion Church of God, Inc. ("Zion"), an unrelated third party, for \$619,000. In connection with the sale, the Chancery extended a \$419,000 mortgage note to Zion. The mortgage bears interest at a fixed rate of 5.75% per annum and is secured by the property. Principal and interest commenced in August 2011 and are payable monthly over a 20-year period. As of June 30, 2024 and 2023, the outstanding mortgage receivable was \$205,263 and \$228,111, respectively.

On July 22, 2022, the Chancery sold an approximately 25 acre property it owned with a net book value prior to the sale of approximately \$528,000 to a third party. The total purchase price was \$13,500,000. The Chancery received approximately \$9,330,000 in cash net of approximately \$670,000 in closing costs. In addition, the Chancery received a secured mortgage note of \$3,500,000 from the buyer payable to the Chancery with interest and principal due in accordance with the terms of the mortgage note.

The note receivable requires the buyer to pay the Chancery interest at 5% per year each July through July 23, 2027, at which time the principal of \$3,500,000 is due to be paid to the Chancery. As of June 30, 2024 and 2023 the balance of principal plus accrued interest due to the Chancery totaled \$3,660,417.

In Fiscal Year 2023, additional sales occurred for property with net proceeds received of approximately \$508,000 and net book value of approximately \$284,000 for a recognized gain on sale of approximately \$144,000.

**NOTE 7 - CRYPT INVENTORY**

As of June 30, 2024 and 2023, crypt inventory, consisted of the following:

	2024	2023
Mausoleum Unit I	\$ 124,817	\$ 124,817
Mausoleum Unit II	102,987	104,548
Mausoleum Unit III	852,773	879,014
Mausoleum Unit IV	9,124,075	9,237,721
Crypt inventory	<u>\$ 10,204,652</u>	<u>\$ 10,346,100</u>

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 8 - LAND, BUILDINGS AND EQUIPMENT, NET**

The principal properties owned by the Chancery reflected in the accompanying combined statements of financial position include Nazareth Village Priests' Retirement Home, high schools which include: DePaul Catholic, Morris Catholic and Pope John XXIII, and other Diocesan properties which include former schools Pope John Paul II Elementary School and Bayley-Ellard.

Land, buildings and equipment, net, consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 23,148,898	\$ 23,139,843
Machinery, equipment and furniture	1,692,088	1,591,305
Right-of-use assets under finance leases, net	<u>74,367</u>	<u>123,224</u>
	25,019,058	24,854,372
Less: accumulated depreciation and amortization	<u>(18,123,947)</u>	<u>(17,602,509)</u>
	6,791,406	7,251,863
Land	2,162,260	2,162,260
Undeveloped land	1,982,062	1,982,062
Mausoleum improvements	<u>1,335,908</u>	<u>804,803</u>
Land, buildings and equipment, net	<u>\$ 12,271,636</u>	<u>\$ 12,200,988</u>

**NOTE 9 - DEBT OBLIGATIONS**

***Finance Lease and Other Obligations***

At June 30, 2024, future minimum payments due under the Chancery's finance lease obligations and other financing arrangements for equipment and automobiles follow:

<u>Year Ending June 30,</u>	
2025	\$ 37,037
2026	28,785
2027	6,657
2028	3,065
2029	<u>767</u>
Total minimum lease payment	76,311
Less: amount representing interest	<u>(3,253)</u>
Present value of minimum lease payments	<u>\$ 73,058</u>

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Valley Bank Priest Loans***

During the year ended June 30, 2020, the Chancery invested in \$15,750 in certificates of deposit with Valley Bank so that Valley Bank would loan those funds directly to five priests. The priests are obligated to repay the loans to the bank but the loans are guaranteed by the Chancery. At June 30, 2024, the Chancery is obligated to repay \$9,210 in the event of a default and due to uncertainty of payment by the priests has recorded a liability for the amount of the guarantee.

