

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU

The Program and Administrative Office of  
the Diocese of Juneau

FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

To the Most Reverend Andrew E. Bellisario, C.M., and Diocesan Finance Council  
Corporation of the Catholic Bishop of Juneau  
Juneau, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau (a nonprofit sole corporation), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 qualified audit opinion.

### ***Basis for Qualified Opinion***

As explained in Note 1 to the financial statements, not all contributed property and equipment owned by the Corporation of the Catholic Bishop of Juneau the Program and Administrative Office of the Diocese of Juneau is recorded in the financial statements. Accounting principles generally accepted in the United States of America require contributions of property and equipment to be recorded at fair value at the date of contribution. The effect on the accompanying financial statements of the failure to record contributed property and equipment has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation of the Catholic Bishop of Juneau the Program and Administrative Office of the Diocese of Juneau as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau will continue as a going concern. As discussed in Note 16 to the financial statements, on July 1, 2021 the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau will merge with the Corporation of the Catholic Archbishop of Anchorage to form a new surviving entity and the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau will cease to exist. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this merger. Our opinion is not modified with respect to this matter.

*Elgee Rehfeld*

December 18, 2020

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU  
The Program and Administrative Office of the Diocese of Juneau  
A Nonprofit Sole Corporation

BALANCE SHEETS

June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 509,494	\$ 305,431
Accounts receivable	55,492	141,099
Investments		
Administrative office	1,825,382	2,040,440
Custodial funds	3,771,987	3,395,502
Prepaid expenses	-	50
Notes receivable, current portion	101,617	92,019
Total current assets	6,263,972	5,974,541
NOTES RECEIVABLE, net of current portion	845,635	908,862
PROPERTY AND EQUIPMENT, net	795,446	833,349
ACCRUED PENSION ASSET, PRIESTS	17,993	-
OTHER ASSETS	47,537	45,537
Total assets	\$ 7,970,583	\$ 7,762,289
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 99,114	\$ 278,585
Refundable advance	172,856	-
Pass-through payables	22,132	14,305
Accrued payroll	10,689	6,569
Compensated absences	80,943	71,944
Custodial funds	3,771,987	3,395,502
Total current liabilities	4,157,721	3,766,905
ACCRUED PENSION LIABILITY, PRIESTS	-	28,291
Total liabilities	4,157,721	3,795,196
NET ASSETS		
Net assets without donor restrictions		
Undesignated	3,803,078	3,957,309
Total net assets without donor restrictions	3,803,078	3,957,309
Net assets with donor restrictions		
Seminarian donation	9,784	9,784
Total net assets	3,812,862	3,967,093
Total liabilities and net assets	\$ 7,970,583	\$ 7,762,289

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

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU  
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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
FROM OPERATING ACTIVITIES		
SUPPORT AND REVENUE		
Grants	\$ 654,146	\$ 399,706
Rental income	91,997	176,752
Faith-in-Action	-	160,000
Assessments	311,600	287,287
Contributions and bequests	290,900	25,956
Interest income	25,513	27,950
Investment income	20,183	82,955
Program fees	-	5,170
Other income	67,053	98,038
	1,461,392	1,263,814
Total support and revenue		
Net assets released from restriction	-	13,358
	1,461,392	1,277,172
Total support, revenue, and net assets released from restriction		
EXPENSES		
Program services		
Pastoral	225,967	304,504
Property management	492,219	468,516
Religious personnel development	82,112	121,915
Other programs	110,655	100,174
	910,953	995,109
Total program services		
Supporting services	750,954	601,682
	1,661,907	1,596,791
Total expenses		
Change in net assets without donor restrictions from operating activities	(200,515)	(319,619)
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
FROM NON-OPERATING ACTIVITIES		
Gain on pension obligation	46,284	8,048
	(154,231)	(311,571)
Change in net assets without donor restrictions		
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Satisfaction of program restrictions	-	(13,358)
Contributions restricted as to purpose	-	1,215
	-	(12,143)
Change in net assets with donor restrictions		
Change in net assets	(154,231)	(323,714)
NET ASSETS at beginning of year	3,967,093	4,290,807
NET ASSETS at end of year	\$ 3,812,862	\$ 3,967,093

