

The Diocese of Trenton

Financial Statements

Years Ended June 30, 2020 and 2019



WIPFLI

Independent Auditor's Report

Most Reverend David M. O'Connell, C.M., J.C.D.
Bishop of The Diocese of Trenton
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Diocese of Trenton (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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; 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocese of Trenton 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.

Wipfli LLP

Wipfli LLP

Philadelphia, Pennsylvania
December 1, 2020

The Diocese of Trenton

Statements of Financial Position

<i>As of June 30, 2020 and 2019</i>	2020	2019
ASSETS		
Cash and cash equivalents	\$ 27,105,987	\$ 17,480,147
Assessments, notes and other receivables, net	19,181,592	26,327,883
Pledges receivable, net	9,165,683	16,324,596
Prepaid expenses	1,260,492	2,358,230
Investments	14,830,236	13,023,611
Property and equipment, net	20,153,146	20,640,786
TOTAL ASSETS	\$ 91,697,136	\$ 96,155,253
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued liabilities	\$ 1,995,888	\$ 2,612,687
Claims payable	26,747,453	22,245,164
Funds held for others	11,312,261	18,162,908
Postretirement benefits obligation	16,693,383	17,622,063
Total Liabilities	56,748,985	60,642,822
NET ASSETS		
Without donor restrictions:		
Property and equipment, net	19,682,104	19,880,132
Designated for insurance funds	(25,494,276)	(24,448,491)
Designated for capital and financing expenditures	234,000	1,348,000
Undesignated	29,679,148	27,112,934
	24,100,976	23,892,575
With donor restrictions	10,847,175	11,619,856
Total Net Assets	34,948,151	35,512,431
TOTAL LIABILITIES AND NET ASSETS	\$ 91,697,136	\$ 96,155,253

See accompanying notes to financial statements.

The Diocese of Trenton

Statements of Activities

Years Ended June 30, 2020 and 2019	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Operating revenues, gains and other support:						
Assessments	\$ 8,889,548	\$ -	\$ 8,889,548	\$ 9,174,417	\$ -	\$ 9,174,417
Insurance and employee benefit programs	42,775,278	-	42,775,278	42,846,572	-	42,846,572
Interest and dividend income	457,346	232,558	689,904	327,177	264,641	591,818
Donations and pledges	4,067,894	5,141,142	9,209,036	1,952,834	5,008,758	6,961,592
Other	1,305,314	-	1,305,314	2,246,370	-	2,246,370
	57,495,380	5,373,700	62,869,080	56,547,370	5,273,399	61,820,769
Net Assets released from restrictions						
Satisfaction of program restrictions	6,449,789	(6,449,789)	-	6,171,083	(6,171,083)	-
Total operating revenues, gains and other support	63,945,169	(1,076,089)	62,869,080	62,718,453	(897,684)	61,820,769
Operating expenses:						
Grants and subsidies	2,867,777	-	2,867,777	3,157,652	-	3,157,652
Seminary tuition and support	644,694	-	644,694	784,232	-	784,232
Claims incurred	37,024,280	-	37,024,280	43,808,050	-	43,808,050
Insurance premiums	4,619,413	-	4,619,413	4,280,879	-	4,280,879
Legal and professional	2,711,452	-	2,711,452	2,163,556	-	2,163,556
Provision for doubtful accounts	4,052,053	-	4,052,053	5,214,735	-	5,214,735
Personnel	7,382,786	-	7,382,786	8,217,794	-	8,217,794
Facilities	2,332,187	-	2,332,187	2,255,081	-	2,255,081
Depreciation	955,318	-	955,318	1,000,421	-	1,000,421
Administrative and other costs	1,789,694	-	1,789,694	2,171,107	-	2,171,107
Total operating expenses	64,379,654	-	64,379,654	73,053,507	-	73,053,507
Excess (deficiency) of operating revenues, gains and other support over operating expenses	(434,485)	(1,076,089)	(1,510,574)	(10,335,054)	(897,684)	(11,232,738)
Nonoperating items						
Amortization of discount and change in actuarial assumption on split-interest agreements	(43,031)	-	(43,031)	(39,856)	-	(39,856)
Impairment loss on property	(371,343)	-	(371,343)	-	-	-
Net realized and unrealized gain on investments	23,587	303,408	326,995	33,689	244,246	277,935
Other components of net periodic postretirement benefit cost	(600,510)	-	(600,510)	(667,433)	-	(667,433)
Postretirement benefit changes other than net periodic postretirement benefit cost	1,634,183	-	1,634,183	(175,198)	-	(175,198)
Total nonoperating items	642,886	303,408	946,294	(848,798)	244,246	(604,552)
Change in net assets	208,401	(772,681)	(564,280)	(11,183,852)	(653,438)	(11,837,290)
Net assets - beginning of year - restated. See Note 4	23,892,575	11,619,856	35,512,431	35,076,427	12,273,294	47,349,721
Net assets - end of year	\$ 24,100,976	\$ 10,847,175	\$ 34,948,151	\$ 23,892,575	\$ 11,619,856	\$ 35,512,431

See accompanying notes to financial statements.

