

FINANCIAL REPORT

CHANCERY OFFICE OF THE CATHOLIC
DIOCESE OF JACKSON

JACKSON, MISSISSIPPI

JUNE 30, 2021

Presented by: Harper, Rains, Knight & Company, P.A.
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Harper, Rains, Knight & Company

The Finance Council
Chancery Office of the
Catholic Diocese of Jackson
Jackson, Mississippi

Independent Auditors' Report

Report on the Financial Statements

Opinion

We have audited the financial statements of the Chancery Office of the Catholic Diocese of Jackson ("the Chancery"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chancery as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Responsibilities of Management for the Financial Statements (continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

January 6, 2022
Ridgeland, Mississippi

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 15,936,074	\$ 2,991,220
Other receivables	662,633	512,590
Short-term certificates of deposit	316,557	140,499
Prepaid expenses	<u>18,224</u>	<u>43,896</u>
Total current assets	16,933,488	3,688,205
Property and equipment, net	2,419,291	2,985,008
Bequest receivable	-	26,224,139
Investments	35,223,540	33,104,274
Loans receivables, net	<u>5,526,889</u>	<u>5,912,675</u>
Total assets	<u>\$ 60,103,208</u>	<u>\$ 71,914,301</u>
Current liabilities		
Lines of credit	\$ -	\$ 1,441,000
Accounts payable and accrued expenses	532,099	583,385
Deferred support and revenue	145,700	94,500
Deposits payable to parishes and others	<u>36,787,254</u>	<u>36,070,505</u>
Total current liabilities	37,465,053	38,189,390
Unfunded pension liability	<u>1,633,129</u>	<u>2,319,127</u>
Total liabilities	<u>39,098,182</u>	<u>40,508,517</u>
Net assets		
Without donor restrictions	17,288,108	10,507,310
With donor restrictions	<u>3,716,918</u>	<u>20,898,474</u>
	<u>21,005,026</u>	<u>31,405,784</u>
	<u>\$ 60,103,208</u>	<u>\$ 71,914,301</u>

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and reclassifications			
Parish assessments	\$ 2,866,313	\$ -	\$ 2,866,313
Donations	149,992	-	149,992
Bequest	4,433,622	857,642	5,291,264
Investment income, net	696,229	62,699	758,928
Unrealized and realized gain on investments	1,243,752	-	1,243,752
Grants	216,239	-	216,239
Catholic service appeal	944,506	-	944,506
Management fees	88,600	-	88,600
Registration fees and tuition	67,941	-	67,941
Newspaper and periodicals	37,808	-	37,808
Workshops and conventions	17,266	-	17,266
Insurance premiums	2,133,397	-	2,133,397
Catholic Foundation	229,943	-	229,943
Rental income	16,762	-	16,762
Gain on disposal of equipment	97,585	-	97,585
Other	38,214	-	38,214
Net assets released from restrictions	<u>18,101,897</u>	<u>(18,101,897)</u>	<u>-</u>
Total revenue, support and reclassifications	<u>\$ 31,380,066</u>	<u>\$ (17,181,556)</u>	<u>\$ 14,198,510</u>
Expenses			
Salaries	\$ 1,586,791	\$ -	\$ 1,586,791
Employee benefits	1,250,924	-	1,250,924
Insurance	1,860,933	-	1,860,933
Interest expense	188,189	-	188,189
Advertising	21,461	-	21,461
Provision for (reversal of) loan losses and bad debt expenses	(501,539)	-	(501,539)
Catholic Charities	255,302	-	255,302
Computer maintenance	68,061	-	68,061
Depreciation	288,177	-	288,177
Ecclesiastical affairs	52,997	-	52,997