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CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU  
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STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services				Total	Supporting Services	
	Pastoral	Property Management	Religious Personnel Development	Other Programs		Management and General	Total
<b>DIRECT EXPENSES</b>							
Salaries	\$ 99,997	\$ 129,127	\$ 10,434	\$ 73,747	\$ 313,305	\$ 250,103	\$ 563,408
Payroll taxes and benefits	38,830	29,377	935	10,096	79,238	118,750	197,988
Total salaries and related expenses	138,827	158,504	11,369	83,843	392,543	368,853	761,396
Occupancy	15,151	209,709	-	-	224,860	-	224,860
Professional fees	2,200	7,186	66	7,542	16,994	157,846	174,840
Contributions	-	-	-	-	-	149,252	149,252
Repair and maintenance	6,001	97,314	-	-	103,315	-	103,315
Seminar and tuition	7,321	-	62,038	-	69,359	893	70,252
Travel and transportation	23,733	8,718	8,396	-	40,847	6,825	47,672
Depreciation	-	-	-	-	-	37,903	37,903
Supplies and equipment	4,424	71	190	18,477	23,162	13,842	37,004
Other expenses	79	10,717	53	768	11,617	13,691	25,308
Donations and gifts	16,481	-	-	-	16,481	350	16,831
Subsidies	11,750	-	-	-	11,750	-	11,750
Dues and subscriptions	-	-	-	25	25	1,499	1,524
Total direct expenses	<u>\$ 225,967</u>	<u>\$ 492,219</u>	<u>\$ 82,112</u>	<u>\$ 110,655</u>	<u>\$ 910,953</u>	<u>\$ 750,954</u>	<u>\$ 1,661,907</u>

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STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Services				Total	Supporting Services	
	Pastoral	Property Management	Religious Personnel Development	Other Programs		Management and General	Total
DIRECT EXPENSES							
Salaries	\$ 119,916	\$ 108,579	\$ 12,747	\$ 67,795	\$ 309,037	\$ 221,416	\$ 530,453
Payroll taxes and benefits	49,925	27,808	3,585	7,195	88,513	77,774	166,287
Total salaries and related expenses	169,841	136,387	16,332	74,990	397,550	299,190	696,740
Professional fees	4,700	7,028	-	6,955	18,683	237,340	256,023
Occupancy	15,664	216,727	-	-	232,391	-	232,391
Seminar and tuition	19,886	-	90,748	-	110,634	1,387	112,021
Repair and maintenance	1,705	87,882	-	-	89,587	-	89,587
Travel and transportation	48,101	7,964	13,687	-	69,752	3,519	73,271
Supplies and equipment	5,422	529	934	15,774	22,659	13,843	36,502
Depreciation	-	-	-	-	-	29,802	29,802
Subsidies	14,000	-	-	-	14,000	12,500	26,500
Donations and gifts	21,610	-	-	-	21,610	-	21,610
Other expenses	3,325	11,999	214	2,430	17,968	2,971	20,939
Dues and subscriptions	250	-	-	25	275	1,130	1,405
Total direct expenses	<u>\$ 304,504</u>	<u>\$ 468,516</u>	<u>\$ 121,915</u>	<u>\$ 100,174</u>	<u>\$ 995,109</u>	<u>\$ 601,682</u>	<u>\$ 1,596,791</u>

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CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU  
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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from contributions, grants, and bequests	\$ 1,117,902	\$ 266,877
Cash received from rental income	91,997	176,752
Cash received from Faith-in-Action	-	160,000
Cash received from assessments	311,600	287,287
Interest income received	25,513	27,950
Investment income received, net	64,189	80,379
Cash received from other sources	136,205	119,098
Cash outflows from operations:		
Cash paid to employees	(748,277)	(702,427)
Cash paid to suppliers	(1,036,202)	(633,807)
Net cash used for operating activities	(37,073)	(217,891)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received for sale of investments	250,000	833,317
Cash paid for purchase of investments	(62,493)	(97,665)
Cash paid for new equipment	-	(164,176)
Issuance of notes receivable	(38,390)	(196,499)
Payments received on notes receivable	92,019	79,172
Net cash provided by investing activities	241,136	454,149
Net increase in cash and cash equivalents	204,063	236,258
Cash and cash equivalents at beginning of year	305,431	69,173
Cash and cash equivalents at end of year	\$ 509,494	\$ 305,431

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

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NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau (the Administrative Office) encompasses the various institutions and organizations which are fiscally responsible to the Bishop of Juneau, Alaska. The Administrative Office is a nonprofit sole corporation set up to provide support and services for the parishes, school and other religious activities within its Southeast Alaska boundaries.