The Diocese of Trenton

Statements of Cash Flows

<i>Years Ended June 30, 2020 and 2019</i>	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (564,280)	\$ (11,837,290)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	955,318	1,000,421
Provision for doubtful accounts	4,052,053	5,214,735
Impairment loss on property	371,343	-
Net gain on investments	(326,995)	(277,935)
Changes in net assets and liabilities		
Assessments and other receivables	3,541,872	(2,468,414)
Pledges receivable	7,158,913	6,617,708
Prepaid expenses	1,097,738	(1,013,932)
Accounts payable and other accrued liabilities	(616,799)	815,880
Claims payable	4,502,289	10,601,754
Funds held for others	(6,850,647)	(7,238,382)
Postretirement benefits obligation	(928,680)	984,522
Net Cash Provided by Operating Activities	12,392,125	2,399,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(839,021)	(1,546,920)
Proceeds from sale of investments	610,226	4,850,207
Purchase of investments	(2,089,856)	(2,135,430)
Notes and loans receivable	(447,634)	(380,778)
Net Cash Provided by (Used in) Investing Activities	(2,766,285)	787,079
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,625,840	3,186,146
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	17,480,147	14,294,001
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 27,105,987	\$ 17,480,147

See accompanying notes to financial statements.

The Diocese of Trenton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

General

The Diocese of Trenton (the "Diocese"), a nonprofit organization, is affiliated with Catholic parishes, schools and various other social service agencies in Burlington, Mercer, Monmouth and Ocean counties - New Jersey, which provide services to the communities located within these counties. Funding to support the Diocese and its programs is primarily received from assessments, insurance and employee benefit program fees, donations and income on investments. The accompanying financial statements include the assets, liabilities, net assets, revenues and expenses of the Diocese of Trenton Operating Fund, Trust Funds, Seminary Funds, Plant Fund, Insurance Funds, Custodial Funds, Annual Catholic Appeal Fund and Endowment Campaign Fund which are not separately incorporated under civil law.

Certain organizations within the Diocese are not included in the accompanying financial statements because they operate independent of the Diocese, maintain separate accounts and operate their own services and programs. Some of these organizations are as follows:

- Priests' and Lay Retirement Funds
- Catholic Charities
- Health Care Facilities
- Cemeteries
- Parish and Diocesan Schools
- Campus Ministries
- Special Catholic Ministries
- Diocesan Parishes
- Diocesan Charitable Trusts

The Diocese has financial transactions with these organizations consisting primarily of grants, subsidies for operations, new equipment, certain receivables and is a guarantor for certain notes and mortgages payable by these organizations (see Note 8).

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Additionally, the Diocese reports information regarding its financial position and activities according to two classes of net assets, based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Diocese; and other net assets subject to donor imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Diocese of Trenton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with maturity dates of three months or less when purchased are considered cash equivalents.

Allowance for Doubtful Accounts

The Diocese provides allowances for each type of receivable reported in its financial statements. These allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. The allowance is increased by provisions charged to the statements of activities and reduced by the amount of receivables written-off. Management has determined the allowance by considering the type of receivables, responsible party, historical collection patterns and comparative aging. These estimates are reviewed periodically and as changes become necessary, they are charged or credited to operations in the periods in which they become known.

Investments

The Diocese carries investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the date the dividends are payable.

Investment income earned on certain net assets with donor restrictions is restricted as to use. All other investment income is without donor restrictions as to use.

Property and Equipment

Real estate development sites have been purchased for future parishes, schools and similar purposes, and are carried at cost. Carrying costs on such non-operating properties are expensed. When such properties are transferred to recipients, the Diocese treats such transfers as outright grants in cases where such amounts will not be reimbursed by the Diocesan organization. All other property and equipment are also carried at cost. 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. An impairment loss of \$371,343 was recognized in the statement of activities for the year ended June 30, 2020. No impairment loss was recognized for the year ended June 30, 2019.

The Diocese of Trenton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings and improvements	5 - 74 years
Furniture and equipment	3 - 10 years

Donations and Pledges

Donations received, including unconditional promises to give, are recognized as revenue in the period received at fair value. Conditional donations, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position. The Diocese reports gifts of cash and other assets as contribution 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 as net assets released from restrictions. Support, as well as any related investment income, that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

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

The Diocese of Trenton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is defined as 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. 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 liabilities.

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

Tax Status

The Diocese qualifies as an organization described in Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal taxes on income. The Diocese is also exempt from state income taxes.

Funds Held For Others

The Diocese receives assets from donors and agrees to use the assets on behalf of or to transfer the assets, the return from investment of those assets, or both to a specified beneficiary. Resources received under those types of agreements are measured at fair value and reported as Funds held for others in the statements of financial position.

Insurance Funds

The Diocese maintains Insurance Funds and accounts for the financial activity of its two insurance programs (see Note 9). The activity in these funds consists primarily of insurance and employee benefit program fees from affiliated organizations, investment income, cost of insurance, claims incurred and administrative fees. The assets of the Insurance Funds are currently internally designated to the insurance programs and are currently not available for any other Diocesan purposes. Claims are recognized in the accompanying financial statements at the time the loss is incurred. The provision for claims is based on the best estimate of the ultimate cost of the claims which includes a provision for claims incurred but not recorded (IBNR).

