Financial Statements and Report of Independent Certified Public Accountants

Archdiocese of Philadelphia - Office for Financial Services

June 30, 2020 and 2019

Contents

GRANT THORNTON LLP
Two Commerce Square
2001 Market Street, Suite 700
Philadelphia, PA 19103

D +1 215 561 4200
F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

We have audited the accompanying financial statements of Archdiocese of Philadelphia – Office for Financial Services ("OFS"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the OFS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OFS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GrantThornton

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia – Office for Financial Services as of June 30, 2020 and 2019, 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.

Emphasis of matter
We draw attention to Note A to the financial statements, which describes the legal structure of OFS within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Supplementary information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the combining statement of financial position and combining statement of activities and changes in net assets as of and for the year ended June 30, 2020 is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole

Grant Thornton LLP

Philadelphia, Pennsylvania
November 13, 2020

Archdiocese of Philadelphia - Office for Financial Services

STATEMENTS OF FINANCIAL POSITION

June 30,

	2020	2019
ASSETS		
Cash and cash equivalents	$ 67,164,676	$ 69,421,970
Due from Archdiocesan entities, net (Note C)		
Assessments and other amounts due, net	1,425,201	1,687,644
Loans receivable, net	9,588,842	11,416,066
Note receivable from related parties, net	1,095,000	1,095,000
Interest receivable from related parties, net	1,187,782	590,525
Other related party receivables	1,132,893	699,177
Other receivable (Note B)	10,354,700	-
Prepaid expenses	3,042,310	2,509,957
Real estate and physical plant held for sale (Note B)	3,356,910	3,356,910
Note receivable (Note B)	3,000,000	-
Investments (Note D)	35,976,157	38,270,147
Beneficial interest in supporting charitable trusts (Note B)	2,184,574	2,266,373
Real estate and physical plant, net (Note B)	17,724,180	18,830,034
Total assets	$ 157,233,225	$ 150,143,803
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 9,517,851	$ 7,130,589
Accrued expenses and other payables (Note F)	76,027,549	127,624,537
Deferred revenue (Note B)	1,305,164	1,334,355
Deposits - parishes, institutions and related organizations (Note L)	40,999,484	53,044,647
Promissory note payable (Note H)	10,234,800	-
Total liabilities	138,084,848	189,134,128
Net assets (deficit)		
Without donor restrictions	(12,081,099)	(71,214,061)
With donor restrictions	31,229,476	32,223,736
Total net assets (deficit)	19,148,377	(38,990,325)
Total liabilities and net assets	$ 157,233,225	$ 150,143,803

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

Archdiocese of Philadelphia - Office for Financial Services

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses and other support			
Parish assessments	$ 22,760,700	$ -	$ 22,760,700
Contributions from related parties (Note L)	500,885	-	500,885
Collections, bequests and donations	1,798,066	45,506	1,843,572
Tuition income	52,102	-	52,102
Investment income, net	34,930	909,348	944,278
Interest income	990,051	38,563	1,028,614
Fees for services	2,106,348	-	2,106,348
Intradiocesan income	2,448,529	-	2,448,529
Other income (Note N)	3,887,384	-	3,887,384
Net gain on sale of real estate and terminated affiliation (Note B)	12,500,729	-	12,500,729
Net assets released from restrictions	1,987,677	(1,987,677)	-
Premium income from Archdiocesan insurance programs	62,309,551	-	62,309,551
Total revenues, gains, losses and other support	111,376,952	(994,260)	110,382,692
Expenses			
Subsidies	1,107,934	-	1,107,934
Salaries and wages	10,861,987	-	10,861,987
Payroll taxes and fringe benefits	6,341,369	-	6,341,369
Purchased services	16,269,342	-	16,269,342
Intradiocesan expenses (income)	(84,612)	-	(84,612)
Support expense	7,140,902	-	7,140,902
Interparochial assistance (Note L)	1,552,844	-	1,552,844
Depreciation expense	1,996,210	-	1,996,210
Interest expense (Note L)	926,691	-	926,691
Withdrawals	472,331	-	472,331
Insurance program expenses	33,663,992	-	33,663,992
Total expenses	80,248,990	-	80,248,990
Change in net assets before other items	31,127,962	(994,260)	30,133,702
Other items			
Risk mitigation and other IRRP contributions	28,005,000	-	28,005,000
Change in net assets	59,132,962	(994,260)	58,138,702
Net assets (deficit)			
Beginning of year	(71,214,061)	32,223,736	(38,990,325)
End of year	$ (12,081,099)	$ 31,229,476	$ 19,148,377

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

Archdiocese of Philadelphia - Office for Financial Services

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses and other support			
Parish assessments	$ 22,684,600	$ -	$ 22,684,600
Contributions from related parties (Note L)	809,893	-	809,893
Collections, bequests and donations	1,565,833	1,035,053	2,600,886
Tuition income	84,370	-	84,370
Investment income, net	180,752	1,583,969	1,764,721
Interest income	1,565,810	38,832	1,604,642
Fees for services	2,236,110	-	2,236,110
Intradiocesan income	2,305,035	-	2,305,035
Other income (Note N)	4,359,598	-	4,359,598
Net gain on sale of real estate and physical plant	19,136,264	-	19,136,264
Net assets released from restrictions	4,101,421	(4,101,421)	-
Premium income from Archdiocesan insurance programs	60,275,915	-	60,275,915
Total revenues, gains, losses and other support	119,305,601	(1,443,567)	117,862,034
Expenses			
Subsidies	987,261	-	987,261
Salaries and wages	10,514,686	-	10,514,686
Payroll taxes and fringe benefits	5,947,139	-	5,947,139
Purchased services	16,904,465	-	16,904,465
Intradiocesan expenses (income)	(87,418)	-	(87,418)
Support expense	8,618,945	-	8,618,945
Interparochial assistance (Note L)	1,745,522	-	1,745,522
Depreciation expense	1,612,621	-	1,612,621
Interest expense (Note L)	763,851	-	763,851
Withdrawals	421,432	-	421,432
Contribution expense	14,594,429	-	14,594,429
Insurance program expenses	160,913,179	-	160,913,179
Total expenses	222,936,112	-	222,936,112
Change in net assets before other items	(103,630,511)	(1,443,567)	(105,074,078)
Other items			
IRRP funding expense	(22,548,133)	-	(22,548,133)
Change in net assets	(126,178,644)	(1,443,567)	(127,622,211)
Net assets (deficit)			
Beginning of year	54,964,583	33,667,303	88,631,886
End of year	$ (71,214,061)	$ 32,223,736	$ (38,990,325)

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

Archdiocese of Philadelphia - Office for Financial Services

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 58,138,702	$ (127,622,211)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gain on sale of real estate and terminated affiliation	(12,500,729)	(19,136,264)
Depreciation expense	1,996,210	1,612,621
Bad debt expense (recovery)	1,207,186	(2,537,371)
Net unrealized depreciation on investments	711,768	916,386
Net realized gain on investments	(1,187,687)	(1,926,797)
Net depreciation (appreciation) in beneficial interest in supporting charitable trusts	81,799	(24,532)
Changes in assets and liabilities		
Due from Archdiocesan entities	(1,452,391)	3,949,599
Note receivable	(3,000,000)	-
Other accounts receivable	(10,354,700)	2,083,798
Prepaid expenses	(532,353)	(575,856)
Accounts payable	2,387,262	2,885,666
Accrued expenses and other payables	(51,596,988)	102,272,812
Deferred revenue	(29,191)	(115,716)
Net cash used in operating activities	(16,131,112)	(38,217,865)
Cash flows from investing activities		
Capital expenditures	(890,356)	(2,256,875)
Proceeds from sales of real estate and physical plant	12,500,729	19,138,375
Purchase of investments	(3,634,810)	(13,068,065)
Proceeds from sale of investments	6,404,719	29,976,148
Repayment of loans receivable	1,303,899	14,580,861
Net cash provided by investing activities	15,684,181	48,370,444
Cash flows from financing activities		
Proceeds from issuance of promissory note (Note H)	11,434,800	-
Repayment of promissory note (Note H)	(1,200,000)	(700,000)
Change in deposits - parishes, institutions and related organizations	(12,045,163)	(8,792,247)
Net cash used in financing activities	(1,810,363)	(9,492,247)
Net (decrease) increase in cash and cash equivalents	(2,257,294)	660,332
Cash and cash equivalents		
Beginning of year	69,421,970	68,761,638
End of year	$ 67,164,676	$ 69,421,970

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

NOTE A - ORGANIZATION

The Archdiocese of Philadelphia (the "Archdiocese") was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the "Church") for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. The Archdiocese of Philadelphia - Office for Financial Services ("OFS") provides programs and services to the parishes, schools and other related ecclesiastical entities in the territory of the Archdiocese. OFS is considered to be a component of the Archdiocese of Philadelphia and not a separate legal entity.