- Pastoral: These expenditures support pastoral ministry in the Diocese, including support to the Office of the Bishop; St. John by the Sea parish; mission communities; the Office of Ministries; the Tribunal; Youth Ministry; and the biennial Southeast Alaska Catholic Conference.
- Property Management: These expenditures support facility operations and maintenance for the Chancery; the Bishop's house; the Convent; several mission properties; and other diocesan capital projects.
- Religious Personnel Development: These expenditures support the formation and ongoing spiritual development of priests, religious, deacons, and seminarians.
- Other Programs: These expenditures include the Office of Communications; Archives and Special Projects; stewardship; and information/technology.

Basis of Accounting

With the exception of property and equipment, the financial statements of the Administrative Office include assets, liabilities, net assets and financial activities for those departments and activities for which the Catholic Bishop (Bishop) of the Diocese of Juneau (Diocese) exercises fiscal and operational control. Various religious orders, lay societies, and religious organizations, which operate within the Diocese, are not fiscally responsible to the Bishop. Separate parishes and their related institutions have not been included in the accompanying financial statements.

The financial statements of the Administrative Office have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Administrative Office have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Administrative Office to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Administrative Office. These net assets may be used at the discretion of the Administrative Office's management and the Finance Council.

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*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Administrative Office or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Administrative Office also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Revenue Recognition

Revenue consists of grants, rent, assessments, administrative fees, investment income and contributions.

*Grants*

A portion of the Administrative Office's revenue is derived from cost-reimbursable grants. Grants awarded to the Administrative Office from various religious organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions since they have barriers (generally allowable expenditures) and a right of return to the grantor if the barrier is not met. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

*Contributions and Bequests*

Unconditional contributions and bequests, without donor restrictions, are recorded in the statements of activities when received. Contributions received are recorded as support with donor restrictions, or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Conditional contributions and bequests, that is, those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met.

*Rental Income and Assessments*

Rental income and assessments are recorded as earned.

*Other Income*

The Administrative Office's other income is related to miscellaneous small amounts of income not considered grants, contributions, rental income, or assessments.

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Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Nonoperating Activities

The statement of activities presents the changes in net assets of the Diocese from operating activities and from nonoperating activities. Operating revenues and expenses relate primarily to grant activities, rental activities, and contributions provided to the Diocese. Investment income on investments is also considered operating revenue.

Nonoperating activities consist primarily of pension-related liability changes and transfers to the pension retirement account.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Administrative Office considers all checking accounts, savings accounts, and money market accounts to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of reimbursements, and uncollected annual parish assessments and Faith-in-Action assessments levied on each parish in the Diocese. The Administrative Office considers all amounts collectible and no reserve for doubtful accounts has been established.

Notes Receivable

Notes receivable are stated at unpaid principal balances. Interest on notes receivable is recognized over the terms of the notes and is calculated using the simple-interest method on principal amounts outstanding. Notes receivable are individually reviewed for collectability. Management considers notes receivable not paid in full by the contractual due date as past due. The Administrative Office considers all notes receivable amounts collectible and no reserve for losses has been established.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property and equipment, at estimated fair value at date of receipt with the exception of assets not capitalized. Depreciation is calculated by the straight-line method over the useful lives of the assets. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in other income.

The Diocese owns many fixed assets, consisting of land, buildings, equipment, and vehicles throughout Southeast Alaska. The values of many of these assets were not historically recorded in the financial records of the Administrative Office. The Diocese has not capitalized all fixed assets acquired through donations and contributions, and therefore the balance sheet does not reflect all property and equipment.

Investments

Investments in exchange traded funds, stocks, mutual funds, and money market funds are carried in the balance sheets at market value. Investments are considered current assets as

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balances are routinely withdrawn to satisfy current obligations as they arise throughout the year. Unrealized gains and losses, due to changes in market value, are reflected in the statements of activities and changes in net assets.