The Diocese of Trenton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Diocese's programs and activities have been summarized by natural classification and by function in Note 16. Certain categories of expenses that are attributed to more than one program or supporting function have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, facilities, and depreciation which are allocated based on square footage.

Change in Accounting Policy

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional. During the year ended June 30, 2020, the Diocese implemented the provisions of this ASU under a modified prospective basis with no effect on net assets or the comparability with prior year financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part as other compensation costs arising from services rendered by the pertinent employees during the period. The new guidance applies to the Diocese's defined benefit health care and life insurance benefits plan to retired priests (Note 15). The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without restrictions. As the Diocese's plan is a postretirement plan covering priests employed at the Diocesan parishes and schools, the applicable service cost component is included in insurance premium expense. During the year ended June 30, 2020, the Diocese implemented the provisions of this ASU and the changes have been applied retrospectively in the 2019 statement of activities and changes in net assets by reclassifying \$667,433 of non-service related components of net periodic retirement benefit cost from insurance premium expense to nonoperating items in net assets without donor restriction.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. In June 2020, the FASB issued ASU 2020-05 which provides nonpublic entities with a one-year deferral of the effective date of ASC 606. The Diocese has elected to adopt this deferral and ASU No. 2014-09 is effective for the Diocese's year ending June 30, 2021. The Diocese is currently evaluating the impact of the provisions of ASC 606.

The Diocese of Trenton

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

As of June 30, 2020 and 2019, financial assets available within one year for general expenditure, that is, without donor or other restrictions limiting their use, are as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 27,105,987	\$ 17,480,147
Assessments, notes and other receivables, net	4,706,949	10,658,919
Pledges receivable, net	9,165,683	16,324,596
Investments	14,830,236	13,023,611
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Financial assets before adjustment	55,808,855	57,487,273
Less: Restricted contributions and funds held for others included in cash, receivables, and investments	(22,159,436)	(29,782,764)
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Total financial assets available within one year	\$ 33,649,419	\$ 27,704,509

The Diocese strives to maintain liquid financial assets sufficient to cover approximately six months of general expenditures. The Diocese manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures and to meet its liabilities and other obligations as they become due.

Note 3: Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Diocese's financial instruments carried at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Equity	\$ 2,281,412	\$ -	\$ -	\$ 2,281,412
International equity	666,177	-	-	666,177
Fixed income	10,387,957	-	-	10,387,957
Certificates of deposit	-	1,112,870	-	1,112,870
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Total investments in the fair value hierarchy	13,335,546	1,112,870	-	14,448,416
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Investments measured at NAV				<u>381,820</u>
Total investments at fair value				<u><u>\$ 14,830,236</u></u>

The Diocese of Trenton

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Diocese's financial instruments carried at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Equity	\$ 1,532,769	\$ -	\$ -	\$ 1,532,769
International equity	650,625	-	-	650,625
Fixed income	8,608,070	-	-	8,608,070
Certificates of deposit	-	1,876,856	-	1,876,856
Total investments in the fair value hierarchy	10,791,464	1,876,856	-	12,668,320
Investments measured at NAV				<u>355,291</u>
Total investments at fair value				<u>\$ 13,023,611</u>

The following table sets forth additional disclosures for the investments whose fair value is estimated using net asset value (NAV) as of June 30, 2020 and 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>2020</u>				
Blackrock Equity Index Non-lendable Fund	\$ 381,820	\$ -	Daily	1 day
<u>2019</u>				
Blackrock Equity Index Non-lendable Fund	\$ 355,291	\$ -	Daily	1 day

The Blackrock Equity Index Non-lendable Fund ("Fund") is a privately-held commingled vehicle consisting of US large cap equities. It is passively-managed with the goal of replicating the performance of the S&P 500 Index. The Fund has daily liquidity with a one-day notice period and has a T+3 settlement process before releasing funds to the client.

The following is a description of the valuation methodologies used for investments measured at fair value:

Mutual funds - Valued at the net asset value of shares held by the Diocese at year-end. Mutual funds held by the Diocese are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. These mutual funds held by the Diocese are deemed to be actively traded.

Mutual fund - Blackrock Equity Index fund is a mutual fund that is not actively traded; valued at the net asset value of shares held by the Diocese at year-end.

The Diocese of Trenton

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

Certificates of deposit - Fair value of fixed-maturity certificates of deposit are estimated using rates currently offered for deposits of similar remaining maturities.

Note 4: Assessments, Notes and Other Receivables

Assessments, notes and other receivables consist of the following as of June 30, 2020 and 2019:

	2020	2019
Assessments	\$ 18,473,552	\$ 17,876,347
Due from participating organizations for insurance	28,778,297	31,057,560
Notes	11,119,780	12,611,384
Loans	7,874,279	7,314,461
Seminary tuition	1,438,391	1,505,964
Due from charitable funds	1,928,384	1,999,599
Accrued Interest	124,259	92,951
Other	420,785	799,162
	<u>70,157,727</u>	<u>73,257,428</u>
Less allowance for doubtful accounts	(50,976,135)	(46,929,545)
Total	\$ 19,181,592	\$ 26,327,883

As of June 30, 2020, notes are collectible in 3 - 10 years; loans totaling approximately \$153,000 are collectible in the next year and the remainder 2 - 10 years. As of June 30, 2019, notes totaling approximately \$155,000 are collectible in the next year and the remainder are collectible in 2 - 10 years; loans are collectible in 2 - 9 years.