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

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

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Expenses (continued)			
Financial aid	\$ 8,100	\$ -	\$ 8,100
Grants and contributions	18,320,421	-	18,320,421
Maintenance	74,899	-	74,899
MS Catholic newspaper	191,452	-	191,452
Newspaper and periodicals	9,146	-	9,146
Office supplies	25,532	-	25,532
Pastoral	80,640	-	80,640
Professional services	275,894	-	275,894
Public relations	9,687	-	9,687
Registration fees and tuition	268,476	-	268,476
Taxes	5,302	-	5,302
Travel	15,544	-	15,544
Utilities	87,256	-	87,256
Workshops and conventions	33,969	-	33,969
Other	121,654	-	121,654
Total expenses	<u>\$ 24,599,268</u>	<u>\$ -</u>	<u>\$ 24,599,268</u>
Change in net assets	6,780,798	(17,181,556)	(10,400,758)
Net assets at beginning of year	<u>10,507,310</u>	<u>20,898,474</u>	<u>31,405,784</u>
Net assets at end of year	<u>\$ 17,288,108</u>	<u>\$ 3,716,918</u>	<u>\$ 21,005,026</u>

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and reclassifications			
Parish assessments	\$ 2,750,795	\$ -	\$ 2,750,795
Donations	221,341	-	221,341
Bequest	9,380,637	-	9,380,637
Investment income, net	1,357,192	28,582	1,385,774
Unrealized and realized gain on investments	852,014	-	852,014
Grants	292,710	-	292,710
Catholic service appeal	1,075,012	-	1,075,012
Management fees	83,000	-	83,000
Registration fees and tuition	75,041	-	75,041
Newspaper and periodicals	31,711	-	31,711
Workshops and conventions	20,202	-	20,202
Insurance premiums	2,003,011	-	2,003,011
Catholic Foundation	224,117	-	224,117
Rental income	33,609	-	33,609
Loss on disposal of equipment	(59,364)	-	(59,364)
Other	608,761	-	608,761
Net assets released from restrictions	5,098,191	(5,098,191)	-
Total revenue, support and reclassifications	\$ 24,047,980	\$ (5,069,609)	\$ 18,978,371
Expenses			
Salaries	\$ 1,639,035	\$ -	\$ 1,639,035
Employee benefits	1,676,888	-	1,676,888
Insurance	2,001,671	-	2,001,671
Interest expense	917,131	-	917,131
Advertising	15,961	-	15,961
Provision for (reversal of) loan losses and bad debt expenses	(209,188)	-	(209,188)
Catholic Charities	354,687	-	354,687
Computer maintenance	97,777	-	97,777
Depreciation	308,978	-	308,978
Ecclesiastical affairs	85,036	-	85,036

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF ACTIVITIES (continued)

Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued)			
Financial aid	\$ 18,685	\$ -	\$ 18,685
Grants	5,515,527	-	5,515,527
Maintenance	69,880	-	69,880
Missions	31,471	-	31,471
MS Catholic newspaper	204,437	-	204,437
Newspaper and periodicals	10,467	-	10,467
Office supplies	37,668	-	37,668
Pastoral	120,648	-	120,648
Professional services	496,047	-	496,047
Public relations	31,651	-	31,651
Registration fees and tuition	251,622	-	251,622
Taxes	8,072	-	8,072
Travel	41,665	-	41,665
Utilities	104,213	-	104,213
Workshops and conventions	83,892	-	83,892
Other	188,421	-	188,421
Total expenses	<u>\$ 14,102,342</u>	<u>\$ -</u>	<u>\$ 14,102,342</u>
Change in net assets	<u>9,945,638</u>	<u>(5,069,609)</u>	<u>4,876,029</u>
Net assets at beginning of year	<u>561,672</u>	<u>25,968,083</u>	<u>26,529,755</u>
Net assets at end of year	<u>\$ 10,507,310</u>	<u>\$ 20,898,474</u>	<u>\$ 31,405,784</u>