Fair Value Measurement

The Administrative Office's financial assets carried at fair value have been classified based on a hierarchy defined by FASB ASC 820-10-50-2. FASB ASC 820 *Fair Value Measurement and Disclosure* defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets or liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs). The Administrative Office uses Level 1 inputs to measure the fair value of assets.

Compensated Absences

A liability for unused annual leave is accrued when an employee earns it. Upon termination, employees are paid for unused annual leave.

Income Taxes

The Diocese is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. The Diocese is not classified as a private foundation. The Administrative Office follows the provisions of FASB ASC Section 740 regarding certain treatment and disclosures of income tax matters. FASB ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. For tax-exempt entities like the Diocese, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. FASB ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. As of June 30, 2020, the Administrative Office does not have a liability for unrecognized tax benefits.

Functional Allocation of Expenses

The costs of providing the Diocese's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses for program services are segregated from management and general expenses. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages, benefits and taxes are allocated based on each employee's area of service to the organization.
- Travel, facility, supplies and equipment, depreciation, and other expenses are allocated based on proportion of the total direct costs of the program to which they are being allocated.

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Recently Adopted Accounting Pronouncements

*Statement of Cash Flows (Topic 230)*

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. The Administrative Office adopted ASU 2016-18 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Administrative Office adopted ASU 2018-08 on July 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended June 30, 2020 or 2019.

Upcoming Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Administrative Office's financial position, results of operations, or cash flows; the impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

*Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Administrative Office until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. The Administrative Office plans to adopt ASU 2014-09 as amended by 2020-05, in its fiscal year ending June 30, 2021.

*Leases (Topic 842)*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all

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leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, that deferred the effective date for the Administrative Office until annual periods beginning after December 15, 2021, with early application permitted. The Administrative Office plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending June 30, 2023.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2020:

Financial assets at year-end*:	
Cash and cash equivalents	\$ 509,494
Short-term investments	1,825,382
Accounts receivable, net	55,492
Notes receivable, current portion	<u>101,617</u>
Total financial assets	2,491,985
Less those unavailable for general expenditure within one year, due to donor-imposed restrictions:	
Seminarian donation	<u>(9,784)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,482,201</u></u>

\*Total assets, less nonfinancial assets (fixed assets, custodial funds, prepaid expenses, other)

**NOTE 3 – INVESTMENTS**

The available-for-sale investments of the Administrative Office and its custodial funds are held by a national investment firm and managed by an investment adviser. Investments are stated at market values, which are determined based on per-unit values as of fiscal year-end.

Cost and fair value of the investments consist of the following at June 30, 2020:

	Cost	Unrealized Gains (Losses)	Fair Value
Exchange traded funds	\$ 3,532,902	\$ 193,976	\$ 3,726,878
Stocks	54,632	(11,930)	42,702
Mutual funds	1,248,280	259,796	1,508,076
Money market	319,713	-	319,713
Total	<u>\$ 5,155,527</u>	<u>\$ 441,842</u>	<u>\$ 5,597,369</u>

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Cost and fair value of the investments consist of the following at June 30, 2019:

	Cost	Unrealized Gains (Losses)	Fair Value
Exchange traded funds	\$ 2,122,006	\$ 116,107	\$ 2,238,113
Stocks	141,646	(36,422)	105,224
Mutual funds	1,841,169	388,529	2,229,698
Money market	862,776	131	862,907
Total	<u>\$ 4,967,597</u>	<u>\$ 468,345</u>	<u>\$ 5,435,942</u>

The following schedule summarizes the investment income in the statements of activities and changes in net assets:

	2020	2019
Interest and dividend income, net of fees	\$ 64,189	\$ 80,379
Net realized and unrealized gain (loss) on investments	<u>(44,006)</u>	<u>2,576</u>
	<u>\$ 20,183</u>	<u>\$ 82,955</u>

Investment revenues are reported net of related expenses. Investment advisory fees amounted to \$16,455 and \$28,988 in the fiscal years ended June 30, 2020 and 2019, respectively.