Notes and loans receivable are funds advanced to parishes and other affiliates for various purposes. Interest on interest-bearing notes and loans is recognized over the term of the note or loan and is calculated monthly using the simple-interest method on principal amounts outstanding. Generally, the notes and loans are not considered past due or delinquent. Management considers the notes and loans to be impaired when the note or loan, or a portion of the note or loan, is deemed uncollectible based on: the Diocese's historical collection patterns, the borrower's failure to repay the note or loan, adverse situations that may affect the borrower's ability to repay, the estimated value of underlying or potential collateral, and current economic conditions.

The 2019 financial statements have been restated to adjust previously reported assessments, notes and other receivables, net, and interest and dividend income. The adjustments primarily relate to the missing accrual of interest income on notes and loans receivable. The effect of the restatement was to increase assessments, notes and other receivables, net by approximately \$1,090,000, increase interest and dividend income by approximately \$91,000 and increase net assets without donor restrictions at the beginning of fiscal 2019 of approximately \$999,000. The net effect of this restatement was an increase to change in net assets by \$91,000 for the year ended June 30, 2019.

The Diocese of Trenton

Notes to Financial Statements

Note 4: Assessments, Notes and Other Receivables (Continued)

Activity in the allowance for doubtful accounts for notes and loans is as follows as of June 30, 2020 and 2019:

	2020	2019
Balance - beginning of year	\$ 3,375,470	\$ 3,272,928
Increase in allowance for specific notes and loans	1,500,000	102,542
Balance - end of year	\$ 4,875,470	\$ 3,375,470

Note 5: Pledges Receivables, net

Pledges receivable consist of the following at June 30, 2020 and 2019:

Faith to Move Mountains Endowment Campaign

In 2015, the Diocese embarked on a Diocesan-wide campaign, "Faith to Move Mountains", seeking to raise contributions to secure sustainable endowments needed to support the following needs: Diocesan Parish Assistance, Catechesis and Evangelization, Ordained Ministry, Catholic Schools, and Social Services. Additionally, Parishes will receive 30% of the cash raised from their parishioners up to their goal amount, and 70% will be transferred to charitable trusts to establish endowments for the aforementioned purposes. Once their goal has been reached, parishes will receive 70% of the amount over their goal, with the trusts receiving the remaining 30%.

As of June 30, 2020 and 2019, there are unpaid pledges of approximately \$12,279,000 and \$16,587,000, respectively. As of June 30, 2020 and 2019 approximately \$10 million and \$17 million, respectively, of cash and pledges receivable not yet transferred to parishes and charitable trusts is included in Funds held for others in the statements of financial position.

Annual Catholic Appeal Fund

The Diocese conducts its Annual Catholic Appeal each year beginning in January and ending in December. The proceeds of the Appeal are used to support various social service and other programs administered by the Diocese and affiliated organizations. The goal of the 2020 and 2019 Appeals was to raise \$7,000,000 each year. Each parish receives 15% of its goal if its goal is reached, and an additional 50% of the amount realized in excess of its target goal.

As of June 30, 2020, the Diocese raised 2020 Appeal pledges of approximately \$4,700,000 of which approximately \$483,000 remained unpaid at that date. As of June 30, 2019, the Diocese raised 2019 Appeal pledges of approximately \$4,700,000 of which approximately \$525,000 remained unpaid at that date. As of June 30, 2020 and 2019, approximately \$28,000 and \$38,000, respectively, of cash and pledges receivable not yet transferred to parishes is included in Funds held for others in the statements of financial position.

The Diocese of Trenton

Notes to Financial Statements

Note 5: Pledges Receivables, net (Continued)

Amounts to be received under the Faith to Move Mountains Endowment Campaign and the Annual Catholic Appeal Fund as of June 30, 2020 and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 10,384,875	\$ 11,547,958
Receivable in one year to five years	2,377,184	5,563,802
Total unconditional promises to give	12,762,059	17,111,760
Less: Effect of discount to net present value	(307,048)	(787,164)
Less: Allowance for doubtful accounts	(3,289,328)	-
Unconditional Promises to Give - Net	\$ 9,165,683	\$ 16,324,596

Pledges that are due beyond one year are discounted using a discount rate of 2.9%. Pledges receivable at June 30, 2020 and 2019 are reported at net realizable value which is the amount the Diocese expects to collect.

