THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
SAINT PAUL, MINNESOTA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Archdiocese of Saint Paul and Minneapolis
Minneapolis, Minnesota

We have audited the accompanying financial statement of The Archdiocese of Saint Paul and Minneapolis, which comprise the statement of financial position as of June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Board of Directors
The Archdiocese of Saint Paul and Minneapolis

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of The Archdiocese of Saint Paul and Minneapolis as of June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 19, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
The Archdiocese of Saint Paul and Minneapolis
Minneapolis, Minnesota

We have audited the statement of financial position of The Archdiocese of Saint Paul and Minneapolis as of June 30, 2019, and our report thereon dated December 19, 2019, which expressed an unmodified opinion on this financial statement, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Supplemental Statements of Financial Position, Statement of Activities, and Functional Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 19, 2019

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

		2019
ASSETS		
Cash - Without Donor Restriction & Board Designated	$	5,422,915
Cash - With Donor Restriction		1,196,721
Contributions Receivable, Net of Allowances		212,263
Accounts Receivable, Net of Allowances		3,481,624
Loans Receivable		675,066
Investments With Donor Restrictions		1,123,737
Beneficial Interest in Perpetual Trusts		1,490,207
General Insurance Program Assets		12,881,854
Prepaid Expenses and Other Assets		185,006
Land, Property & Equipment		3,371,001
Total Assets	**$**	**30,040,394**
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities, Post-Petition	$	1,810,479
General Insurance - Claims Payable and Other Liabilities		5,349,348
Amounts Held for Others Under Agency Transactions		182,129
Deferred Revenue		199,011
Lease Payable		50,171
Other Liabilities		212,733
Deferred Rent		165,762
Note Payable Bankruptcy Settlement		5,000,000
Total Liabilities		**12,969,633**
Net Assets		
Without Donor Restrictions - Undesignated		12,269,424
Without Donor Restrictions - Designated		1,000,000
With Donor Restrictions		
Restricted by Time and/or Purpose		2,073,980
Restricted in Perpetuity		1,727,357
Total Net Assets		**17,070,761**
Total Liabilities and Net Assets	**$**	**30,040,394**

NOTE 1 CHAPTER 11 PLAN OF REORGANIZATION

On January 16, 2015, the Archdiocese of St Paul and Minneapolis (the Archdiocese or Chancery Corporation) filed a petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court (the “Court”) for the District of Minnesota.

On June 28, 2018, the Archdiocese filed a Joint Chapter 11 Plan of Reorganization and Disclosure Statement.

On August 10, 2018, the Archdiocese filed a Second Amended Joint Chapter 11 Plan of Reorganization and Second Amended Disclosure Statement.

On September 19, 2018, the Archdiocese filed a Third Amended Joint Chapter 11 Plan of Reorganization.

On September 25, 2018, the Court issued an Order Confirming Joint Plan of Reorganization dated September 19, 2018 and on October 11, 2018 (the “Effective Date”), the Third Amended Plan became effective, and the Archdiocese was discharged from its debts.

On December 21, 2018, the Order and Final Decree from the Court closing the bankruptcy was received.

The Archdiocese, as the Reorganized Debtor, will continue to exist after the Effective Date as a separate entity in accordance with the laws of the State of Minnesota, and, as of the Effective Date, the reorganization assets were vested in the Archdiocese free and clear of all liens, claims and interests of creditors, including any successor liability claims other than those required to meet obligations of the Plan of Reorganization.

In accordance with the Plan and Confirmation Order, the Archdiocese of St. Paul and Minneapolis Trust (“Plan Trust”) was established on October 11, 2018, for the benefit of claimants and the holders of future claims. The Archdiocese has no rights or interests in the Plan Trust or its assets.

As a condition of the Plan, the Archdiocese entered into a non-interest bearing Promissory Note with the Plan Trust in the amount of $5,000,000 to be payable in five equal annual installments of $1,000,000 commencing on the 365th day after the Effective Date. The note may be prepaid at any time at the option of the Archdiocese. The Archdiocese made the first annual payment of $1,000,000 on October 10, 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Archdiocese

The Archdiocese of Saint Paul and Minneapolis (the Archdiocese) was first established as a diocese by the Holy See in 1850 (originally Minnesota and the Dakotas), and elevated to archdiocese 38 years later. Now comprising a 12-county area, there are 186 parishes and 90 Catholic schools (including elementary and high schools) within the Archdiocese. The Archdiocese is home to over 825,000 Catholics, including hundreds of clergy and religious sisters and brothers as well as thousands of lay personnel and volunteers who serve in parishes, Catholic schools and in many other ministries within the Archdiocese. The mission of The Archdiocese of Saint Paul and Minneapolis is making the name of Jesus Christ known and loved by promoting and proclaiming the Gospel in word and deed through vibrant parish communities, quality Catholic education and ready outreach to the poor and marginalized.

Nature of Organization

The financial statements include administrative and program offices and departments of the Chancery Corporation, which serves as the secular arm of the Archdiocese. Under the laws of the State of Minnesota, parishes, their related schools and other separately incorporated and operated Roman Catholic entities within the 12 county area of the Archdiocese are not under the fiscal or operating control of the Chancery Corporation and, therefore, in accordance with accounting principles generally accepted in the United States of America, are not included in the Chancery Corporation's financial statements.