The accompanying financial statements include the following funds which operate under the auspices of OFS:

General Fund - Includes the accounts of separate ministry departments of the Archdiocese. The fund also includes all of the OFS without donor and with donor-restricted resources available for support of the Archdiocesan operations including:

- Investments in real estate and physical plant,
- Support for the benefit of financially struggling parishes through the Interparochial Cooperation Commission ("IPCC"),
- Assisted living support for retired priests residing in the Villa St. Joseph and Regina Coeli residences.

Custodian Fund - Includes funds received, via special collections, and held by the Archdiocese for the beneficiaries of those special collections. All collected funds received are remitted to the beneficiary or used solely to support the individual mandate of the specific special collection. OFS does not have variance power as it relates to these funds and as such records a related payable at the time of receipt.

Archdiocese of Philadelphia Risk Insurance Trust ("Risk Insurance Trust") - Represents the risk management program of the Archdiocese, including property, general liability, workers' compensation, disability and auto insurance policies for all participating Archdiocesan entities, as well as the management and administration of the program.

Archdiocese of Philadelphia Welfare Benefits Trust ("Welfare Benefits Trust") - Represents the medical benefits program of the Archdiocese, including health, prescription and vision insurance coverages for all participating Archdiocesan entities, as well as the management and administration of the program.

Archdiocese of Philadelphia Deposit and Loan Program Trust Fund ("Deposit and Loan Program Trust") - Represents a cooperative deposit and lending program established primarily for the benefit of the parishes and other Archdiocesan entities. This trust replaced the existing Trust and Loan Fund as of September 1, 2014, at which time the assets and liabilities of the Trust and Loan Fund were assigned to and assumed by the Deposit and Loan Program Trust. Effective February 17, 2017, the Trustees of the Deposit and Loan Program Trust instituted a moratorium on accepting deposits, opening new accounts and making new loans under the program. This moratorium remains in effect.

During the year ended June 30, 2019, all depositor accounts with balances less than $15,000 were fully distributed to depositors, and cash distributions equal to 15.0% of remaining balances were made to each remaining depositor.

The accompanying financial statements do not include the assets, liabilities or activities of the more than 200 parishes located in the territory of the Archdiocese, except for parish deposits maintained in the Deposit and Loan Program Trust and other receivables set forth in the accompanying financial statements. The parishes are separate canonical operating entities distinct from the offices and funds included herein. The parishes maintain separate accounts and their respective assets in their own names, and carry out their own programs. Other ecclesiastical entities and organizations, which are related to, but operated separately and distinctly from OFS, are also not included in the accompanying financial statements.

The excluded financial reporting entities include, but are not limited to, the following:

- Archdiocese of Philadelphia Office of Catholic Education (“OCE”), which includes:
  - Diocesan High Schools;
  - Administration Account;
  - Schools of Special Education;
- The Philadelphia Theological Seminary of St. Charles Borromeo (a Pennsylvania nonprofit corporation, a.k.a. St. Charles Borromeo Seminary);
- Catholic Housing and Community Services (“CHCS”) of the Archdiocese of Philadelphia (a Pennsylvania nonprofit corporation) successor to Catholic Health Care Services of the Archdiocese of Philadelphia;
- Catholic Social Services (a Pennsylvania nonprofit corporation; incorporated as Catholic Charities of the Archdiocese of Philadelphia) and affiliated nonprofit organizations;
- Archdiocese of Philadelphia Catholic Charities Appeal Fund (a Pennsylvania nonprofit corporation, incorporated as Catholic Charities Appeal of the Archdiocese of Philadelphia);
- Heritage of Faith - Vision of Hope (a Pennsylvania nonprofit corporation; “HOF~VOH”);
- The Archdiocese of Philadelphia - Office of Catholic Cemeteries (“Cemeteries Office”);
- The Archdiocese of Philadelphia - Philadelphia Catholic Cemeteries, LLC;
- Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust; and
- Archdiocese of Philadelphia Independent Reconciliation and Reparation Program Trust (“IRRP”).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, intends to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendment provides: (1) a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, including how to evaluate whether a resource provider is receiving commensurate value in an exchange transaction; and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. Guidance applies to both recipients and resource providers. For contributions received, the new standard is effective for annual financial statements beginning after December 15, 2018. For transactions in which OFS serves as resource provider, the new standard is effective for annual financial statements beginning after December 15, 2019. OFS adopted the guidance during the year ended June 30, 2020 using the modified retrospective method and has determined that there is no effect on net assets in connection with the adoption of ASU 2018-08.

Recently Issued Pronouncements

FASB ASU 2014-09, *Revenue (Topic 606): Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts, whether or not written, with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying five steps listed in the guidance. ASU 2014-09 also requires disclosure of both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customers. The new guidance is effective for fiscal years beginning after December 15, 2019. Entities have the option of using either a full retrospective or a modified retrospective approach. Early adoption is permitted. OFS is assessing the effect that the adoption of ASU 2014-09 may have on the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Classes of Net Assets

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

Net assets without donor restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions include the investment in real estate and physical plant, less accumulated depreciation. From time to time management may designate a portion of these net assets without donor restrictions to a specific purpose.

Net assets with donor restrictions - Net assets including gifts, pledges, trusts, remainder interests, income and appreciation, subject to donor-imposed restrictions. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift. Some net assets with donor restrictions include a stipulation that requires the corpus be invested in perpetuity and only the income be made available from operations in accordance with donor restrictions

See Notes O and Q for more information on net assets released from restrictions and the composition of net assets with donor restrictions, respectively.

Cash and Cash Equivalents

OFS considers all highly-liquid investments with an original maturity of three months or less, and which are not held as components of its respective investment portfolio, to be cash equivalents.

Due from/to Archdiocesan Entities

Assessments and other amounts due:

The balance includes outstanding amounts due from Archdiocesan entities (parishes and other related ecclesiastical entities) related to:

- Parish Assessments: An assessment is levied on parishes to fund the work of the Archbishop and the operations and support functions of the pastoral center; and maintain the apostolic ministries and programs shared by the whole local Church,

- Risk Insurance: Risk insurance billings for property, general liability, workers' compensation, auto, and disability insurance coverage provided to parishes and other Archdiocesan entities by the Risk Insurance Trust,

- Medical Benefits: Billings for health, prescription and vision provided to parishes and other Archdiocesan entities by the Welfare Benefits Trust.

Loans Receivable:

The Deposit and Loan Program Trust no longer makes new loans to parishes. The Deposit and Loan Program Trust maintains the existing loan balances. Loans are due in varying amounts over terms not more than 25 years. The loans to parishes bear interest using the simple interest rate method on principal amounts outstanding. Except in arrangements which have been specifically negotiated, at both June 30, 2020 and 2019, the interest rate on outstanding loans is 4.50%. Specifically negotiated rates are up to 3.25%.

Note Receivable from Related Parties:

The note receivable balance is comprised of a note that is due from St. John Neumann Place, L.P. ("SJNPLP"), a subsidiary of CHCS. The note due from SJNPLP represents a second mortgage due to OFS for property acquired by SJNPLP, used to create affordable housing which qualifies for federal low-income housing tax credits. The 30-year mortgage bears interest at 6.25% compounded annually through December 2036.

Interest Receivable from Related Parties:

The interest receivable balance consists of interest accrued on the note receivable due from SJNPLP, as well as loans receivable due from parishes as part of the Deposit and Loan Program Trust.

Other Related Party Receivables:

Other related party receivables consist of amounts due to OFS from parishes and other related ecclesiastical entities for intra-diocesan charges due for rent, utilities and various other items that have been paid by OFS on behalf of a separate Archdiocesan entity.

Note and Other Receivables:

On June 30, 2020, the Archdiocese entered into an agreement with the board of directors of Saint John Vianney Center ("SJVC"), a nonprofit corporation formed by the Archdiocese that operates a facility in Downingtown, Pennsylvania. The agreement terminated the affiliation of SJVC with the Archdiocese, and converted SJVC into a nonprofit corporation governed by a self-perpetuating board. The Archdiocese received consideration for entering into the agreement in the amount of $12,000,000, of which $9,000,000 remains receivable as of June 30, 2020 (see Note C). The remaining portion of the consideration

($3,000,000) is in the form of a promissory note payable over twelve 12 years. SJVC will make interest rate payments only for the first seven years, at an interest rate of 5.32%. Upon the expiration of this initial term, SJVC will repay 60 monthly installments of interest and principal at a variable interest rate of the 5-year U.S. Treasury Rate plus 350 basis points. The termination of this affiliation resulted in a gain of $12,000,000, which is included on the statement of activities. The transaction was reviewed by the Attorney General of Pennsylvania in accordance with the requirements of Pennsylvania laws governing non-profits. The Attorney General and the Vatican issued no objection letters.

On June 30, 2020, the Archdiocese had a receivable due from a third party administrator of workers' compensation benefits in the amount of $1,354,700.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based upon management's judgments including such factors as prior collection history, economic condition of the counterparty and type of receivable. The amount of expected impairment is based on management's best estimate.