Note 6: Investments

A summary of investments by type is as follows as of June 30, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Equity	\$ 2,301,006	\$ 2,663,232	\$ 1,480,448	\$ 1,888,060
International equity	672,275	666,177	595,364	650,625
Fixed income	10,065,947	10,387,957	8,594,870	8,608,070
Certificates of deposit	1,112,870	1,112,870	1,876,856	1,876,856
	\$ 14,152,098	\$ 14,830,236	\$ 12,547,538	\$ 13,023,611

Net unrealized gain on investments of \$202,065 in 2020 and \$606,266 in 2019 are included in net realized and unrealized gain on investments in the statements of activities.

These investments are exposed to various risks such as market volatility, interest rate and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Diocese of Trenton

Notes to Financial Statements

Note 7: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2020 and 2019:

	2020	2019
Real estate development sites	\$ 8,088,313	\$ 10,898,327
Real estate held for sale	2,546,706	-
Land, buildings and improvements	19,916,655	19,479,384
Furniture and equipment	6,848,123	6,587,751
	<u>37,399,797</u>	<u>36,965,462</u>
Less accumulated depreciation	(17,246,651)	(16,324,676)
Property and Equipment, net	<u>\$ 20,153,146</u>	<u>\$ 20,640,786</u>

Real estate held for sale consists of one property that is being marketed for sale as of June 30, 2020. A portion of the property sold for approximately \$2 million in October 2020 and the remaining portion is expected to be sold during fiscal year 2021. Based on known and expected cash flows to be received on the sale of this property, an impairment loss of \$371,343 was recognized in the statement of activities for the year ended June 30, 2020.

Note 8: Commitments and Contingencies

The Diocese is a guarantor of debt represented by certain bonds, notes, mortgages and letters of credit of parishes and other Catholic agencies and institutions with various financial institutions with maturities up to 20 years. The Diocese would be obligated to perform under these guarantees if the parishes and other Catholic agencies failed to pay principal and interest payments to the financial institutions when due, meet debt service coverage ratios or, in the case of construction projects, would fail to have sufficient funds to complete the projects. As of June 30, 2020, the Diocese has not been required to perform under these guarantees. Such guarantees approximated \$63,000,000 in principal at June 30, 2020. These amounts are not included in the accompanying financial statements.

Note 9: Insurance Funds

The Diocese's Insurance Funds consist of the following:

Loss Payment Fund: The Diocese has a modified protected liability and casualty, workers' compensation and property self-insurance program for affiliated organizations described as a "loss payment fund." Under this program, the Diocese has obtained insurance coverage of \$35,000,000 for most liability and casualty claims with a deductible of \$250,000 per occurrence during the policy period. The Diocese has insurance coverage for property claims to a blanket limit of \$75,000,000 per occurrence, with a deductible of \$500,000 per occurrence. Actual claims not covered by insurance are funded by the affiliated organizations' contributions and the assets of the loss payment fund.

The Diocese of Trenton

Notes to Financial Statements

Note 9: Insurance Funds (Continued)

During fiscal 2019, the New Jersey Independent Victim Compensation Fund (IVCP) was established to administer claims related to the sexual abuse of minors by diocesan priests of the Roman Catholic dioceses of Newark, Paterson, Metuchen, Trenton and Camden. The IVCP accepted claims from June 15, 2019 through February 29, 2020, as extended, provided the claim was registered prior to or on October 31, 2019. As of June 30, 2020, total reserves related to these claims for incidences prior to June 30, 2020 are approximately \$18,700,000.

New Jersey has abrogated the civil Statute of Limitations for claims of child sexual abuse effective December 1, 2019. The law extends statute of limitations in civil actions for sexual abuse claims; expands categories of potential defendants in civil actions; and creates a two-year window for parties to bring previously time-barred actions based on sexual abuse. Legal counsel and management of the Diocese are unable to determine the ultimate outcome of potential future claims in connection with this law.

The Diocese is involved in several pending legal matters. In the opinion of the Diocese's management, the final resolution of these matters will not have a material adverse effect on the Diocese's financial position. To the extent a liability has been determined, a reserve has been accrued at June 30, 2020 and 2019.

Medical Fund: The Diocese's medical benefit plan provides reimbursement for the cost of medical expenses, subject to various limits, for Diocesan clergy and lay employees. The Diocese has obtained insurance coverage for these medical costs. The plan also includes a provision for life insurance benefits of \$10,000, plus modest disability and dental benefits for Diocesan clergy. Additionally, the plan provides for Long-Term Disability for lay employees. The benefits paid by these funds and the insurance premiums are funded by assessments to the participating organizations.

The medical and prescription drug benefit programs are self-funded and are administered by Aetna and CVS/Caremark. In addition, the Diocese has purchased stop loss protection for these programs which includes a \$250,000 per individual deductible.