**NOTE 4 – FAIR VALUE MEASUREMENT**

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Exchange traded funds	\$ 3,726,878	\$ 3,726,878	\$ -	\$ -
Stocks	42,702	42,702	-	-
Mutual Funds	1,508,076	1,508,076	-	-
Money Market	319,713	319,713	-	-
Total	<u>\$ 5,597,369</u>	<u>\$ 5,597,369</u>	<u>\$ -</u>	<u>\$ -</u>

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Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Exchange traded funds	\$ 2,238,113	\$ 2,238,113	\$ -	\$ -
Stocks	105,224	105,224	-	-
Mutual Funds	2,229,698	2,229,698	-	-
Money Market	862,907	862,907	-	-
Total	<u>\$ 5,435,942</u>	<u>\$ 5,435,942</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 – NOTES RECEIVABLE**

Following is a summary of the notes receivable at June 30:

	2020	2019
Note receivable from selling land. Fixed interest rate of 3.29%, quarterly principal and interest payments of \$25,281 due through September 2028.	\$ 728,021	\$ 803,631
Note receivable from Holy Name School. Zero interest loan, monthly principal payments of \$1,957 due through October 2029.	219,231	196,499
Note receivable from a parish for building renovations. Interest free monthly payments of \$250 through May 2014, and \$500 per month through August 2019.	-	751
	<u>947,252</u>	<u>1,000,881</u>
Less current portion	<u>(101,617)</u>	<u>(92,019)</u>
	<u>\$ 845,635</u>	<u>\$ 908,862</u>

Interest income on notes receivable for the years ended June 30, 2020 and 2019 was \$25,513 and \$27,950 respectively.

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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment and related accumulated depreciation are as follows at June 30:

	2020	2019	Depreciable Lives
Land	\$ 214,441	\$ 214,441	N/A
Buildings	1,019,178	855,002	18-40
Equipment and furniture	201,342	201,342	5-7
Construction-in-progress	-	164,176	18-40
Vehicles	61,615	61,615	5-7
	<u>1,496,576</u>	<u>1,496,576</u>	
Accumulated depreciation	<u>(701,130)</u>	<u>(663,227)</u>	
Property and equipment, net	<u>\$ 795,446</u>	<u>\$ 833,349</u>	

Depreciation expense for fiscal years 2020 and 2019 was \$37,903 and \$29,802, respectively.

**NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN**

On April 20, 2020, the Administrative Office received loan proceeds in the amount of \$340,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower reduced the number of employees or the average paid hours of employees or reduced the annual salary or hourly wages of any employee by more than 25 percent during the Covered Period.

The Organization has not accrued interest for the PPP loan at June 30, 2020 as they have determined the amount to be nominal. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the Covered Period. The Administrative Office intends to use the proceeds for purposes consistent with the PPP. The Administrative Office initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Administrative Office has recognized \$255,146 as grant revenue for the year ended June 30, 2020.

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**NOTE 8 – REFUNDABLE ADVANCE**

The Administrative Office receives various contributions that contain certain conditions from the awarding agencies. Funds received in advance of the conditions being met are recorded as refundable advances and are subsequently recognized as contributions when donor conditions are met. Refundable advances consisted of \$85,356 contributions received through the Paycheck Protection Program and \$87,500 contributions received through grants from religious organizations, as of June 30, 2020.

**NOTE 9 – LEASES**

The Administrative Office leases office space in its St. Ann and Crimont buildings to both a related party and unaffiliated entities. The cost and accumulated depreciation of these buildings as of June 30, 2020 and 2019 is \$682,985 and \$237,640, and \$518,809 and \$203,556, respectively. Rental income was \$91,997 and \$176,752 for the years ended June 30, 2020 and 2019, respectively. Minimum future rent income for fiscal year 2020, based on current leases, is \$90,095.