Prepaid Expenses

Prepaid expenses consist primarily of amounts in the Risk Insurance Trust and Welfare Benefits Trust. The Risk Insurance Trust and Welfare Benefits Trust pay insurance premiums for coverage obtained on behalf of parishes and other Archdiocesan entities at the beginning of the respective policy periods. This cost is amortized over the respective policy period.

Investments

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese appointed SEI Private Trust Company to act as custodian (the "Custodian") of the investments, which consist of certain cash and securities and are more fully described in Notes D and E. Investment allocation decisions are the responsibility of the Archdiocesan finance council.

Investments are reported at fair value. Realized gains and losses are reported to the participating entities monthly. Gains and losses realized by the participating entities as a result of sales are recorded in their specific accounts. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets as net realized and unrealized appreciation on investments and beneficial interest in supporting charitable trusts.

Charitable Gift Annuities

The Archdiocese is responsible for processing the annuity payments for charitable gift annuities. These assets are included in the investments in the Catholic Values Funds described above at June 30, 2020 and 2019. Periodic annuity payments are made to the donor or their beneficiaries until death. Upon receipt of the assets, a liability is recorded at the present value of the estimated future payments to be distributed over the donor's and/or other beneficiaries' expected life, based on the Mortality Tables and discount rates set when the annuity agreement is established, which range between 3.08% and 6.17%. The liability at June 30, 2020 and 2019 was $351,650 and $390,263, respectively, and are classified in accrued expenses and other payables on the statements of financial position.

Beneficial Interest in Supporting Charitable Trusts

The Archdiocese is the sole beneficiary of the income of individual trusts established by Anthony P. Falcone, held in perpetuity by a third party, and William P. Mulvihill, also held in perpetuity by a third party. The supporting charitable trusts require the income to be paid to the Archdiocese. The beneficial interest in the supporting charitable trusts is recorded at the fair value of the assets. At June 30, the allocable fair value of the net assets of the trusts was as follows:

	2020	2019
Anthony P. Falcone	$ 1,310,475	$ 1,375,516
William P. Mulvihill	874,099	890,857
	$ 2,184,574	$ 2,266,373

The underlying investments of the beneficial interest in the supporting charitable trusts consist of government obligations, corporate obligations, mutual funds and equity securities. OFS receives statements from each of the trustees, which detail the fair value of each investment in the supporting charitable trusts. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets as net realized and unrealized appreciation on investments and beneficial interest in supporting charitable trusts.

Real Estate and Physical Plant

Land, buildings, building improvements and equipment are capitalized at cost, or their fair market value if donated. Depreciation for fixed assets is computed on a straight-line basis over the estimated useful lives, which are as follows:

Buildings	30 years
Building improvements	15 - 20 years
Equipment	3 - 15 years

The legal title of certain real estate and improvements is held in the name of the Archdiocese in trust for the exclusive benefit and charitable use of parishes or related ecclesiastical entities within the territory of the Archdiocese. The Archdiocese has legal title, but does not have any proprietary, equitable or beneficial interest in any such real property and improvements. Each parish or related ecclesiastical entity is a separate juridic person and is the owner and holder of the proprietary, beneficial and equitable interest in its personal and real property and related improvements which, in all events, is subject to the provisions of canon law. Accordingly, such real property and improvements and any other assets and associated liabilities of the parishes within the territory of the Archdiocese are not included in the accompanying financial statements.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized.

Real estate and physical plant and accumulated depreciation at June 30, consist of:

	2020	2019
Land	$ 1,048,768	$ 1,048,768
Buildings	39,189,046	39,189,046
Building improvements	12,062,879	8,771,072
Equipment	2,725,420	2,508,774
Construction in progress	-	2,620,270
	55,026,113	54,137,930
Accumulated depreciation	(37,301,933)	(35,307,896)
Real estate and physical plant, net	$ 17,724,180	$ 18,830,034

Depreciation expense of $1,996,210 and $1,612,621 was incurred for the years ended June 30, 2020 and 2019, respectively.

Real Estate and Physical Plant Held for Sale

OFS has certain buildings and properties no longer in use, which are being marketed for sale as of June 30, 2020 and 2019. The carrying value of assets held for sale previously classified under real estate and physical plant, net, consists of the following at June 30,

	2020	2019
Land	$ 45,639	$ 45,639
Buildings	3,311,271	3,311,271
Real estate and physical plant held for sale, net	$ 3,356,910	$ 3,356,910

Self-Insurance Reserves

Risk Insurance Trust

The statements of financial position include liabilities with respect to self-insured general, property, workers' compensation and auto liability claims as of June 30, 2020 and 2019. These obligations represent an estimate of the expected ultimate cost for these claims, less amounts paid to date. The Risk Insurance Trust estimates the required reserves for such claims on a non-discounted basis utilizing an independent actuarial method that is based upon various assumptions which include, but are not limited to, historical loss experience and projected loss development factors.

The required liability is also subject to annual adjustment in the future based upon the changes in claims experience, including changes in the number of incidents and changes in the ultimate cost per incidents. Actual amounts ultimately paid could differ from these estimates. The self insurance reserve also includes management estimate of open claims to be settled within the IRRP (Note I). Self-insurance reserves are included in the accrued expenses and other payables caption on the statements of financial position.

Welfare Benefits Trust

The statements of financial position include self-insurance liabilities with respect to the medical insurance program as of June 30, 2020 and 2019. These obligations represent an estimate of the expected ultimate cost for claims incurred but not paid ("IBNP"). The Welfare Benefits Trust estimates the required reserves for such claims on a non-discounted basis utilizing a development method which assumes that the progression of claim payment follows runoff patterns that are assumed to remain stable over time. The results, produced by the development method, were adjusted for months where the data was deemed noncredible. These adjustments were made using the projection method, which is based on the change in costs per exposure unit over time. The medical estimate is based on historical incurred and paid claims data for the 48-month periods ended June 30, 2020 and 2019. Self-insurance reserves are included in the accrued expenses and other payables caption on the statements of financial position.

Deferred Revenue

Deferred revenue consists of $1,305,164 and $1,334,355 at June 30, 2020 and 2019, respectively, for medical insurance invoices billed by the Welfare Benefits Trust in June for the July coverage period, and funds received by Villa Saint Joseph for future capital improvements. The revenue for each will be recognized in the year ending June 30, 2021.

Revenue, Gains, Losses and Other Support

Parish Assessments

Parishes within the territory of the Archdiocese are assessed a fee to help support the mission of the Church in Philadelphia and the four surrounding counties as permitted by canon law. The parish assessment for the years ended June 30, 2020 and 2019 was based upon 12.25% of the parish's operating income for the preceding year. Operating income includes Sunday collections, other parish collections, church socials and donations, interest, dividends, rental income and net cemetery income. Included within the 12.25% is a provision for an allocation to OCE of $1,230,200 and $1,200,000 for the years ended June 30, 2020 and 2019, respectively.

Pledges/Contributions, Collections, Bequests and Donations

Unconditional promises to give (i.e., pledges) are recorded as receivables and revenues at fair value at the date the promise is received within the appropriate net asset category. Donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as revenues without donor restrictions. Gifts of long-lived assets received without donor restrictions are reported at fair value as revenues without donor restrictions. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service.

OFS reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Premium Income from Archdiocesan Insurance Programs

The Risk Insurance Trust and Welfare Benefits Trust act on behalf of participating Archdiocesan entities and parishes to procure adequate insurance coverage. The costs of the premiums and related expenses are billed to the participating entities and reported as premium income. Unpaid insurance billings are included in amounts due from Archdiocesan entities.

Income Tax Status

The Archdiocese is recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"), except on activities unrelated to their exempt purposes. The Archdiocese has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

The Archdiocese follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Archdiocese has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET

A summary of the various receivable balances held by OFS due from Archdiocesan entities at June 30, is presented as follows:

Assessments and other amounts due:

	2020	2019
Assessments due from parishes	$ 14,833,444	$ 14,758,045
Risk and medical insurance premiums due from Archdiocesan entities and parishes	22,712,027	21,935,210
	37,545,471	36,693,255
Allowance for doubtful accounts	(36,120,270)	(35,005,611)
Assessments and other amounts due, net	$ 1,425,201	$ 1,687,644

Loans Receivable:

The loans receivable consists of loans made by the Deposit and Loan Program Trust to parishes and other Archdiocesan entities (see Notes A and B). The amount due from parishes and other Archdiocesan entities at June 30, is as follows:

	2020	2019
Gross loans receivable	$ 18,185,565	$ 19,489,464
Less: allowance for doubtful accounts		
Beginning of year	(8,073,398)	(9,092,767)
Increase (decrease) to allowance	(523,325)	1,019,369
End of year	(8,596,723)	(8,073,398)
Loans receivable, net	$ 9,588,842	$ 11,416,066

Note receivable from related party:		
SJNPLP	$ 2,860,000	$ 2,860,000
Allowance for doubtful account	(1,765,000)	(1,765,000)
Note receivable, net	$ 1,095,000	$ 1,095,000

Credit Quality of Loans Receivable:

Prior to the moratorium described in Note A regarding the Deposit and Loan Program Trust, OFS received loan requests from parishes and other Archdiocesan entities. These loans, when approved, were made through the Deposit and Loan Program Trust. All loan requests were subject to a due diligence review of the requesting parish's ability to support future loan payments. This review was performed by OFS. Upon completion of this due diligence, the loan request was presented to the College of Counselors for approval. Allowances for doubtful accounts are established for all loans based upon prior collection experience and current factors specific to each entity that, in management's opinion, may influence the entity's ability to repay the loan. All loan balances deemed to be impaired are adjusted to the net realizable value at the time this determination is established.