Revenues and expenses for the years ended June 30, 2020 and 2019 and deficit in net assets at June 30, 2020 and 2019 for the loss payment fund and the medical fund, which include the other post-retirement benefit obligation costs (see Note 15), are as follows:

	2020		2019	
	Loss Payment Fund	Medical Fund	Loss Payment Fund	Medical Fund
Operating and nonoperating:				
Revenues	\$ 15,381,680	\$ 27,408,679	\$ 13,040,898	\$ 29,819,202
Expenses	(19,284,265)	(24,551,879)	(20,255,980)	(33,508,065)
Transfers between funds	-	-	-	-
Deficit in net assets	\$ (14,014,012)	\$ (11,480,264)	\$ (10,111,427)	\$ (14,337,064)

The Diocese of Trenton

Notes to Financial Statements

Note 10: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2020 and 2019:

	2020	2019
<u>Subject to expenditure for specified purpose</u>		
Trust Funds:		
Senior citizens	\$ 1,073,588	\$ 1,149,325
Others	755,984	711,383
	1,829,572	1,860,708
Annual Catholic Appeal:		
Apostolic ministry and priestly support, Evangelization and family life, Catholic education, Charitable works and parish needs	514,088	6,327,200
The Ministry where it is needed most	4,017,307	-
Priests, deacons and religious	347,175	-
Community outreach	347,175	-
Teaching the faith	49,596	-
Other	198,384	-
	5,473,725	6,327,200
Seminary Funds:		
Education of Diocesan seminarians	118,835	119,804
Operating Funds:		
Priests' retirement	60,791	60,791
Catholic Schools	290,000	290,000
Morris Hall/Villa Neumann	7,426	7,426
	358,217	358,217
<u>Endowments</u>		
Income earned on endowments subject to appropriation and expenditure when a specific event occurs		
Trust Funds:		
Catholic missions	5,384	5,867
Senior citizens	1,507,497	1,438,939
Others	519,124	487,142
	2,032,005	1,931,948
Seminary Funds:		
Education of Diocesan seminarians	222,776	209,934
Permanent funds subject to endowment spending policy and appropriation		
Trust Funds:		
Catholic missions	21,467	21,467
Senior citizens	296,037	296,037
Others	267,668	267,668
	585,172	585,172
Seminary Funds:		
Education of Diocesan seminarians	226,873	226,873
	\$ 10,847,175	\$ 11,619,856

The Diocese of Trenton

Notes to Financial Statements

Note 11: Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted program purposes during the years ended June 30, 2020 and 2019 as follows:

	2020	2019
Trust Funds	\$ 120,836	\$ 129,920
Annual Catholic Appeal	6,327,200	6,041,066
Seminary Funds	1,753	97
	\$ 6,449,789	\$ 6,171,083

Note 12: Endowment Fund

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and require additional disclosures about an organization's endowment funds. The state of New Jersey has adopted UPMIFA. The following disclosures are made as required by accounting standards. The endowment of the Diocese of Trenton consists of 15 donor-restricted endowment funds established for various purposes.

Management has interpreted New Jersey UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument and prescribed by UPMIFA at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified as permanent funds represents income or losses on endowment funds subject to appropriation or expenditure.

In accordance with New Jersey UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds,

- (1) the duration and preservation of the fund
- (2) the purposes of the Diocese and the donor-restricted endowment fund
- (3) general economic conditions
- (4) the possible effect of inflation and deflation
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the Diocese
- (7) the investment policies of the Diocese

The Diocese of Trenton

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	With Donor Restrictions
<hr/>	
Donor-restricted endowment funds	
Original donor-restricted gifts	\$ 812,045
Income earned on donor-restricted gifts available for appropriation	2,254,781
Total	\$ 3,066,826

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions
<hr/>	
Endowment net assets, beginning of year	\$ 2,953,927
Interest and dividend income	55,142
Net realized and unrealized appreciation	61,814
Amounts appropriated for expenditure	(4,057)
Endowment net assets, end of year	\$ 3,066,826

Endowment net assets composition by type of fund as of June 30, 2019 is as follows:

	With Donor Restrictions
<hr/>	
Donor-restricted endowment funds	
Original donor-restricted gifts	\$ 812,045
Income earned on donor-restricted gifts available for appropriation	2,141,882
Total	\$ 2,953,927

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	With Donor Restrictions
<hr/>	
Endowment net assets, beginning of year	\$ 2,881,398
Interest and dividend income	47,109
Net realized and unrealized appreciation	37,230
Amounts appropriated for expenditure	(11,810)
Endowment net assets, end of year	\$ 2,953,927

The Diocese of Trenton

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual duration (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies of this nature as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Diocese 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 Diocese must hold in perpetuity. The primary long-term management objective is the preservation of principal, both in nominal and real terms.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At a minimum, the investment performance of endowment assets should achieve an annual return of at least inflation (as measured by the Consumer Price Index [CPI]) plus four (4) percentage points. This should be averaged over rolling three-year periods.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese has a spending policy that is primarily demand driven. In determining the amounts appropriated for expenditure, the Diocese considers the accumulated earnings on each of the endowment gifts. In establishing this policy, the Diocese considers the long-term expected return on its endowment.

The target spending rate is that which, as part of total return, satisfies these conditions - (a) permits reinvestment of enough total return to preserve the real purchasing power of current funds, (b) permits a level of consistency and stability in the programs of the Diocese, (c) is sustainable over time regardless of periodic variations in the levels required to satisfy (a), and (d) recognizes that circumstances may preclude achievement of all three objectives in any one year.