***Sale of Easement Financing***

During the year ended June 30, 2023, the Chancery sold the rights to future revenue payments on easements granted by the Calvary Cemetery to third parties to operate cell phone towers for 98 years for a total of \$1,650,000. At June 30, 2024 and 2023, \$1,583,316 and \$1,618,316, respectively, has been recorded as debt financing related to the sale and will be amortized to revenue over the period of the easement.

**NOTE 10 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS**

The Chancery is required to recognize a conditional asset retirement obligation ("CARO") related to the cost associated with the eventual remediation and abatement of asbestos located within the construct of certain buildings. The total CARO liability at June 30, 2024 and 2023, totaled \$8,262,214 and \$7,722,417, respectively. For the years ended June 30, 2024 and 2023, the accretion of interest related to these obligations totaled \$539,797 and \$511,587, respectively.

**NOTE 11 - SELF-INSURANCE PROGRAMS**

The Chancery participates and maintains self-insurance programs for medical, pharmacy, general liability, property damage, automobile damage, unemployment compensation, workers' compensation and long-term disability. The participants of these programs also include the parishes, institutions and agencies owned by or related to the Diocese. Premiums charged to the various, non-Chancery, participating organizations and payments made on insurance claims are reported as revenues and expenses, respectively, within the employee benefits and property and liability insurance programs in the accompanying combined statements of activities. Insurance program costs for Chancery departments are reflected in the accompanying combined statements of activities within their respective functional classification.

***Employee Benefits***

Employees of the participating organizations are provided health benefits under the self-insured program which is administered by a third-party claims administrator. As of June 30, 2024 and 2023, the Chancery deposited approximately \$383,342 and \$402,289, respectively, with the claims administrator as a good faith deposit against these payments. These deposits are included within other assets in the accompanying combined statements of financial position.

***Property and Liability Insurance***

Under this program, the Chancery is liable for the first \$250,000 of a property damage claim, as well as the first \$250,000 of a general liability or auto claim, with additional coverage in excess of the above amounts purchased through outside insurance agencies. Self-insurance reserves have been developed based on an actuarial model based on historical claims and industry experience.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

As of June 30, 2024 and 2023, the actuarially determined liabilities for employee benefits and property and liability insurance consisted of the following:

	2024		
	Case Reserve	Incurred but Not Reported	Total
Employee medical and pharmacy plan	\$ -	\$ 1,100,937	\$ 1,100,937
General liability, automobile, workers' compensation and property coverage	1,230,137	1,820,448	3,050,585
Total liability for self-insurance claims	<u>\$ 1,230,137</u>	<u>\$ 2,921,385</u>	<u>\$ 4,151,522</u>
	2023		
	Case Reserve	Incurred but Not Reported	Total
Employee medical and pharmacy plan	\$ -	\$ 877,911	\$ 877,911
General liability, automobile, workers' compensation and property coverage	815,366	1,709,925	2,525,291
Total liability for self-insurance claims	<u>\$ 815,366</u>	<u>\$ 2,587,836</u>	<u>\$ 3,403,202</u>

Additionally, the Chancery has recorded a liability for unemployment benefits and long-term disability of \$42,684 and \$56,525 as of June 30, 2024 and 2023, respectively.

**NOTE 12 - POSTRETIREMENT BENEFITS**

***Lay Pension Plan***

The Chancery participates in a noncontributory defined benefit pension plan which covers substantially all full-time lay employees. Under this plan the employer contributions are made by the Chancery, Diocesan High Schools and other Diocesan organizations and parishes, which employ covered plan members. Upon retirement, participants will receive 1) a pension of 1.25% of their average earnings for the highest three years in the plan, multiplied by their years of participation in the plan, 2) enrollment in the American Association of Retired Persons' Medicare Supplement Health Insurance program, and 3) certain specified death benefits. Contributions to the lay pension plan by the Chancery for the years ended June 30, 2024 and 2023 totaled approximately \$164,000 and \$177,000, respectively. Effective June 30, 2016, the Diocese froze the plan. Accordingly, employees will no longer become eligible to participate in the Plan and vested employees in the plan prior to June 30, 2016 will no longer accrue additional benefits.