Deposit and Loan Program Trust promissory note:

On May 31, 2012, the Archdiocese created a promissory note to the Deposit and Loan Program Trust. On May 20, 2013, the promissory note was amended to increase the note to $82,000,000. The balance of this promissory note was $32,100,393 at June 30, 2020 and 2019. The promissory note is collateralized by specific pledged real estate assets as documented in the May 31, 2012 promissory note, as amended. As pledged assets are sold or monetized, net proceeds from the transactions are used to fulfill the obligation acknowledged via the promissory note. If a transaction for any of the pledged properties results in net proceeds in excess of $20,000,000, the Archdiocese has discretion to use the excess for another purpose so long as the value for remaining pledged properties is at least equal to the remaining obligation.

During the year ended June 30, 2020, the Archdiocese did not sell, transfer or convey any specifically pledged real estate assets. The promissory note is recorded as an asset and liability on the financial statements of the Deposit and Loan Program Trust and General Fund, respectively, and is eliminated within the OFS statements of financial position at June 30.

Interest Receivable from Related Parties:

	2020	2019
Note receivable from SJNPLP	$ 3,656,426	$ 3,231,910
Deposit and Loan Program Trust	2,284,298	2,200,432
	5,940,724	5,432,342
Allowance for doubtful accounts	(4,752,942)	(4,841,817)
Interest receivable from related parties, net of allowance for doubtful accounts	$ 1,187,782	$ 590,525

Other Related Party Receivables

OFS maintains receivable balances due from other related Archdiocesan entities. The balance of other related party receivables at June 30, is comprised of:

	2020	2019
Archdiocesan payroll receivable	$ 159,759	$ -
Due from OCE	652,468	-
Intra-diocesan charges for utilities and other items, net	251,500	289,136
Other	69,166	410,041
	$ 1,132,893	$ 699,177

NOTE D - INVESTMENTS

The total investments of OFS at June 30, are detailed as follows:

	2020	2019
Investment in SEI Catholic Values Funds	$ 34,193,933	$ 36,448,479
Investment in the Trust of Josephine Nalle Unitrust	1,576,796	1,604,596
Mutual funds	205,428	217,072
Total investments	$ 35,976,157	$ 38,270,147

Investment in SEI Catholic Values Funds

Investments held at SEI are reported at fair value and consist of the following:

Catholic Values Equity Fund (or "equity fund") - Invests in common stocks and is managed by SEI. The equity fund is valued at the closing price of the traded fund.

Catholic Values Fixed Income Fund (or "fixed income fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI. The fixed income fund is valued at the closing price of the traded fund.

Mutual fund (or "fund") - Investments are liquid in nature and invested in short duration U.S. government bonds.

At June 30, 2020, OFS investments are summarized and classified as follows:

	Without donor restrictions	With donor restrictions	Total
Investment in SEI Catholic Values Funds	$ 720,955	$ 33,472,978	$ 34,193,933
Investment in the Trust of Josephine Nalle Unitrust	-	1,576,796	1,576,796
Mutual funds	-	205,428	205,428
	$ 720,955	$ 35,255,202	$ 35,976,157

At June 30, 2019, OFS investments are summarized and classified as follows:

	Without donor restrictions	With donor restrictions	Total
Investment in SEI Catholic Values Funds	$ 2,080,855	$ 34,367,624	$ 36,448,479
Investment in the Trust of Josephine Nalle Unitrust	-	1,604,596	1,604,596
Mutual funds	-	217,072	217,072
	$ 2,080,855	$ 36,189,292	$ 38,270,147

NOTE E - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities as of the measurement date;

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities; and

Level 3 Inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although OFS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair values of the assets held by OFS by level within the fair value hierarchy, as of June 30, 2020:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant inputs supported by little or no market activity (Level 3)	Total fair value
Assets				
Investments				
Investment in SEI Catholic Values Funds	$ 34,193,933	$ -	$ -	$ 34,193,933
Investment in the Trust of Josephine Nalle Unitrust	-	-	1,576,796	1,576,796
Mutual funds	205,428	-	-	205,428
	34,399,361	-	1,576,796	35,976,157
Beneficial interest in supporting charitable trusts	-	-	2,184,574	2,184,574
Total assets at June 30, 2020	$ 34,399,361	$ -	$ 3,761,370	$ 38,160,731

The following table presents the fair values of the assets held by OFS by level within the fair value hierarchy, as of June 30, 2019:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant inputs supported by little or no market activity (Level 3)	Total fair value
Assets				
Investments				
Investment in SEI Catholic Values Funds	$ 36,448,479	$ -	$ -	$ 36,448,479
Investment in the Trust of Josephine Nalle Unitrust	-	-	1,604,596	1,604,596
Mutual funds	217,072	-	-	217,072
	36,665,551		1,604,596	38,270,147
Beneficial interest in supporting charitable trusts	-	-	2,266,373	2,266,373
Total assets at June 30, 2019	$ 36,665,551	$ -	$ 3,870,969	$ 40,536,520

The following table presents assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended:

	Level 3
Balance, June 30, 2018	$ 3,867,426
Change in fair value of assets	249,099
Distributions received from trusts	(245,556)
Balance, June 30, 2019	3,870,969
Change in fair value of assets	137,090
Distributions received from trusts	(246,689)
Balance, June 30, 2020	$ 3,761,370

NOTE F - ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following at June 30:

	2020	2019
Self-insurance reserves (see Note I)	$ 69,072,850	$ 120,735,354
IBNP Welfare Benefits Trust	3,461,000	3,761,000
Risk insurance trust claim accrual	1,299,325	1,122,821
St. Charles Borromeo Seminary loan interest accrual	296,024	-
Conditional asset retirement obligation	362,706	348,240
Charitable gift annuities	351,650	390,263
Accrued legal and professional fees	100,000	130,897
Other	1,083,994	1,135,962
	$ 76,027,549	$ 127,624,537

NOTE G - LINE OF CREDIT

In April 2019, the Archdiocese amended and replaced the unsecured line of credit with PNC Bank for the 12 months ending January 31, 2020. The line of credit allows for borrowings up to $6,000,000 at an interest rate equal to the Daily LIBOR plus 150 basis points. The interest rate at June 30, 2019 was 3.898%. In addition, the Archdiocese is required to pay a commitment fee of 15 basis points per annum on the average daily balance of the line of credit that was not disbursed and not cancelled during the previous quarter.

As of June 30, 2019, there were no borrowings against the line of credit.

On January 24, 2020, the unsecured line of credit with PNC was extended from January 31, 2020 to April 30, 2020. On May 13, 2020, an amendment was executed to extend the line of credit to June 30, 2020, reduce the allowable borrowings to $3,000,000 and to increase the interest rate to the Daily LIBOR plus 350 basis points. On June 30, 2020, OFS repaid the outstanding principal and interest.

On June 30, 2020, OFS signed a Line of Credit Note promising to pay to the Archdiocese of Philadelphia Welfare Benefits Trust the principal sum of up to $4,000,000 together with accrued interest. OFS may borrow, repay and reborrow until the expiration date of June 30, 2021. Outstanding balances bear interest at the Daily LIBOR Rate plus 350 basis points. Accrued interest on borrowings is due on the first day of each month. The outstanding principal balance and any accrued, but unpaid interest is due on the expiration date. The note is secured by rent payments made pursuant to the Cemetery Lease Agreement involving the Archdiocese and specific pledged real estate assets. There were no borrowings as of June 30, 2020, and OFS has not borrowed any funds subsequent to year-end and through the date which the financial statements were available for distribution.

NOTE H - PROMISSORY NOTES AND SECURITY AGREEMENTS

On July 17, 2019, OFS entered into an unsecured bridge loan with St. Charles Borromeo Seminary in the amount of $7,500,000 (the “SCBS Loan”). The SCBS Loan bears an annual interest rate of 4.25% calculated by the number of elapsed days that the principal is outstanding based upon a year of 360 days. Principal and interest are due at the earlier of one year from the date of borrowing or the receipt of proceeds from the phase one closing pursuant to the EMV Agreement discussed below.