Note 13: Defined Contribution Plan

Full-time employees hired after the effective date of October 1, 2005, are eligible to participate in a Section 403(b)(7) Pension Trust and can contribute up to the Internal Revenue Service's dollar limit set by law, which is \$19,500 for the year 2020 and \$19,000 for the year 2019. Effective January 1, 2020, all benefits-eligible employees receive Diocesan contributions including a 1% fixed contribution plus a matching contribution up to 4% of salary and the requirement for one-year of employment was eliminated. Total employer contributions to the plan were approximately \$92,000 and \$97,000 for the years ended June 30, 2020 and 2019, respectively.

The Diocese of Trenton

Notes to Financial Statements

Note 14: Multiple-Employer Pension Plans

The Diocese of Trenton is a participating employer in two separate multiemployer defined benefit pension plans providing benefits for lay employees and priest personnel. The Pension Plan of The Diocese of Trenton, Its Churches, Institutions and Agencies (Lay Plan) EIN: 21-0634970 Plan: 001 and The Diocese of Trenton Pension Plan for Priests (Priest Plan) EIN: 21-0634970 Plan: 003 qualify as church institutions under the Internal Revenue Code and are, therefore, not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), nor are the Plan's benefits guaranteed by the Pension Benefit Guarantee Corporation. Plan information is not publicly available.

The Lay Plan is a defined benefit pension plan covering substantially all lay employees of the Diocese hired before October 1, 2005, the date the Lay Plan was frozen. The Lay Plan provides for 100% vesting of benefits after five years of credited service. The Diocese's policy is to fund pension costs currently. The Lay Plan provides retirement benefits to eligible lay personnel based on employee's compensation and years of service.

The Priest Plan provides retirement benefits to priest personnel for life based on age and years of service. Contributions to the Lay and Priest Plans are made by the parish or organization that employs the lay employee or to which the priest is assigned.

The plans are managed by the Diocese. The total pension and retirement plan expense included in these financial statements for these plans was approximately \$521,000 and \$491,000 for the years ended June 30, 2020 and 2019, respectively.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the Diocese and the remaining participating employers. There is currently no provision in the plans to recognize an employer withdrawal.

The following table presents information about the Diocese's multiemployer pension plans as of and for the years ended June 30, 2020 and 2019:

Pension Fund	Contributions for the years ended June 30,		Total contributions from all employers in the Plan for the years ended December 31,		Present value of accumulated plan benefits as of January 1,		Total plan assets as of December 31,	
	2020	2019	2019	2018	2020	2019	2019	2018
Lay Plan	\$ 407,411	\$ 362,405	\$ 10,789,955	\$ 11,615,840	\$ 241,694,000	\$ 227,802,000	\$ 244,951,143	\$ 210,643,311
Priest Plan	113,638	128,962	1,563,266	1,501,971	24,101,000	23,382,000	24,234,247	20,619,855

The funding ratio for the Lay Plan as of January 1, 2020 and 2019, was 101% and 93%, respectively. The funding ratio for the Priest Plan as of January 1, 2020 and 2019, was 101% and 88%, respectively. The Diocese was not subject to any surcharges from either plan for the years ended June 30, 2020 and 2019. The Diocese's contributions to the Priest Plan were over 5% of total plan contributions based upon the plan's years ended December 31, 2019 and 2018.

The Diocese of Trenton

Notes to Financial Statements

Note 15: Other Postretirement Benefit Plans

In addition to the Diocese's defined benefit pension plan, the Diocese sponsors an unfunded defined benefit health care and life insurance benefits plan to retired priests who have been incardinated prior to their 65th birthday and have worked 10 years and attained age 70 while in service with the Diocese. The plan is noncontributory and contains cost-sharing features such as deductibles and coinsurance. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the Diocese's expressed intent to increase the cost-sharing annually for the expected general inflation rate for that year. The Diocese's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The annual measurement date is June 30 for other postretirement benefits. The following tables provide further information about the Diocese's postretirement benefit plans:

Obligations and Funded Status

<i>As of June 30, 2020 and 2019</i>	2020	2019
Benefit obligation	\$ 16,693,383	\$ 17,622,063
Fair value of plan assets	-	-
Funded status - reported as postretirement benefits obligation in the statements of financial position	\$ (16,693,383)	\$ (17,622,063)
Employer contributions	\$ 605,428	\$ 486,029
Participant contributions	-	-
Benefits paid	(605,428)	(486,029)

Amounts recognized in the statements of activities for the years ended June 30, consist of:

	2020	2019
Net (gain) loss	\$ (1,607,053)	\$ 236,869
Amortization of prior service cost and net gain	(27,130)	(61,671)
Total postretirement benefit changes other than periodic postretirement benefit cost	(1,634,183)	175,198
Service cost	710,421	627,920
Other components of net periodic postretirement benefit cost	600,510	667,433
	\$ (323,252)	\$ 1,470,551

The Diocese of Trenton

Notes to Financial Statements

Note 15: Other Postretirement Benefit Plans (Continued)

Net loss (gain) and net prior service cost recognized as changes in net assets without donor restrictions but not yet included in net periodic benefit cost:

	2020	2019
Net loss	\$ 3,906,451	\$ 27,512
Prior service cost	(5,485,992)	27,130
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic postretirement benefit cost	\$ (1,579,541)	\$ 54,642

The estimated net loss, and prior service cost that will be amortized from changes in net assets without donor restrictions to net periodic benefit cost in 2021 are \$183,973 and \$(444,210), respectively.