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (10,400,758)	\$ 4,876,029
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Net realized and unrealized gain on investments	(1,243,752)	(852,014)
Depreciation	288,177	308,978
(Gain) loss on disposal of assets	(97,585)	59,364
Reversal of loan losses	(501,539)	(209,188)
Changes in assets and liabilities:		
Other receivables	(150,043)	305,034
Bequest receivable	26,224,139	(3,470,527)
Prepaid expenses	25,672	649
Checks written in excess of deposits	-	(276,261)
Accounts payable and accrued expenses	(51,286)	(52,952)
Deferred support and revenue	51,200	(29,294)
Deposits payable to parishes and others	716,749	734,764
Unfunded pension liability	(685,998)	(451,489)
Net change in cash from operating activities	<u>14,174,976</u>	<u>943,093</u>
Cash flows from investing activities:		
Purchases of property and equipment	(93,993)	(77,853)
Proceeds from sale of property and equipment	469,118	7,500
Proceeds from maturity of certificates of deposit	140,499	379,286
Purchases of certificates of deposit	(316,557)	(140,499)
Purchases of marketable securities	(8,780,915)	(44,767,209)
Proceeds from sale of marketable securities	7,905,401	46,041,308
Issuance of loans	(1,715,273)	(1,715,273)
Repayment of loans	2,602,598	6,204,291
Net change in cash from investing activities	<u>210,878</u>	<u>5,931,551</u>
Cash flows from financing activities:		
Proceeds on line of credit	-	15,893,493
Payments on line of credit	(1,441,000)	(16,253,319)
Proceeds on long-term debt	-	10,652
Payments on long-term debt	-	(3,957,679)
Net change in cash from financing activities	<u>(1,441,000)</u>	<u>(4,306,853)</u>
Net change in cash and cash equivalents	12,944,854	2,567,791
Cash and cash equivalents, beginning	<u>2,991,220</u>	<u>423,429</u>
Cash and cash equivalents, ending	<u>\$ 15,936,074</u>	<u>\$ 2,991,220</u>

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

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

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Canonical Ministries	Clergy and Religious Support	Newspaper/ Communication	Deposits and Loan Fund	Education and Formation	Other Program Funds	Property and Liability Insurance	Seminarians	Management and General	Total
Personnel	\$ 309,560	\$ 481,160	\$ 125,741	\$ -	\$ 471,927	\$ 114,305	\$ -	\$ 294,873	\$ 1,586,148	\$ 3,383,714
Insurance	-	-	-	-	-	-	2,126,242	-	-	2,126,242
Professional services	24,799	13,262	4,022	-	57,074	4,844	-	3,020	677,344	784,365
Interest	-	-	-	775,115	-	-	-	-	142,016	917,131
Occupancy	-	36	-	-	-	-	-	-	293,567	293,603
Charitable giving and subsidies	80,866	350,000	-	-	76,785	5,453,007	-	-	17,545	5,978,203
Other	3,212	-	141,047	(256,956)	1,804	69,473	-	-	438,652	397,232
Travel and professional development	11,278	23,079	-	-	-	-	-	-	78,554	112,911
Supplies	115	-	15,812	1,170	79,075	8,716	-	2,483	1,570	108,941
	<u>\$ 429,830</u>	<u>\$ 867,537</u>	<u>\$ 286,622</u>	<u>\$ 519,329</u>	<u>\$ 686,665</u>	<u>\$ 5,650,345</u>	<u>\$ 2,126,242</u>	<u>\$ 300,376</u>	<u>\$ 3,235,396</u>	<u>\$ 14,102,342</u>

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Operations

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

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

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

Transactions with the parishes and other organizations mentioned above (whose accounts are not consolidated in the accompanying financial statements) are recorded on their records on the basis determined by the parties. Such transactions for 2021 and 2020 include loans to/from parishes and schools, assessments to parishes, insurance premiums and other transactions from special funds and the deposit and loan fund.

Basis of Presentation

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

Basis of Accounting

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

For 2021 and 2020, the Chancery maintained its accounting records for net assets without donor restrictions on a fund basis as follows:

Current Fund

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Current Fund (continued)

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

Deposit and Loan Fund

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

Net Assets

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

Net assets with donor restrictions are those which have been restricted by donors outside of the Chancery. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Board designated net assets are certain net assets without donor restrictions designated by the Board for future use by specific programs.