On September 27, 2019, the Archdiocese entered into a Master Development Agreement with EM Race Vine Ventures, LLC, a Delaware limited liability company ("EMV"). The Master Development Agreement grants EMV the right to rezone, ground lease and develop two portions of the Archdiocese's property located at 17th and Vine Streets in Philadelphia, on which the Cathedral Basilica of Saints Peter and Paul, the Archdiocesan Pastoral Center, and other buildings are located. EMV plans to develop such portions of this site into a mixed use, residential, retail and office urban destination. The Master Development Agreement provides for EMV to ground lease the sites in two phases, and upon the closing of each phase, which are anticipated to be in calendar year 2020 and during or before 2025, consideration will be due and payable to the Archdiocese.

On June 30, 2020 an amendment was executed to extend the maturity date of the SCBS Loan to December 31, 2020. Principal and unpaid interest shall be due and payable on December 31, 2020, however OFS shall make immediate payments of accrued interest plus principal prior to the maturity date upon receipt of the proceeds from payment of the phase one closing pursuant to the EMV Agreement.

On April 20, 2020, OFS was granted a loan (the “Loan”) from PNC Bank in the amount of $2,734,800, pursuant to the Paycheck Protection Program (“PPP”), under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which was enacted March 27, 2020. The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes and certain conditions are met. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Loan, which was in the form of a note dated April 20, 2020, matures on April 20, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 15, 2020. The Loan may be repaid at any time prior to maturity with no prepayment penalties. OFS used the entire amount of the Loan for qualifying expenses prior to June 30, 2020 with the intent of applying for forgiveness of a substantial amount of the Loan.

NOTE I - COMMITMENTS AND CONTINGENCIES

Claims Related to Clergy Abuse

<u>Independent Reconciliation and Reparation Program</u>

The Archdiocese has an active program to help survivors of clergy abuse. Committed to furthering its efforts to help survivors, the Archdiocese commenced the IRRP on November 13, 2018. The IRRP is a voluntary compensation program for survivors who allege they were sexually abused as minors by clergy of the Archdiocese. Regardless of when the harm occurred, eligible claimants may participate in the IRRP. Claimants present their claims to Independent Claims Administrators, Kenneth Feinberg and Camille Biros ("Administrators"), who determine whether and what amount of compensation to offer each claimant in full and final settlement of their claim against the Archdiocese. The IRRP claim period ended September 30, 2019, which means that all claim forms were to be postmarked by that date. The Archdiocese has committed to paying, on a claim-by- claim basis, the amounts the Administrators independently determine to be appropriate in each case. While the Archdiocese may not challenge the determinations of the Administrators, each claimant is free to accept or reject the compensation offer. The Archdiocese's payment obligation cannot be specifically quantified until each claimant receives his or her unique compensation offer and then chooses whether to accept the settlement. If the claimant accepts the settlement, he or she also signs a release relinquishing any right to sue the Archdiocese and its affiliates in the future.

At June 30, 2020, management of the Archdiocese estimated that the expected cost of the program would be approximately $102,100,000 based on claims paid through June 30, 2020 and claims that still need to be settled. During the years ended June 30, 2020 and 2019, claims and expenses paid related to this program amounted to $30,230,088 and $21,354,000, respectively. As the remaining amount required under this program is in excess of the available liquidity, management developed and continues to implement a funding plan that includes borrowings and sales of assets. See Note T for details regarding loan commitments. As part of this plan, in December 2019, the Archdiocese received $28,000,000 in risk mitigation payments from three affiliated ecclesiastical entities.

Litigation Claims

In 2019, the Superior Court of Pennsylvania issued a decision in *Rice v. Diocese of Altoona - Johnstown* which may be interpreted to change the courts ability to presumptively reach determinations that claims are barred by the statute of limitations. The Pennsylvania Supreme Court agreed to accept an appeal of that decision. The appeal will likely be decided in 2021. The Archdiocese was sued in approximately 69 cases in which the plaintiff relies on the *Rice* decision in an attempt to avoid the statute of limitations. In many of these cases, the Archdiocese was sued in cases in which the plaintiff alleges abuse by priests associated with other dioceses in Pennsylvania and alleges that the Archdiocese had oversight responsibility for those dioceses. The Archdiocese has moved for a stay of these cases due to the pending appeal of the *Rice* decision. The Archdiocese also plans to defend these cases and will argue that the *Rice* decision does not apply to the Archdiocese and the Archdiocese is not responsible for the oversight of sexual abuse allegations in other dioceses in Pennsylvania.

In 2019, the States of New Jersey and New York enacted “window legislation” which permit plaintiffs in sexual abuse cases to file suits regardless of when the abuse occurred. The Archdiocese has been named as a defendant in 14 cases in New Jersey and 1 case in New York. In all of these cases, the Archdiocese has or will challenge the authority of the courts to assert personal jurisdiction over the Archdiocese. In the New Jersey cases, the Archdiocese was dismissed from 1 case, 2 cases have been transferred to federal courts in Pennsylvania and 11 are active in state courts of New Jersey pending a decision on the personal jurisdiction issue. For the one case in New York, the Archdiocese has not yet responded but will assert similar challenges to the courts’ jurisdiction.

In addition, the Archdiocese has been sued in 2020 in 2 additional cases in Philadelphia County in which plaintiffs allege that they were sexually abused by a priest within the existing statute of limitations.

Legislation

The Pennsylvania Legislature continues to contemplate bills to reopen the statute of limitations to allow previously time-barred claims of abuse to proceed in court. The Pennsylvania General Assembly passed legislation (HB 962, Act 87 of 2019), which abolishes on a prospective basis the criminal statutes of limitation for child sexual abuse and changes sovereign and municipal immunity and attendant damages caps. Governor Wolf signed HB 962 into law on November 26, 2019. The Legislature also commenced the process toward the passage of a related constitutional amendment (HB 963, Pamphlet Laws Resolution No. 2) to allow individuals who were sexually abused as children to bring claims against the entities that employed their abusers. H.B. 963 would provide survivors of abuse whose claims are presently barred by the applicable statute of limitations with two years to commence civil litigation. The proposed constitutional amendment has been passed once by the General Assembly (in the current 2019-2020 Legislative Session). In order to become law, identical legislation must be passed again in the 2021-2022 Legislative Session and subsequently adopted by the voters.

Investigation Matter

On October 9, 2018, the Archbishop received a federal grand jury subpoena requesting the production of certain documents. The Archdiocese of Philadelphia produced documents to the US Attorney's Office as required by law. Since November 2019, communication with the government has concluded and the Archdiocese is not aware of any investigative activity related to this matter.

Reserves

Self-insurance - The principal insurance policies providing property, auto and general liability coverage have a self-insured retention ("SIR") of $75,000, $50,000, and $250,000 per occurrence, respectively. In addition, the property coverage has an annual aggregate deductible of $2,500,000. There are certain special policies with lower per claim deductibles or SIR's and some policies with guaranteed cost, first dollar coverage.

The estimated ultimate claims cost is calculated as of June 30, 2020 and 2019 and considers incurred and paid losses and retention amounts to determine loss development factors. The estimated reserve liability is comprised of both a limited case outstanding reserve and estimated development.

Effective July 1, 2016, the workers' compensation program, which is included in the Risk Insurance Trust, was converted to a fully-insured program, and workers' compensation claims incurred after that date will not require loss reserves. Prior to July 2016, the workers' compensation policy had a self-insurance reserve of $500,000 per claim. The liability for self-insured workers' compensation claims will be reduced over time as those claims incurred prior to July 2016 are settled. The workers' compensation and auto obligations are collateralized with surety bonds in favor of the Commonwealth of Pennsylvania.

Other

The Archdiocese is involved in numerous other legal proceedings arising out of and incidental to its operations. In management's opinion, the ultimate liability which may arise from these other legal proceedings would not have a material adverse effect on the financial statements of OFS. In addition, the Archdiocese believes that if any liability were established, it would have adequate insurance coverage to meet the resulting obligations.

Priests' Student Loans

Under the Archdiocese of Philadelphia's Priest Student Loan Policy, priests are reimbursed for payments made toward student debt incurred for their studies at St. Charles Borromeo Seminary. The reimbursements are contingent upon loan payments being made by the priest and are limited annually to a maximum repayment amount predetermined by the Archdiocese. The Archdiocese assumes no liability related to the outstanding balances on these loans until payment is made by the priests. Upon payment, the Archdiocese assumes the liability. The reimbursement cost is split evenly between the Archdiocese and St. Charles Borromeo Seminary. During the years ended June 30, 2020 and 2019, the combined reimbursement totaled $151,349 and $154,374, respectively. As of June 30, 2020 and 2019, the potential combined outstanding priest student loans totaled $679,741 and $739,741, respectively.