***Priests' Pension Plan***

The Chancery also participates in a noncontributory priests' pension plan covering all priests. Upon retirement each priest will receive a pension of \$3,150 per month. The priests' pension plan does not cover normal medical, dental and automobile insurance benefits for retired priests. Such costs are assumed by the priests' postretirement welfare benefit plan which is administered by the Chancery. Annual contribution rates for the years ended June 30, 2024 and 2023 were \$20,000 a year per priest. Contributions to the priests' pension plan by the Chancery for the years ended June 30, 2024 and 2023 totaled approximately \$387,000 and \$392,000, respectively.



**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The Lay and Priest pension plans are considered church plans and are therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. Due to the nature of these plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the Chancery as a standalone operation. As such, the actuarial present value of accumulated plan benefits and the fair value of plan assets have not been recorded in the accompanying combined statements of financial position. In addition, because the plans are considered multiemployer plans, they are only subject to certain minimum reporting requirements.

As of July 1, 2024 and 2023, the following is a summary of the accumulated plan benefits covering all participants (unaudited):

	2024	
	Lay	Priest
Vested benefits:		
Participants currently receiving payments	\$ 62,648,624	\$ 20,630,335
Other participants	11,853,795	9,160,126
	<u>74,502,419</u>	<u>29,790,461</u>
Non-vested benefits	<u>-</u>	<u>3,797,209</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 74,502,419</u>	<u>\$ 33,587,670</u>
Fair value of plan assets	<u>\$ 45,327,114</u>	<u>\$ 19,190,422</u>
Funded status (Unfunded)	<u>\$ (29,175,305)</u>	<u>\$ (14,397,248)</u>
	2023	
	Lay	Priest
Vested benefits:		
Participants currently receiving payments	\$ 114,544,360	\$ 20,666,055
Other participants	41,287,802	11,079,630
	<u>155,832,162</u>	<u>31,745,685</u>
Non-vested benefits	<u>669,262</u>	<u>949,781</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 156,501,424</u>	<u>\$ 32,695,466</u>
Fair value of plan assets	<u>\$ 84,517,659</u>	<u>\$ 18,317,237</u>
Funded status	<u>\$ (71,983,765)</u>	<u>\$ (14,378,229)</u>

The Lay pension plan was amended during the year ended June 30, 2024 to eliminate several ancillary plan benefits (Medicare Supplement, lump sum death benefit, and sick pay), and offer all plan participants the opportunity to take a lump sum payment for 55% of the present value of their benefit. The amendment reduced the actuarial present value of accumulated plan benefits by approximately \$22.3 million. As part of the amendment approximately \$3.0 million in assets were paid from the plan to retirees that were currently receiving the Medicare Supplement. During the lump sum window approximately \$30.5 million in

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

payments were issued to participants during the year ended June 30, 2024 and as a result the actuarial present value of accumulated plan benefits decreased by approximately \$52.2 million.

***Priests' Postretirement Welfare Benefit Plan***

The Chancery administers and participates in a postretirement welfare benefit plan covering all Diocesan priests. The priests' postretirement welfare benefit plan pays for normal medical, dental and automobile insurance benefits for retired priests. The Chancery contributes 100% of dental and automobile benefits and all medical benefits in excess of the priest's maximum annual contribution of \$3,888 toward their medical benefits.

This plan also provides long-term catastrophic healthcare. This coverage is self-funded by premiums charged to the various parishes and Diocesan organizations which employ Diocesan priests. For the years ended June 30, 2024 and 2023, approximately \$474,000 and \$493,000, respectively, was billed and included as employee benefits program revenue in the accompanying combined statements of activities. Upon admission into a long-term healthcare facility, the Chancery contributes approximately 75% of the cost for long-term healthcare with the priest responsible for the remaining balance.