Revenue Recognition

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

Parish Assessments

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Other Receivables

Other receivables consist of all amounts expected to be received within the next 12 months. As of June 30, 2021 and 2020, management has determined that no allowance over other receivables is considered necessary. Should amounts become uncollectible, balances would be charged off to bad debt expense. As of June 30, 2021 and 2020, other receivables consisted of the following amounts:

	<u>2021</u>	<u>2020</u>
Catholic Charities	\$ 126,237	\$ 58,025
Catholic Extention Grant	155,700	93,000
Other receivables	<u>380,696</u>	<u>361,565</u>
Balance at end of year	<u>\$ 662,633</u>	<u>\$ 512,590</u>

Bequest receivable

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

Investments

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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

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

Investment income is presented net of investment management fees of \$133,784 and \$125,321 for the years ending June 30, 2021 and 2020, respectively.

The Chancery invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

Property and Equipment

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Property and equipment at June 30, 2021 and 2020, are as follows:

	<u>Estimated useful life</u>	<u>2021</u>	<u>2020</u>
Land	--	\$ 41,183	\$ 41,183
Buildings	30 years	3,590,748	4,034,202
Furniture and equipment	3-10 years	474,897	471,262
Automotive equipment	3 years	96,376	152,837
Works of art	--	68,256	68,256
Software	3 years	<u>108,442</u>	<u>65,704</u>
Total property and equipment		4,379,902	4,833,444
Accumulated depreciation		<u>1,960,611</u>	<u>1,848,436</u>
Net property and equipment		<u>\$ 2,419,291</u>	<u>\$ 2,985,008</u>

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

Loans Receivable

Loans receivable which consists of advances to parishes or schools within the Diocese are stated at the amount of unpaid principal, less an allowance for credit losses. The allowance is based on management's estimate of the amount necessary to absorb losses on existing loans. Management's estimate is based on a review of specific loans, estimated fair value of underlying collateral and current economic conditions. An analysis of the activity in the allowance account during the years ended June 30, 2021 and 2020, is as follows:

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable (continued)

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 1,368,341	\$ 1,625,297
Provision for loan losses	-	-
Recovery of loan losses	(501,539)	(209,188)
Charge-offs	<u>(510)</u>	<u>(47,768)</u>
Balance at end of year	<u>\$ 866,292</u>	<u>\$ 1,368,341</u>

Deferred Revenue

Amounts received in advance of the period in which service is rendered are recorded as deferred revenue.

Advertising

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

Estimates

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

Concentration of credit risk

The Chancery has deposits with various financial institutions that, at times, exceed federally insured limits. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2021, the Chancery had demand deposits in local banks of \$1,865,174 in excess of amounts insured by the FDIC. The Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability

The following represents the Chancery's financial assets available for general expenditures at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 15,936,074	\$ 2,991,220
Receivables	662,633	512,590
Short-term certificates of deposit	<u>316,557</u>	<u>140,499</u>
Total financial assets	16,915,264	3,644,309
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 16,915,264</u>	<u>\$ 3,644,309</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to implied time restrictions, but are expected to be collected within one year. The Chancery has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,118,456 and \$1,484,060 for 2021 and 2020, respectively. The Chancery has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management the Chancery invests cash in various investments, including certificates of deposit, common stocks, preferred stocks and fixed income securities. As more fully described in Note 4, the Diocese also has committed lines of credit, which it could draw upon in the event of an unanticipated liquidity need.

Functional Allocation of Expenses

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

Income Taxes

The Chancery is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Chancery has no unrecognized tax benefits identified or recorded at June 30, 2021 and 2020. The Chancery would recognize interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events were evaluated by the Chancery through January 6, 2022, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In 2020, the Chancery adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. As a result, the Chancery has changed its accounting policy for revenue recognition as described below:

The Chancery applied ASC 606 using the modified retrospective approach which required the Chancery to recognize the cumulative effects of initially applying ASC 606 as an adjustment to the opening balance of equity as of July 2020 as the application of ASC 606 had an immaterial impact on the financial statements.