NOTE J - RISK AND UNCERTAINTIES

Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market volatility and credit risks. To minimize such risks, the Archdiocese has a diversified investment portfolio managed by several independent investment managers in a variety of asset classes. The Archdiocese regularly evaluates its investments including performance thereof. The Archdiocese maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. OFS has not experienced any losses in such accounts and does not believe it is subject to significant credit risk. The Archdiocese's cash accounts were placed with high credit quality financial institutions. However, due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. It is reasonably possible that changes in investments will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements. Credit risk with respect to related party receivables originates from the activities of related parties within the Archdiocese such as parishes, which are supported primarily by Catholic parishioners of the Philadelphia area. Related party receivables mainly include accounts receivable from Archdiocesan parishes and loans provided to parishes and other related ecclesiastical entities.

Other Risk

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce, and financial markets globally. OFS has been and continues to closely monitor the COVID-19 pandemic and its impact on its operations. Though the full impact of COVID-19 and the scope of any impact on OFS' operations and financial condition cannot yet be determined, potential adverse consequences to the OFS of COVID-19 may include a decline in assessment income and a decrease in interest and investment income from OFS' investment assets.

NOTE K - PENSION PLANS

The Archdiocese of Philadelphia Lay Employees' Retirement Plan ("LERP"), the Archdiocese of Philadelphia 403(b) retirement plan and priests' retirement plans are distinct and autonomous benefit plans separately administered by the Archdiocese in trust for each of the plans' beneficiaries and are not part of these financial statements. These plans are funded by contributions from the various participating entities, including parishes. The plans are administered by the respective trustees of each plan.

Priests' Retirement Plans

For financial reporting purposes within these financial statements, the priests' retirement plans are accounted for as multiemployer plans. Expenses are recognized as contributions and are made in accordance with established provisions followed by all parishes and participating entities within the territory of the Archdiocese. The recurring contributions by OFS to the priests' retirement plans totaled $116,043 and $163,892, respectively, for the years ended June 30, 2020 and 2019.

The actuarially determined present value of accumulated plan benefits at June 30, 2020 and 2019, for priests' pension, retiree health, auto and life insurance totaled approximately $104,900,000 and $104,400,000, respectively. At June 30, 2020 and 2019, the net assets available to provide for these benefits totaled approximately $114,800,000 and $117,250,000, respectively.

Lay Employees' Retirement Plan - Frozen Effective June 30, 2014

Through June 30, 2014, the eligible lay employees of OFS were covered under the LERP, which is a defined benefit pension plan that covered substantially all lay employees, once age and service requirements were met, of the Archdiocese, its related ecclesiastical entities, institutions and parishes. For financial reporting purposes within these financial statements, the LERP is accounted for as a multiemployer plan. On June 30, 2014, the Archdiocese froze the LERP. All active employees as of the freeze date retained benefits they had earned through June 30, 2014. After the date of the freeze, accrued pension benefits do not increase for additional service or increases in pay.

OFS made contributions to the plan of $93,770 and $395,920 for the years ended June 30, 2020 and 2019, respectively.

Estimates of the actuarially determined present value of accumulated plan benefits at June 30, 2020 and 2019 totaled approximately $564,500,000 and $582,000,000. At June 30, 2020 and 2019, the assets available to provide for these benefits totaled approximately $473,300,000 and $511,200,000, respectively.

Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese established a 403(b) defined contribution plan. Under the 403(b) plan and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan. Employer contributions, which cover employees meeting the eligibility requirements, are discretionary.

Vesting in employer contributions was immediate for employees who completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees takes place after the completion of 12 months of service.

During the years ended June 30, 2020 and 2019, the employer contribution rate was 4.5% of base salary for eligible employees. The contributions by OFS into the 403(b) plan totaled $313,402 and $318,969 for the years ended June 30, 2020 and 2019, respectively.

NOTE L - RELATED PARTY AMOUNTS AND TRANSACTIONS

OFS entered into transactions with the following related parties:

OFS recorded $724,000 during the years ended June 30, 2020 and 2019 in contributed rent related to the use of facilities owned by OFS, but used without charge by Catholic Social Services/CHCS.

Billings and collections of parish assessments, risk insurances, medical benefits and parish loans and interest are as follows:

	2020		2019	
	Billed	Collected	Billed	Collected
Parish assessment	$ 22,760,700	$ 22,685,301	$ 22,684,600	$ 22,605,552
Risk Insurance Program [1]	21,697,157	21,124,589	19,254,179	18,891,063
Welfare Benefits Program [1]	42,590,060	42,330,824	43,095,465	43,119,003
Parish loans and interest	473,991	1,636,060	635,879	15,027,217

[1] These billed amounts are reflected on the statements of activities and changes in net assets under the caption, "Premium income from Archdiocesan insurance programs." Amounts listed above exclude intercompany eliminations.

Archdiocesan parishes and agencies have funds on deposit in the Deposit and Loan Program Trust. Funds on deposit totaled $40,999,484 and $53,044,647 as of June 30, 2020 and 2019, respectively. Deposited funds earned an interest rate of 1.25% for the years ended June 30, 2020 and 2019. Interest paid on the deposited funds amounted to $585,614 and $750,953 during the years ended June 30, 2020 and 2019, respectively. Total interest expense for the years ended June 30, was as follows:

	2020	2019
Interest paid on deposits	$ 585,614	$ 750,953
Interest paid on PNC line of credit	30,587	-
Interest paid to SCBS	296,024	-
Interest accretion on conditional asset retirement obligation	14,466	12,898
	$ 926,691	$ 763,851

Loans were historically made to parishes and other Archdiocesan entities through the Deposit and Loan Program Trust (see Notes A, B and C). Interest earned on these loans amounted to $578,193 and $897,929 for the years ended June 30, 2020 and 2019, respectively.

OFS received funds from certain Archdiocesan offices, agencies and related ecclesiastical organizations, which are reflected as contributions on the statements of activities and changes in net assets. For the years ended June 30, such funds amounted to:

	2020	2019
Heritage of Faith ~ Vision of Hope	$ 250,682	$ 249,397
Saint John Vianney Center	250,000	250,000
Other	203	310,496
	$ 500,885	$ 809,893

Certain parishes, for a variety of reasons, which are struggling financially as they minister to the needs of their parishioners, receive assistance through the IPCC. This subsidy is used by the parishes to meet operating expenses, fund parish programs and carry out capital improvements. OFS provided subsidized support for IPCC parishes. This support is reflected as “interparochial assistance” in the accompanying statements of activities and changes in net assets for the years ended June 30, the subsidy consisted of the following:

	2020	2019
Assessment	$ 1,124,221	$ 1,014,200
Priests’ retirement	4,996	7,400
Priests’ health insurance	30,792	30,792
Risk insurance	67,926	61,111
General and extraordinary subsidy	324,909	632,019
	$ 1,552,844	$ 1,745,522

NOTE M - SELF-INSURED UNEMPLOYMENT COMPENSATION

A pooled insurance fund manages the unemployment compensation process for Special Education Schools, Parish Schools, select non-Archdiocesan schools, OFS, St. Charles Borromeo Seminary, and the administrative offices within the Office of Catholic Education ("Members").

The Pennsylvania Catholic Conference ("PACC") handles the claims administration and billings for the fund. Twice yearly, in February and May, PACC bills the Members. The funds collected by PACC from the billings are deposited into a bank account maintained by PACC. On a monthly basis, PACC processes claims and then electronically remits payments to the state. For the years ended June 30, 2020 and 2019, the billings of $785,775 and $681,108, respectively, and incurred claims totaling $989,927 and $457,641, respectively, were included in intradiocesan expenses on the statement of activities.

NOTE N - OTHER INCOME

Other income recognized by OFS is comprised of the following for the years ended June 30:

	2020	2019
Allocations from the Catholic Charities Appeal	$ 2,159,365	$ 3,247,361
Rental income	884,482	898,698
Contribution	843,537	199,458
Other	-	14,081
	$ 3,887,384	$ 4,359,598

NOTE O - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2020	2019
Purpose restrictions accomplished	$ 834,146	$ 3,008,911
Release of appropriated endowment amounts with purpose restrictions	1,153,531	1,092,510
Total net assets released from restrictions	$ 1,987,677	$ 4,101,421

NOTE P - ENDOWMENTS

OFS' endowments consist of donor- restricted and management designated endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with Commonwealth of Pennsylvania Act 141, OFS classifies as endowments: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Pennsylvania law permits the Archdiocese to release a percentage, which is elected annually, of the market value of its endowment funds into income without donor restrictions. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets. Due to COVID-19, the spending rate was increased to 10% for the calendar years 2020 through 2022.

Return Objectives and Risk Parameters

OFS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of plus 3% over the consumer price index while assuming a moderate level of investment risk. OFS expects its endowment funds, over time, to provide an average rate of return of between 6% and 7% annually. Actual returns in any given year may vary from that amount.