The accumulated benefit obligation recognized in the accompanying combined statements of financial position at June 30, 2024 and 2023, is as follows:

	2024	2023
Accumulated benefit obligation, beginning of fiscal year	\$ 11,513,380	\$ 15,255,640
Interest cost	578,467	686,229
Service cost	241,389	274,531
Benefits paid	(778,028)	(675,226)
Actuarial (gain)	(19,191)	(4,027,794)
Accumulated benefit obligation, end of fiscal year	<u>\$ 11,536,017</u>	<u>\$ 11,513,380</u>
Funded status of plan at fiscal year end	<u>\$ (11,536,017)</u>	<u>\$ (11,513,380)</u>
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restriction		
Unrecognized prior service cost	\$ -	\$ -
Unrecognized actuarial loss	<u>1,876,604</u>	<u>1,891,873</u>
	<u>\$ 1,876,604</u>	<u>\$ 1,891,873</u>

The weighted-average rates used to determine the accumulated benefit obligation as of June 30, 2024 and 2023, were:

	2024	2023
Discount rate for the postretirement benefits	5.50%	5.20%
Healthcare cost trend rate assumed for next year	5.30%	4.70%
Ultimate healthcare cost trend rate	4.00%	3.90%
Year ultimate healthcare cost trend rate is achieved	2075	2075

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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Components of net periodic benefit cost consisted of the following:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 241,389	\$ 274,531
Interest cost	578,467	686,229
Amortization of actuarial loss (gain)	(34,460)	26,207
Amortization of prior service cost	<u>-</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 785,396</u>	<u>\$ 986,967</u>

The weighted-average rates used to determine net periodic benefit cost for the years ended June 30, 2024 and 2023 were:

	<u>2024</u>	<u>2023</u>
Discount rate	5.20%	5.20%
Healthcare cost trend rate	5.20%	5.20%
Ultimate healthcare cost trend rate	4.10%	4.10%

Other changes in the accumulated benefit obligation recognized in net assets without donor restrictions were as follows:

	<u>2024</u>	<u>2023</u>
Net actuarial (gain) loss arising during measurement period	\$ (19,191)	\$ (4,027,794)
Amortization of actuarial (gain) loss	<u>(34,460)</u>	<u>(26,207)</u>
Postretirement-related changes other than net periodic benefit cost	<u>\$ (53,651)</u>	<u>\$ (4,054,001)</u>

The amount reflected above as net actuarial gain which served to decrease the fiscal 2023 benefit obligation by \$4,027,794 is primarily due to a) refining of nursing health care liability attribution method, b) updated retiree contributions and per capita claims cost assumption and c) updated discount from 4.60% to 5.20%.

For the year ended June 30, 2024, the effect of a 1% change in the healthcare cost trend rate is as follows:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on net periodic benefit cost	\$ 172,966	\$ (130,264)
Effect on accumulated benefits obligation	1,575,554	(1,274,835)

The estimated prior service cost and actuarial (gain) that will be amortized into net periodic benefit cost during fiscal 2025 are \$213,735 and \$612,690, respectively

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Plan benefits expected to be paid in the following fiscal years are as follows:

2025	\$	756,038
2026		831,758
2027		738,876
2028		771,723
2029		797,499
2030-2033		4,201,501

Because the plan is unfunded, the future benefit payments also represent the expected contributions to the plan for that year.