Assumptions:

The discount rate used to determine the postretirement benefit cost was 3.32% and 4.02% for the years ended June 30, 2020 and 2019, respectively.

The discount rate used to determine the postretirement benefit obligation was 2.42% and 3.32% for the years ended June 30, 2020 and 2019, respectively.

The health care cost trend rates used to measure the expected cost of benefits covered by the plan are as follows: fiscal year 2021 - 5.0%, and 2022 and thereafter - 4.5%.

Cash Flows:

The Diocese expects to contribute approximately \$558,000 to the postretirement benefit plans in the next fiscal year.

The following benefits, which reflect expected future service, as appropriate, are expected to be paid for the years ending June 30:

2021	\$	558,000
2022		628,000
2023		666,000
2024		725,000
2025		783,000
2026 to 2030		4,587,000
Total	\$	7,947,000

The Diocese of Trenton

Notes to Financial Statements

Note 16: Analysis of Expenses by Nature and Function

The costs of providing the Diocese's programs and activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

<i>For the year ended June 30, 2020</i>	Program	Management and General	Fundraising	Total
Operating expenses:				
Grants and subsidies	\$ 2,867,777	\$ -	\$ -	\$ 2,867,777
Seminary tuition and support	644,694	-	-	644,694
Claims incurred	37,024,280	-	-	37,024,280
Insurance premiums	5,219,923	-	-	5,219,923
Legal and professional	1,800,668	824,937	85,847	2,711,452
Provision for doubtful accounts	4,052,053	-	-	4,052,053
Personnel	3,396,082	3,543,737	442,967	7,382,786
Facilities	1,072,806	1,119,450	139,931	2,332,187
Depreciation	439,446	458,553	57,319	955,318
Administrative and other costs	550,151	976,682	262,861	1,789,694
Total expenses by function	57,067,880	6,923,359	988,925	64,980,164
Other components of net periodic postretirement benefit cost (included in nonoperating activities)				
	(600,510)	-	-	(600,510)
Total operating expenses	\$ 56,467,370	\$ 6,923,359	\$ 988,925	\$ 64,379,654

<i>For the year ended June 30, 2019</i>	Program	Management and General	Fundraising	Total
Operating expenses:				
Grants and subsidies	\$ 3,157,652	\$ -	\$ -	\$ 3,157,652
Seminary tuition and support	784,232	-	-	784,232
Claims incurred	43,808,050	-	-	43,808,050
Insurance premiums	4,948,312	-	-	4,948,312
Legal and professional	1,317,534	760,175	85,847	2,163,556
Provision for doubtful accounts	5,214,735	-	-	5,214,735
Personnel	3,844,756	3,887,145	485,893	8,217,794
Facilities	1,037,337	1,082,439	135,305	2,255,081
Depreciation	460,194	480,202	60,025	1,000,421
Administrative and other costs	981,920	926,326	262,861	2,171,107
Total expenses by function	65,554,722	7,136,287	1,029,931	73,720,940
Other components of net periodic postretirement benefit cost (included in nonoperating activities)				
	(667,433)	-	-	(667,433)
Total operating expenses	\$ 64,887,289	\$ 7,136,287	\$ 1,029,931	\$ 73,053,507

The Diocese of Trenton

Notes to Financial Statements

Note 17: Related Entities

The Diocese and the Diocese of Trenton Charitable Trusts for Catholic Education and Religious Formation, and Seminary and Diaconate Formation, Parish Assistance and Social Services share a common purpose of supporting the various religious programs of the Diocese. In 2020 and 2019, the Trusts contributed approximately \$1,752,000 and \$1,683,000, respectively, to the Diocese for various religious programs administered by the Diocese.

Note 18: Risks and Uncertainties

As of June 30, 2020, the Diocese held financial instruments, which exceeded federally insured deposits by approximately \$28,000,000. The financial instruments consist primarily of savings and checking accounts which are insured by the Federal Deposit Insurance Corporation and money market accounts that are not federally insured by the Federal Deposit Insurance Corporation. The Diocese has not experienced any losses in such financial instruments. Management believes the Diocese is not exposed to any significant credit risk related to cash and cash equivalents.

As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively affect the financial position, operating results and cash flows of the Diocese. These uncertainties include uncertain levels of donor giving, collections of assessments and insurance and employee benefit program fees, and market value fluctuations of investments. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 19: Paycheck Protection Program Grant Award

During fiscal 2020, the Diocese received \$1,511,500 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP is a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Diocese has determined the award is a conditional grant and has applied the policy as described in Note 1.

The Diocese has interpreted the condition of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full-time equivalents and or salary/wage limitations, recognized ratably over the covered period of 8 or 24 weeks. For the year ended June 30, 2020, the Diocese met the condition of the award and, accordingly, recognized the award as revenue in Donations and pledges in the statement of activities.

Note 20: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the financial statements were available to be issued.