Spending Policy

In accordance with state law, net realized and unrealized gains on restricted endowment investments are included as net assets with donor restrictions, even absent donor restrictions on the use of gains. Commonwealth of Pennsylvania law permits OFS to adopt a spending policy for endowment earnings, subject to certain limitations. OFS follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The Archdiocese's spending policy for the years ended June 30, 2020 and 2019 allowed for a 4.5% to 5% draw of the three-year average market value of the endowments, estates and trusts.

OFS had the following endowment activities during the years ended June 30, delineated by net assets class:

	2020		
	Management designated without donor restrictions	Endowments with donor restrictions	Total
Endowment net assets, July 1, 2019	$ 6,347,431	$ 27,477,627	$ 33,825,058
Investment income	95,727	400,493	496,220
Net appreciation (realized and unrealized gains)	98,531	269,832	368,363
Total investment return	194,258	670,325	864,583
Designations	27,528	-	27,528
Appropriation of endowment assets for expenditure	(296,024)	(1,153,531)	(1,449,555)
Endowment net assets, June 30, 2020	$ 6,273,193	$ 26,994,421	$ 33,267,614

	2019		
	Management designated without donor restrictions	Endowments with donor restrictions	Total
Endowment net assets, July 1, 2018	$ 12,384,052	$ 27,051,025	$ 39,435,077
Investment income	143,428	424,958	568,386
Net appreciation (realized and unrealized gains)	123,959	1,094,154	1,218,113
Total investment return	267,387	1,519,112	1,786,499
Designations	285,564	-	285,564
Appropriation of endowment assets for expenditure	(6,589,572)	(1,092,510)	(7,682,082)
Endowment net assets, June 30, 2019	$ 6,347,431	$ 27,477,627	$ 33,825,058

NOTE Q - NET ASSETS (DEFICIT)

Net assets are available for the following purposes at June 30:

	2020	2019
Net assets (deficit) without donor restrictions:		
Undesignated	$ (18,354,292)	$ (77,561,492)
Board designated endowment	6,273,193	6,347,431
Total net (deficit) without donor restrictions	(12,081,099)	(71,214,061)
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Archdiocesan ministries support	3,476,276	3,664,518
Retired priest and religious support	658,779	981,591
Renovations	100,000	100,000
Total subject to expenditure for specified purpose	4,235,055	4,746,109
Investments to be held in perpetuity, funds restricted in perpetuity:		
Archdiocesan ministries support	24,476,116	24,887,532
Archdiocesan operation support	320,123	310,290
Educational assistance	13,608	13,432
Perpetual trusts held by others	2,184,574	2,266,373
Total investments to be held in perpetuity, funds restricted in perpetuity	26,994,421	27,477,627
Total net assets with donor restrictions	31,229,476	32,223,736
Total net assets (deficit)	$ 19,148,377	$ (38,990,325)

NOTE R - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects OFS' financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because management has set aside the funds for a specific contingency reserve or a long-term investment as management designated endowments. These management designations could be drawn upon if management approves that action.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 67,164,676	$ 69,421,970
Due from Archdiocesan entities and other accounts receivable	27,784,418	15,488,412
Investments	35,976,157	38,270,147
Beneficial interest in supporting charitable trusts	2,184,574	2,266,373
Financial assets, at year end	133,109,825	125,446,902
Less those unavailable for general expenditure within one year, due to:		
Cash not available for general expenditures	50,764,572	61,842,680
Perpetual trusts held by others	2,184,574	2,266,373
Contribution and accounts receivable collectible beyond one year	18,070,572	8,999,184
Investments and other financial assets held for others	1,882,224	4,746,111
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	24,809,847	25,211,256
Investments in management designated endowments	6,273,193	6,347,431
	103,984,982	109,413,034
Financial assets available to meet cash needs for general expenditures within one year	$ 29,124,843	$ 16,033,868

Although financial assets for general expenditures within one year are positive, this balance does not include the liability associated with the IRRP program totaling $49,859,000 and $105,124,000 as of June 30, 2020 and 2019, respectively, that is included within the self-insurance reserve. As the remaining amount required under this program is in excess of the available liquidity, management developed and continues to implement a funding plan that includes borrowings and sales of assets. See Note T for details regarding loan commitments.

NOTE S - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and IT, which are allocated on a square footage basis and head count basis, respectively. Interest is allocated by fund. Salaries and benefits are allocated on the basis of estimates of time and effort.

	June 30, 2020					
	Program Activities					
	Clergy	Ministry	Risk Insurance Trust	Welfare Benefits Trust	Supporting management and general	Total
Subsidies	$ -	$ 1,107,934	$ -	$ -	$ -	$ 1,107,934
Salaries and wages	1,140,819	3,876,597	88,966	70,162	5,685,443	10,861,987
Payroll taxes and fringe benefits	3,089,518	591,884	22,975	766,835	1,870,157	6,341,369
Purchased services	650,918	1,178,392	6,020,442	228,005	8,191,585	16,269,342
Intra diocesan expenses	6,730	(152,435)	7,790	-	53,303	(84,612)
Support expenses	172,147	1,655,524	910,625	334,675	4,067,931	7,140,902
Interparochial assistance	-	1,552,844	-	-	-	1,552,844
Depreciation expense	370,810	222,731	-	-	1,402,669	1,996,210
Interest expense	-	-	-	-	926,691	926,691
Withdrawals	-	212,250	-	-	260,081	472,331
Insurance program expenses	-	-	(5,784,573)	39,448,565	-	33,663,992
Total expenses	$ 5,430,942	$10,245,721	$ 1,266,225	$40,848,242	$22,457,860	$ 80,248,990

	June 30, 2019					
	Program Activities					
	Clergy	Ministry	Risk Insurance Trust	Welfare Benefits Trust	Supporting management and general	Total
Subsidies	$ -	$ 987,261	$ -	$ -	$ -	$ 987,261
Salaries and wages	1,043,891	3,684,881	86,375	60,167	5,639,372	10,514,686
Payroll taxes and fringe benefits	3,109,816	160,514	22,832	741,145	1,912,832	5,947,139
Purchased services	977,081	1,263,163	5,785,207	289,345	8,589,669	16,904,465
Intra diocesan expenses	8,026	(140,280)	290	-	44,546	(87,418)
Support expenses	338,366	2,370,213	1,384,931	39,387	4,486,048	8,618,945
Interparochial assistance	-	1,745,522	-	-	-	1,745,522
Depreciation expense	233,806	135,098	-	-	1,243,717	1,612,621
Interest expense	-	-	-	-	763,851	763,851
Withdrawals	35,752	-	-	-	385,680	421,432
Contributions expense from sale of real estate and physical plant	-	-	-	-	14,594,429	14,594,429
Insurance program expenses	-	-	118,359,390	42,553,789	-	160,913,179
Total expenses	$ 5,746,738	$10,206,372	$ 125,639,025	$43,683,833	$37,660,144	$ 222,936,112

NOTE T - SUBSEQUENT EVENTS

OFS has evaluated subsequent events through November 13, 2020, the date which the financial statements were available for distribution.

The Archdiocese has signed an agreement with an affiliated ecclesiastical entity for a secured Line of Credit in the amount of $15,000,000 on November 3, 2020 bearing interest at 4.25%. This Line of Credit is secured by certain real property owned by the Archdiocese of Philadelphia.

On July 28, 2020, OFS signed promissory notes with the trusts named below for a combined total amount of $10,000,000. Each Note states that interest will be charged on unpaid principal until the full amount of principal advanced has been repaid. The maturity date for all notes is October 1, 2035 and the interest rate is fixed at 3% annually. OFS has not drawn on these available facilities subsequent to year-end and through the date which the financial statements were available for distribution.

The details are as follows:

- The Archdiocese promised to pay $5,488,000 plus interest and all related costs to The Archdiocese of Philadelphia Ancillary Benefits Trust #1 (Lender). OFS will make payments of principal and interest on the first day of each quarter in the amount of $102,900 beginning on October 1, 2020. All outstanding principal and interest due shall be due and payable on the maturity date.
- The Archdiocese promised to pay $3,600,000 plus interest and all related costs to The Archdiocese of Philadelphia Priests' Pension Trust (Lender). OFS will make payments of principal and interest on the first day of each quarter in the amount of $67,500 beginning on October 1, 2020. All outstanding principal and interest due shall be due and payable on the maturity date.
- The Archdiocese promised to pay $449,000 plus interest and all related costs to The Archdiocese of Philadelphia Ancillary Benefits Trust #2 (Lender). OFS will make payments of principal and interest on the first day of each quarter in the amount of $8,400 beginning on October 1, 2020. All outstanding principal and interest due shall be due and payable on the maturity date.
- The Archdiocese promised to pay $463,000 plus interest and all related costs to The Archdiocese of Philadelphia Pension Plan for Priests Permanently Removed from Public Ministry (Lender). OFS will make payments of principal and interest on the first day of each quarter in the amount of $8,700 beginning on October 1, 2020. All outstanding principal and interest due shall be due and payable on the maturity date.