***Retirement Savings Plan***

The Chancery also administers and participates in a Retirement Savings Plan that funds a 403(b) salary reduction plan and also helps fund the Lay Pension Plan. Under the Retirement Savings Plan, the Chancery bills Diocesan High Schools and other Diocesan organizations and parishes 8% of gross salary for their eligible employees. The 403(b) plan was established by the Diocese on July 1, 2016 and covers substantially all full-time lay employees and certain part-time employees who meet the eligibility requirements. Under the 403(b) plan, the Diocese provides a 50% discretionary matching contribution up to 6% of each employee's salary. Certain full-time employees may also be eligible to receive additional employer contributions up to a maximum of 8% of their gross salary (inclusive of the employer match). Beginning in fiscal year 2020 once the 403(b) plan employer discretionary matching contribution and additional employer contribution has been funded to the plan each month, a portion of any remaining Retirement Savings Plan funds from the 8% gross salary billings noted above are then contributed to the Lay Pension Plan. The Chancery's revenues associated with the administration of this Retirement Savings Plan for the years ended June 30, 2024 and 2023 totaled \$3,967,266 and \$3,577,387, respectively. The Chancery's expenses associated with the administration of this plan for the years ended June 30, 2024 and 2023 totaled \$3,946,889 and \$3,557,603, respectively, and are included within employee benefits program revenues and expenses in the accompanying combined statements of activities.

***Other***

The Chancery also provided postretirement benefits to certain priests and lay employees outside of the plans noted above. As of June 30, 2024 and 2023, the Chancery has recorded a liability of \$1,158,911 and \$1,237,934, respectively, for those benefits, and is included within liability for postretirement benefits in the accompanying combined statements of financial position. For the years ended June 30, 2024 and 2023, net periodic benefit cost associated with these other postretirement benefits totaled \$58,297 and \$59,856, respectively, and is included within employee benefits program expense on the accompanying combined statement of activities. For the years ended June 30, 2024 and 2023, postretirement-related changes (loss/(gain)) other than net periodic benefit cost totaled \$3,213 and \$(140,741), respectively.

**NOTE 13 - ENDOWMENT**

The Chancery's donor-restricted (gifted) endowment consists of one (1) donor-restricted endowment fund established principally for the support of Catholic education. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Interpretation of Relevant Law***

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

Net appreciation earned on the corpus of endowment net assets with donor restrictions, under New Jersey UPMIFA, is spendable, and, accordingly, the Chancery classifies the appreciation as net assets with donor restriction, pending appropriation for expenditure by the Bishop of Paterson.

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

The Chancery's endowment at June 30, 2024 and 2023 consisted of the following net asset classes:

2024				
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Donor-restricted endowment funds	\$ -	\$ 197,900	\$ 254,352	\$ 452,252
2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Donor-restricted endowment funds	\$ -	\$ 163,788	\$ 254,352	\$ 418,140

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following tables summarize the Chancery's total return on endowment investments and the changes in endowment net assets for the years ended June 30, 2024 and 2023:

	2024			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ -	\$ 163,787	\$ 254,352	\$ 418,139
Dividends and interest on endowment investments	-	16,089	-	16,089
Net realized and unrealized appreciation in fair value of endowment investments	-	18,024	-	18,024
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 197,900</u>	<u>\$ 254,352</u>	<u>\$ 452,252</u>
	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ -	\$ 131,363	\$ 254,352	\$ 385,715
Dividends and interest on endowment investments	-	15,292	-	15,292
Net realized and unrealized appreciation in fair value of endowment investments	-	17,133	-	17,133
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 163,788</u>	<u>\$ 254,352</u>	<u>\$ 418,140</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Chancery is required to maintain as a fund of permanent duration. Deficiencies of this nature generally result from unfavorable market fluctuations or prudent appropriations by the Bishop that reduce the fair value of individual endowment funds below historical dollar value, as permitted by the State of New Jersey UPMIFA. In accordance with U.S. GAAP, such amounts would be charged to net assets without donor restrictions. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in net assets without donor restrictions, with earnings in excess of this amount reported in net assets with donor restrictions. As of June 30, 2024, there were no endowment funds below the historical dollar value.