**NOTE 10 – CUSTODIAL FUNDS**

The Administrative Office holds funds on behalf of parishes and groups in the Diocese. These funds are invested in the same manner as the Administrative Office’s investments. The custodial funds held by the Administrative Office consist of the following at June 30:

	2020	2019
Shrine of St. Therese	\$ 866,230	\$ 839,617
Shrine of St. Therese Endowment	1,347,897	1,328,613
St. Gregory - Sitka	160,896	157,671
Cathedral Parish - Juneau	1,212,224	871,190
Holy Family Mission - Metlakatla	101,226	100,504
St. Therese Parish - Skagway	62,951	77,754
St. Rose Parish - Wrangell	20,563	20,153
	<u>\$ 3,771,987</u>	<u>\$ 3,395,502</u>

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	2020	2019
Seminarian Endowment	<u>\$ 9,784</u>	<u>\$ 9,784</u>

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**NOTE 12 – EMPLOYEE BENEFITS**

The Administrative Office, through the Alaska Catholic Conference of Bishops, Insurance Division (ACCB), provides health and dental care. All regular, full-time employees are eligible to participate in the program. The Administrative Office pays the majority of the premium for eligible employees.

The Administrative Office provides life and long-term disability insurance for each full-time employee. Long-term disability insurance is available to employees who have worked thirty-six months or more.

Each regular full-time employee is eligible to participate in the Administrative Office 403(b) Employer Contribution Plan. The Administrative Office matches employee contributions up to 1% after six months of services, 2% after two years of services, 3% after three years of services, 4% after six years of services, and 6% after ten years of service. The Administrative Office contributed \$33,771 and \$21,774 during the years ended June 30, 2020 and 2019, respectively.

**NOTE 13– PRIEST PENSION PLAN**

Effective January 1, 2016, the Diocese established a noncontributory defined benefit Pension Plan for Priests (Plan) which covers diocesan priests incardinated in the Diocese and provides a standard annual benefit on the later of a participating priest's 70<sup>th</sup> birthday of the date on which he completes ten years of Diocesan service, or in the event of disability as described in the Plan. During 2017, the Diocese made a nonoperating transfer of \$1,662,210 to the Plan to fund the associated liability arising from the establishment of the Plan. For the years ended June 30, 2020 and 2019, the annual retiree benefit was \$25,675 and \$25,675, respectively. As required by generally accepted accounting principles, the full funding status of the Plan, as of the balance sheet date, has been recognized as a net asset to recognize the funded status of the Plan.

The pension benefit obligation for retired priests has been determined by an actuarial valuation completed January 1, 2019. Changes in the valuation of the pension benefit obligation are considered nonoperating gains and losses. Gains and Losses on pension obligation for the years ended June 30, 2020 and 2019 are \$46,284 and \$8,048, respectively. The Plan requires an actuarial valuation every two years.

The following amounts relate to the Plan as of June 30, 2020:

Accumulated benefit obligation, estimated by management	<u>\$ 1,773,859</u>
Change in Plan assets:	
Assets contributed to the Plan by the Diocese after plan effective date	1,625,883
Return on Plan assets	<u>165,969</u>
Fair value of Plan assets at end of fiscal year	<u>\$ 1,791,852</u>
Accrued pension liability (asset), priests	<u>\$ (17,993)</u>

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The following amounts relate to the Plan as of June 30, 2019:

Accumulated benefit obligation, estimated by management	\$ 1,757,401
Change in Plan assets:	
Assets contributed to the Plan by the Diocese after Plan effective date	1,665,883
Return on Plan assets	63,227
Fair value of Plan assets at end of fiscal year	\$ 1,729,110
Accrued pension liability (asset), priests	\$ 28,291

Management used a discount rate of 2.75% to estimate the net for expected future benefit payments over the expected lives of current participants utilizing the U.S. Social Security Administration's life expectancy tables.

The Administrative Office measures fair value of the Plan's assets using a three-level hierarchy upon observable inputs.

Fair values of the Plan's assets measured on a recurring basis by level as of June 30, 2020, are as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 97,984	\$ -	\$ -	\$ 97,984
Stocks	863,071	-	-	863,071
Exchange Traded Funds	33,829	-	-	33,829
Corporate Fixed Income	334,948	-	-	334,948
Mutual Funds	462,020	-	-	462,020
Total	\$ 1,791,852	\$ -	\$ -	\$ 1,791,852

Fair values of the Plan's assets measured on a recurring basis by level as of June 30, 2019, are as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 41,404	\$ -	\$ -	\$ 41,404
Stocks	765,682	-	-	765,682
Exchange Traded Funds	68,459	-	-	68,459
Corporate Fixed Income	424,384	-	-	424,384
Mutual Funds	429,181	-	-	429,181
Total	\$ 1,729,110	\$ -	\$ -	\$ 1,729,110