On August 25, 2020, the Archdiocese entered into a Purchase Agreement (By-Right Phase) with Marple Glen Road Developers LLC, for the sale of approximately 89.19 acres located at the Sproul Road property. The purchase price for this parcel was approximately $10,300,000, and the sale closed on September 4, 2020. The purchaser intends to develop this parcel into residential homes, as the first phase of development of the overall Archdiocesan property at Sproul Road.

The property sold on September 4, 2020 formed part of a larger parcel of approximately 213 acres owned by the Archdiocese at Sproul Road. The Archdiocese had entered into an Amended and Restated Option and Purchase Agreement with Sproul Road Developers LLC, effective as of November 8, 2017, for the sale of the entire parcel. In order to reflect the agreement of the parties to proceed with phased closings for portions of the 213-acre parcel, the Archdiocese created a “planned community” with separate units, and proceeded with the aforementioned closing of the first unit, being the By-Right Phase, to an affiliate of Sproul Road Developers LLC.

Simultaneously with the closing for the By-Right Phase, the Archdiocese entered into (i) a Purchase Agreement ("CU Phase") with O'Hara CU Developers LLC for the sale of the CU Phase parcel consisting of approximately 52.67 acres at the Sproul Road property, and (ii) a Purchase Agreement ("IU Phase") with Sproul Road Developers LLC for the sale of the IU Phase parcel of approximately 71 acres at the Sproul Road location. These purchasers are affiliates of Marple Glen Developers LLC, and intend to develop these parcels in phases into additional residential homes and certain institutional uses to be determined, pursuant to their respective agreements. The sale under those two agreements for the CU Phase and IU Phase parcels are scheduled to close in June 2024, at which time consideration will be due and payable to the Archdiocese.

SUPPLEMENTARY INFORMATION

Archdiocese of Philadelphia - Office for Financial Services

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Total general fund	Deposit and loan program trust	Risk insurance trust	Welfare benefits trust	Eliminations	OFS total
ASSETS						
Cash and cash equivalents	$ 22,843,807	$ 3,177,834	$ 13,215,523	$ 27,927,512	$ -	$ 67,164,676
Due from Archdiocesan entities, net						
Assessments and other amounts due, net	119,227	-	754,151	949,302	(397,479)	1,425,201
Loans receivable, net	-	9,588,842	-	-	-	9,588,842
Notes receivable from related parties, net	1,095,000	32,100,393	-	-	(32,100,393)	1,095,000
Interest receivable from related parties, net	-	1,187,782	-	-	-	1,187,782
Other related party receivables	1,123,055	(300)	34,442	-	(24,304)	1,132,893
Other receivable	9,000,000		1,354,700			10,354,700
Prepaid expenses	(920)	-	2,448,776	594,454	-	3,042,310
Real estate and physical plant held for sale	3,356,910	-	-	-	-	3,356,910
Note receivable	3,000,000					3,000,000
Investments	35,976,157	-	-	-	-	35,976,157
Beneficial interest in supporting charitable trusts	2,184,574	-	-	-	-	2,184,574
Real estate and physical plant, net	17,724,180	-	-	-	-	17,724,180
Total assets	$ 96,421,990	$ 46,054,551	$ 17,807,592	$ 29,471,268	$ (32,522,176)	$ 157,233,225
Liabilities						
Accounts payable	$ 8,769,887	$ (23,885)	$ 1,167,919	$ 1,409	$ (397,479)	$ 9,517,851
Accrued expenses and other payables	2,194,373	-	70,372,175	3,461,001	-	76,027,549
Deferred revenue	319,627	-	-	985,537	-	1,305,164
Deposits - parishes, institutions and related organizations	-	41,023,788	-	-	(24,304)	40,999,484
Promissory note payable	42,335,193	-	-	-	(32,100,393)	10,234,800
Total liabilities	53,619,080	40,999,903	71,540,094	4,447,947	(32,522,176)	138,084,848
Net assets						
Without donor restrictions	11,573,434	5,054,648	(53,732,502)	25,023,321	-	(12,081,099)
With donor restrictions	31,229,476	-	-	-	-	31,229,476
Total net assets	42,802,910	5,054,648	(53,732,502)	25,023,321	-	19,148,377
Total liabilities and net assets	$ 96,421,990	$ 46,054,551	$ 17,807,592	$ 29,471,268	$ (32,522,176)	$ 157,233,225

Archdiocese of Philadelphia - Office for Financial Services

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Without donor restriction						With donor restriction				
	General fund	Deposit and loan program trust	Risk insurance trust	Welfare benefits trust	Eliminations	Total	General fund	Estates and trusts fund	Villa St. Joseph fund	Total	Grand total
Revenues, gains, losses and other support											
Parish assessments	$ 22,760,700	$ -	$ -	$ -	$ -	$ 22,760,700	$ -	$ -	$ -	$ -	$ 22,760,700
Contributions from related parties	4,590,675	-	-	-	(4,089,790)	500,885	-	-	-	-	500,885
Collections, bequests and donations	2,677,066	-	-	-	(879,000)	1,798,066	-	45,506	-	45,506	1,843,572
Tuition income	52,102	-	-	-	-	52,102	-	-	-	-	52,102
Investment income, net	34,930	-	-	-	-	34,930	(121,242)	1,030,590	-	909,348	944,278
Interest income	176,042	578,193	89,356	146,460	-	990,051	-	38,563	-	38,563	1,028,614
Fees for services	2,106,348	-	-	-	-	2,106,348	-	-	-	-	2,106,348
Intradiocesan income	2,655,401	-	-	-	(206,872)	2,448,529	-	-	-	-	2,448,529
Other income	4,212,388	6	(10)	-	(325,000)	3,887,384	-	-	-	-	3,887,384
Net gain on sale of real estate and terminated affiliation	12,500,729	-	-	-	-	12,500,729	-	-	-	-	12,500,729
Net assets released from restrictions	1,987,677	-	-	-	-	1,987,677	-	(1,987,677)	-	(1,987,677)	-
Premium income from Archdiocesan insurance programs	-	-	21,697,157	42,590,060	(1,977,666)	62,309,551	-	-	-	-	62,309,551
Total revenues, gains, losses and other support	53,754,058	578,199	21,786,503	42,736,520	(7,478,328)	111,376,952	(121,242)	(873,018)	-	(994,260)	110,382,692
Expenses											
Subsidies	4,632,728	-	-	-	(3,524,794)	1,107,934	-	-	-	-	1,107,934
Salaries and wages	10,702,859	-	88,966	70,162	-	10,861,987	-	-	-	-	10,861,987
Payroll taxes and fringe benefits	7,333,158	-	22,975	766,835	(1,781,599)	6,341,369	-	-	-	-	6,341,369
Purchased services	10,338,834	85,000	6,020,442	228,005	(402,939)	16,269,342	-	-	-	-	16,269,342
Intradiocesan expenses	(92,402)	-	7,790	-	-	(84,612)	-	-	-	-	(84,612)
Support expense	5,825,086	70,516	910,625	334,675	-	7,140,902	-	-	-	-	7,140,902
Interparochial assistance	1,552,844	-	-	-	-	1,552,844	-	-	-	-	1,552,844
Depreciation expense	1,996,210	-	-	-	-	1,996,210	-	-	-	-	1,996,210
Interest expense	341,077	585,614	-	-	-	926,691	-	-	-	-	926,691
Withdrawals	2,241,327	-	-	-	(1,768,996)	472,331	-	-	-	-	472,331
Insurance program expenses	-	-	(5,784,573)	39,448,565	-	33,663,992	-	-	-	-	33,663,992
Total expenses	44,871,721	741,130	1,266,225	40,848,242	(7,478,328)	80,248,990	-	-	-	-	80,248,990
Change in net assets before other items	8,882,337	(162,931)	20,520,278	1,888,278	-	31,127,962	(121,242)	(873,018)	-	(994,260)	30,133,702
Other items											
Risk mitigation and other IRRP contributions	28,005,000	-	29,600,000	-	(29,600,000)	28,005,000	-	-	-	-	28,005,000
IRRP funding expense	(29,600,000)	-	-	-	29,600,000	-	-	-	-	-	-
Risk mitigation and other IRRP contributions	(1,595,000)	-	29,600,000	-	-	28,005,000	-	-	-	-	28,005,000
Change in net assets	7,287,337	(162,931)	50,120,278	1,888,278	-	59,132,962	(121,242)	(873,018)	-	(994,260)	58,138,702
Net assets											
Beginning of year	4,286,097	5,217,579	(103,852,780)	23,135,043	-	(71,214,061)	4,453,639	27,670,097	100,000	32,223,736	(38,990,325)
End of year	$ 11,573,434	$ 5,054,648	$ (53,732,502)	$ 25,023,321	$ -	$ (12,081,099)	$ 4,332,397	$ 26,797,079	$ 100,000	$ 31,229,476	$ 19,148,377