**Chancery Office of the Roman Catholic Diocese of Paterson and Affiliates**

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 14 - SCHEDULE OF FUNCTIONAL EXPENSES**

The following table presents the Chancery's expenses by functional and natural category for the year ended June 30, 2024:

	Evangelization	Social Ministry	Pastoral	Communications	Annual Appeal	School Subsidies and Other Educational Expenses	Cathedral Renovation Subsidy	Cemetery - Cost of Sales and Expenses
Salaries and benefits	\$ 1,290,280	\$ 82,013	\$ 3,118,011	\$ 143,984	\$ -	\$ 755,242	\$ -	\$ 466,139
Insurance	154,304	-	208,856	-	-	1,600	-	-
Dues, fees and memberships	8,424	-	4,174	29	-	2,294	-	-
Professional services and claims	-	-	7,707	-	119,131	55,332	-	-
Tuition and occupancy	18,684	-	593,422	-	-	-	-	-
Operations and general	613,957	1,030,095	1,201,494	148,924	150,949	972,594	132,327	602,352
Interest expense	-	-	-	-	-	-	-	-
Bad debt expense, net	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	79,824
	<u>\$ 2,085,649</u>	<u>\$ 1,112,108</u>	<u>\$ 5,133,664</u>	<u>\$ 292,937</u>	<u>\$ 270,080</u>	<u>\$ 1,787,062</u>	<u>\$ 132,327</u>	<u>\$ 1,148,315</u>

  

	Property and Liability Insurance Program	Employee Benefits Program	Central Lending Agency Program	Bad Debt Expense	Property Rental	Total Program	General and Administration	Fundraising	Total 2024
Salaries and benefits	\$ 188,861	\$ -	\$ -	\$ -	\$ -	\$ 6,044,530	\$ 4,288,069	\$ 433,311	\$10,765,910
Insurance	9,086,143	21,002,154	-	-	181,549	30,634,606	80,117	-	30,714,723
Dues, fees and memberships	-	-	-	-	-	14,921	6,605	30	21,556
Professional services and claims	1,482,622	272,272	-	-	-	1,937,064	1,455,830	-	3,392,894
Tuition and occupancy	-	-	-	-	-	612,106	10,453	-	622,559
Operations and general	941,595	5,248	48,075	-	227,020	6,074,630	2,167,301	38,415	8,280,346
Interest expense	221,250	58,297	1,396,470	-	-	1,676,017	2,848	-	1,678,865
Bad debt expense, net	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	79,824	545,319	-	625,143
	<u>\$ 11,920,471</u>	<u>\$ 21,337,971</u>	<u>\$ 1,444,545</u>	<u>\$ -</u>	<u>\$ 408,569</u>	<u>\$ 47,073,698</u>	<u>\$ 8,556,542</u>	<u>\$ 471,756</u>	<u>\$ 56,101,996</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following table presents the Chancery's expenses by functional and natural category for the year ended June 30, 2023:

	Evangelization	Social Ministry	Pastoral	Communications	Annual Appeal	School Subsidies and Other Educational Expenses	Cathedral Renovation Subsidy	Cemetery - Cost of Sales and Expenses
Salaries and benefits	\$ 1,186,050	\$ 123,080	\$ 2,508,808	\$ 85,890	\$ -	\$ 755,745	\$ -	\$ 459,331
Insurance	131,484	253	156,617	-	-	1,520	-	-
Dues, fees and memberships	7,966	-	2,791	155	-	2,163	-	-
Professional services and claims	1,285	-	20,710	-	137,655	111,196	-	-
Tuition and occupancy	19,629	-	627,615	-	-	-	-	-
Operations and general	649,528	972,618	1,817,600	116,552	159,824	947,521	136,210	519,889
Interest expense	-	-	-	-	-	-	-	-
Bad debt expense, net	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	43,309
	<u>\$ 1,995,942</u>	<u>\$ 1,095,951</u>	<u>\$ 5,134,141</u>	<u>\$ 202,597</u>	<u>\$ 297,479</u>	<u>\$ 1,818,145</u>	<u>\$ 136,210</u>	<u>\$ 1,022,529</u>

  