NOTE 2 • FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 2 • FAIR VALUE MEASUREMENTS (continued)

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

Listed below are the recorded amount of assets measured at fair value on a recurring basis in the statement of financial position as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market	\$ 78,736	\$ -	\$ -	\$ 78,736
Certificates of deposit	-	918,965	-	918,965
Common stock	495,881	-	-	495,881
Governmental securities	-	11,551,117	-	11,551,117
Corporate bonds	-	15,012,591	-	15,012,591
Pooled investment fund	-	5,046,984	-	5,046,984
	<u>\$ 574,617</u>	<u>\$ 32,529,657</u>	<u>\$ -</u>	<u>\$ 33,104,274</u>

NOTE 3 • RELATED PARTY TRANSACTIONS

The Chancery has a relationship with Catholic Charities, Inc. in which Catholic Charities, Inc. receives a direct subsidy from the Catholic Service Appeal. The Catholic Service Appeal is the annual giving campaign of the Chancery. Catholic Charities, Inc. received \$250,000 and \$350,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 4 • LINES OF CREDIT

The Chancery had a \$1,500,000 line of credit at June 30, 2021 and 2020, respectively, with Regions Bank to meet short-term financing needs. The line of credit is unsecured and interest is payable monthly at the financial institution's floating prime rate of 5 percent as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, the Chancery maintained a balance on this line of credit of \$-0- and \$1,441,000. The balance as of June 30, 2020, is primarily due to timing differences related to processing of payroll for the Chancery and the related parishes and schools. Upon clearing of deposits from the parishes and schools, all amounts due were paid off within one or two business days after year-end. As of June 30, 2021 and 2020, the unused portion of the balance of this line of credit was \$1,500,000 and \$59,000, respectively.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 4 • LINES OF CREDIT (continued)

The Chancery has a \$20,233,456 line of credit at June 30, 2021, with Wells Fargo Advisors to meet short-term financing needs. The line of credit is secured by the equities in the Chancery's account, and interest is paid monthly at the financial institution's floating prime rate of 1.50 percent as of June 30, 2021. As of June 30, 2021 and 2020, the Chancery maintained a balance on this line of credit of \$-0-. As of June 30, 2021 and 2020, the unused portion of the balance of this line of credit was \$20,233,456, respectively.

NOTE 5 • NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	2021	2020
Pastoral	\$ 858,756	\$ 858,756
St. Joseph Church and Parish	467,264	17,655,419
Educational	719,112	712,513
Supplementary benefits to retired priests	24,979	24,979
Low income housing	377,910	377,910
Property - Bishop's discretion	1,260,123	1,260,123
Bishop Houck Archive Fund	8,774	8,774
	\$ 3,716,918	\$ 20,898,474

NOTE 6 • RETIREMENT PLANS

Pension Plan for Employees

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

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 6 • RETIREMENT PLANS (continued)

Pension Plan for Employees (continued)

- If an employer chooses to stop participating in some of its multi-employer Plans, the employer may be required to pay those Plans an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

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

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

As of June 30, 2021 and 2020, the Plan assets totaled \$6,546,225 and \$6,053,246, respectively. The annual contributions by the Chancery for the years ended June 30, 2021 and 2020, totaled \$663,542 and \$193,313, respectively. For the years ended, June 30, 2021 and 2020, the Plan's accumulated benefit obligation totaled \$11,981,694 and \$12,177,748, respectively. The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the Plan as certified by the Plan's actuary. Plans in the red zone are less than 65 percent funded, the yellow zone are between 65 percent and 80 percent funded and the green zone are at least 80 percent funded. The Plan was in the red zone for years ended June 30, 2021 and 2020. Because the Plan is a church plan and is not subject to ERISA requirements, a funding improvement plan is not required.