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The Diocese established a Trust Agreement for the Plan assets under the direction of a Board of Trustees. The Trustees established an Investment Policy for Plan assets that calls for a well-diversified portfolio of high-grade securities to achieve an average annual real rate of return of 2.75%. The Policy's goal is to maintain the following allocation ranges:

<u>Category</u>	<u>Benchmark Index</u>	<u>Minimum</u>	<u>Policy</u>	<u>Maximum</u>
Domestic Equity	S&P 500	25%	45%	55%
International Equity	MSCI World Ex US	0%	10%	25%
Fixed Income	US Barclay's Aggregate	25%	45%	55%

The Administrative Office expects to contribute \$27,720 to the Plan in fiscal year 2021. This contribution will be funded by the parishes.

Benefits expected to be paid by the Plan during the ensuing five years and thereafter are approximately:

<u>Year</u>	<u>Amount</u>
2021	\$ 57,770
2022	76,716
2023	104,766
2024	105,814
2025	109,011
Thereafter	1,865,586

**NOTE 14 – RELATED PARTY TRANSACTIONS**

The operating director of the Administrative Office is also a member of the Board of Directors of Catholic Community Service. The Administrative Office and Catholic Community Service have ongoing operating transactions. The Administrative Office received (paid) the following amounts from (to) Catholic Community Service:

	<u>2020</u>	<u>2019</u>
Rent	\$ 61,780	\$ 141,963
Workers' compensation insurance	73,226	87,063
Vehicle insurance	31,480	27,935
Property insurance	17,938	16,298
Subsidy	-	(32,340)
	<u>\$ 184,424</u>	<u>\$ 240,919</u>

At June 30, 2020 and 2019 the Administrative Office had non-interest bearing notes receivable of \$-0- and \$751, respectively, from a parish in the Diocese and \$219,231 and \$196,499, respectively, from a school in the Diocese. In addition to the notes receivable, the Administrative Office had accounts receivable from all parishes of \$40,580 and \$107,848 included in accounts receivable in the balance sheets.

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**NOTE 15 – CONTINGENT LIABILITIES**

Credit Risk

The Administrative Office has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Administrative Office has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Debt of Individual Parishes

The Diocese, through its civil corporation, is responsible for certain debts undertaken directly by parishes of the Diocese. The aggregate debt of the parishes guaranteed by the Diocese as of June 30, 2020 and 2019 is \$119,686 and \$245,640, respectively. Based upon past performance and the ability of the parishes to continue to meet their debt obligations on a current basis, the Diocese believes it will not be required to make debt payments on their behalf.

Legal Proceedings

In the normal course of operations, the Administrative Office is subject to litigation from time to time, but defends its rights vigorously, and obtains insurance coverage for potential claims arising as a result of litigation.

Unemployment Taxes

The Administrative Office has opted the reimbursable payment method for its Employment Security Tax obligation with the State of Alaska, Department of Labor. As of June 30, 2020 and 2019, a security deposit of \$47,537 and \$45,537, respectively, has been placed with the State of Alaska, Department of Labor, Employment Security Division, in lieu of making unemployment tax payments. The Administrative Office would be liable for any future unemployment claims in excess of the deposit.

**NOTE 16 – SUBSEQUENT EVENTS**

The Administrative Office's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

Business Disruption

The COVID-19 outbreak in the United States has resulted in business disruption which is expected to impact the Administrative Office's operations and results, though such impact is unknown at this time.

Merger of the Anchorage and Juneau Dioceses

On May 19, 2020 Pope Francis announced the merger of the Corporation of the Catholic Archbishop of Anchorage and the Administrative Office to form the Corporation of the Catholic Archbishop of Anchorage-Juneau as the surviving entity. The primary reason for the merger is to better serve the people of God in Southeast and Southcentral Alaska by maximizing available resources, eliminating duplicate structures, and reducing overall administrative costs. The merger is expected to be effective July 1, 2021 at which point all assets and liabilities of the

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Administrative Office will transfer to the Corporation of the Catholic Archbishop of Anchorage-  
Juneau and the Administrative Office will cease to exist.