	Property and Liability Insurance Program	Employee Benefits Program	Central Lending Agency Program	Bad debt Expense	Property Rental	Total Program	General and Administration	Fundraising	Total 2023
Salaries and benefits	\$ 186,986	\$ -	\$ -	\$ -	\$ -	\$ 5,305,890	\$ 4,258,666	\$ 388,310	\$ 9,952,866
Insurance	6,474,214	21,162,839	-	-	160,377	28,087,304	60,004	-	28,147,308
Dues, fees and memberships	-	-	-	-	-	13,075	6,902	221	20,198
Professional services and claims	1,779,841	259,979	-	-	3,040	2,313,706	649,728	-	2,963,434
Tuition and occupancy	-	-	-	-	-	647,244	10,663	-	657,907
Operations and general	949,282	31,023	49,882	-	256,200	6,606,129	2,050,266	35,742	8,692,137
Interest expense	97,494	59,856	744,784	1,009,364	-	902,132	3,000	-	905,132
Bad debt expense, net	-	-	-	-	-	1,009,366	-	-	1,009,366
Depreciation	-	-	-	-	-	43,309	555,274	-	598,583
	<u>\$ 9,487,817</u>	<u>\$ 21,513,697</u>	<u>\$ 794,666</u>	<u>\$ 1,009,364</u>	<u>\$ 419,617</u>	<u>\$ 44,928,155</u>	<u>\$ 7,594,503</u>	<u>\$ 424,273</u>	<u>\$ 52,946,931</u>



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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE 15 - GUARANTEES**

The Chancery has guaranteed the repayment of certain loans obtained directly by parishes and social service agencies related to the Diocese. At June 30, 2024 and 2023, outstanding amounts due to lenders approximated \$6,353,598 and \$6,922,000, respectively. Should the Diocesan related organizations default on the loans, the Chancery would become liable for all remaining payments due to the lender. The largest amount due to lenders is for Lakeland bank for Pope John XXIII. Management is currently not aware of any defaults or circumstances that would require the Chancery to perform under such guarantees and as such, no loss provision has been recognized as of June 30, 2024 and 2023.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

The Child Victims Act ("Act") was signed into law by the New Jersey Governor on May 13, 2019, effectively reforming the statute of limitations for child sexual abuse survivors in New Jersey. As a result, beginning December 1, 2019, the Act permits a two-year look-back period for adult victims who were previously prohibited by the statute of limitations to file claims. As of June 30, 2024, 118 claims have been filed and are outstanding under this Act naming the Chancery. Diocese management maintains that it has been diligent in reporting each and every claim of sexual abuse to prosecutors pursuant to the 2002 NJ MOU and in settling all such claims when possible. At this time, management cannot determine the extent of the liability, if any, potentially impacting the Chancery resulting from this Act, however such claims could have a significant material effect on the Chancery's financial condition and results of operations.

The Chancery, in the ordinary course of business, is also a party to various other litigation involving contract and conduct related claims, and other miscellaneous causes of action arising from Diocesan activities. While it is not feasible to predict the ultimate outcomes of such other litigation, management of the Chancery is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the Chancery's combined financial position, changes in net assets and cash flows for these other matters.

Various school, parish and mission properties are not included in the property accounts, nor are the operations of these entities reflected in the accompanying combined financial statements. However, in the event that any of the entities fiscally responsible to the Chancery, are unable to fulfill their operating commitment, any liens or claims against these properties and/or deficits from their operations, if any, would become a liability to the Chancery. Management is currently not aware of any events that would require the Chancery to accrue for such financial commitments as of June 30, 2024 and 2023.

As of June 30, 2024 and 2023, the Chancery had an unsecured line of available credit of up to \$1,200,000. There were no amounts outstanding at June 30, 2024 and 2023. The line of credit has an interest rate charged at the one-month Bloomberg Short-Term Bank Yield plus a spread of 1.00%. In May 2024, the line of credit was renewed through May 2025.