Pension Plan for Priests

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

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

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

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 6 • RETIREMENT PLANS (continued)

Pension Plan for Priests (continued)

As of June 30, 2021 and 2020, the Plan assets totaled \$7,419,309 and \$6,559,042, respectively. The annual contributions by the Chancery for the years ended June 30, 2021 and 2020 totaled \$326,417 and \$299,250, respectively. For the years ended, June 30, 2021 and 2020, the Plan's accumulated benefit obligation totaled \$7,575,814 and \$7,734,459, respectively. The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the Plan as certified by the Plan's actuary. Plans in the red zone are less than 65 percent funded, the yellow zone are between 65 percent and 80 percent funded and the green zone are at least 80 percent funded. The Plan was in the green zone for the years ended June 30, 2021 and 2020. Because the Plan is a church plan and is not subject to ERISA requirements, a funding improvement plan is not required.

401(k) Plan

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

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

Participants must be at least twenty-one (21) years of age and have completed one (1) year of service or at least 501 hours of service within that twelve (12) month period to receive employer matching contributions. The 401(k) Plan offers both pre-tax and Roth options. For the years ended June 30, 2021 and 2020, employer contributions made to the 401(k) Plan were \$89,810 and \$89,657, respectively. This has been included in employee benefits on the statements of activities.

NOTE 7 • SELF-INSURANCE PROGRAM

The Chancery provides self-insurance for the various Catholic parishes, schools and Catholic entities located within the Diocese. Administered by the Administration and Finance Department of the Diocese, the program generally provides uniform, all-risk coverage for individual losses subject to deductibles dependent on the nature of the loss. Losses in excess of the deductibles are absorbed and paid for by an independent insurance carrier.

The net assets of the insurance fund resulting from excess revenues (premiums from parishes, schools, etc.) over expenses (premiums, claims paid and administration), are retained to fund future losses, to reduce the cost of premiums to the parishes and schools. Effective January 1, 2021, the Chancery terminated this insurance program and adopted a fully insured program with an independent insurance carrier.

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 8 • COMMITMENTS AND CONTINGENCIES

Litigation

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

Unasserted Claims

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

Religious Order and Indian Priest Retirement

During the year ending 2018, the Chancery began outsourcing priests from the Religious Orders and the Diocese of India. The Chancery is committed to pay funds towards those individuals health care and insurance. For the year ended June 30, 2021, the Chancery paid \$85,500 towards 21 priests and an Archdiocese from the Religious Orders and paid \$49,500 towards the priest from the Diocese of India. For the year ended June 30, 2020, the Chancery paid \$22,500 towards the 15 priests from the Religious Orders and paid \$54,000 toward the priests from the Diocese of India.

NOTE 9 • CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or donors' ability to pay commitments. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of donors to continue making donations as a result of operating losses, revenue declines or other pandemic related issues. The future effects of these issues are unknown.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief and Economic Security ("CARES") Act which focuses on providing economic relief through the Paycheck Protection Program ("PPP"). This program expands the existing Small Business Administration ("SBA") loan program and allows SBA to provide additional loans and loan forgiveness to businesses with up to five hundred (500) employees as a result of the COVID-19 pandemic. The maximum loan amount available is the

CHANCERY OFFICE OF THE CATHOLIC DIOCESE OF JACKSON

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

NOTE 9 • CORONAVIRUS PANDEMIC (continued)

average monthly payroll costs incurred by the business multiplied by 2.5 and is eligible for loan forgiveness if the proceeds are spent on payroll costs, group health care, rent, interest on mortgage obligations and utilities during the eight weeks subsequent to the loan origination. During April 2020, the Chancery was approved for a PPP loan in the amount of \$389,165. The Chancery received full forgiveness of the loan on December 4, 2020. This amount is included in other revenue in the financial statements ending June 30, 2020.