Catholic Services Appeal Foundation

Effective January 1, 2014, an independent 501(c)(3) organization called the Catholic Services Appeal Foundation (CSAF) was established to solicit, collect, hold and distribute all Catholic Services Appeal (CSA) donations for the benefit of a prescribed group of Catholic organizations and Chancery Corporation ministries as outlined in the CSAF by-laws. The Chancery Corporation received contributions from the CSAF to provide for these ministries, including but not limited to Latino Ministry, Evangelization and Catechesis, Youth Ministry, Venezuela Mission and chaplain services at hospitals and prisons throughout the Archdiocese. See further impact of this within contributions receivable in Note 2.

Adoption of Accounting Standard

The Archdiocese adopted Financial Accounting Standards Board (FASB) ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities in fiscal year 2019. The adoption did not impact the Archdiocese financial position as of June 30, 2019 or 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Accounting for Net Assets

The financial statements of the Chancery Corporation have been prepared on the accrual basis of accounting.

The Chancery Corporation reports information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. These classes of net assets are summarized as follows:

Net Assets Without Donor Restrictions – Net assets that are those currently available at the discretion of the Chancery Corporation for use in operations and are not subject to donor (or certain grantor) restrictions. This includes net assets designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Accounts for resources that are limited by donor restrictions as to either time restrictions or purpose restrictions to support certain program activities. Also includes resources that are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities.

Programs and Other Activities

The Chancery Corporation accomplishes its mission in the following program areas:

Catholic Education

The mission of the Office of Catholic Schools is to develop strong partnerships between home and school that fully infuse Catholic teaching and values into every element of the student's educational experience and foster academic excellence. Students are formed to live out the Gospel message, achieve academic excellence, and lead by faith, virtue, and reason. The support provided to the 90 Catholic schools within the Archdiocese includes Catholic identity review and support, leadership development, and programmatic oversight to promote innovation and excellence in local urban Catholic schools. Major responsibilities include identification of the strategic needs of Catholic schools and continuing to serve families in the tradition of excellence Catholic schools have cultivated for more than 160 years.

Central Services

Central Services provides support and services to the Chancery Corporation staff and the parishes. The Department includes Parish Accounting Service Center; Parish Standards; Metropolitan Tribunal; Records and Archives; Chancellor's Office; IT/Computer Services; Human Resources and Benefits Administration; and Printing Services.

Clergy Services

Various offices and programs of the Chancery Corporation work to provide personal and ministerial resources as well as formation and ongoing clergy education for priests and deacons to enhance the fruitfulness of their ministries. The Office of Clergy Services helps support clergy assignment at parishes and other institutions, as well as hospital and correctional facility chaplaincies. The Office of Vocations encourages prayerful

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

discernment of call to ordained or religious life. The Saint Paul Seminary provides formation for men preparing for ordination to the priesthood. The Byrne Residence offers housing for retired priests. The Office of Clergy Services also provides oversight of victim advocacy and assistance: abuse prevention efforts, intervention on clergy misconduct, support of the work of the Clergy Review Board to ensure prompt and thorough review of clergy misconduct allegations, the Promotion of Ministerial Standards program to ensure that all priests and deacons uphold the standards expected of Catholic clergy, and are provided appropriate support for their spiritual, physical, and mental well-being.

Communications

The mission of the Office of Communications is to communicate the spiritual messages and theological teachings of the Church as articulated through the Archbishop and his auxiliary bishops. The Office of Communications is also charged with ensuring effective ongoing two-way communications between the Chancery Corporation offices and the many audiences they serve. Office of Communications staff produce 24 issues of *The Catholic Spirit* newspaper annually, send the bi-weekly Archdiocesan Update electronic newsletter to 1,500 parish and Catholic school leaders, and manage nearly 20 web sites, blogs and social media sites.

Community Services

Through the work of offices of the Chancery Corporation and the support of community partners, we help men, women, and children most in need, including the hungry and homeless, as well as immigrants, the elderly, those with disabilities and others with special needs.

Evangelization and Catechesis

The Office of Evangelization (OE) creates opportunities for people to encounter Jesus Christ and to make the truth of Christ and his Church clearly understood and accessible. Evangelization efforts are created and experienced in cooperation with parishes and Catholic schools and the many ministry groups throughout this local Church.

Marriage, Family and Life

The mission of the Office of Marriage, Family and Life is to assist and encourage all Christians to fulfill their call to holiness. This office promotes a culture of life through programs that support the vocation of marriage, the single state and outreach to youth and young adults. Programs and advocacy efforts include marriage enrichment, marriage preparation, Early Catholic Family Life and other family outreach, respect life and prolife groups, bio-medical ethics and outreach for persons with disabilities. In addition, Archdiocesan Youth Day, World Youth Day, National Catholic Youth Conference and other youth events are coordinated through the staffing and support of the department. In all, the office sponsors or collaborates on over 50 events and programs annually.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parish Services and Outreach

Several offices and programs offer services to parishes within the Archdiocese, including the Office of Parish Services, which encourages a community of sharing and collaboration in parishes and helps parishes learn from one another.

The Office of Worship supports the liturgical life of the local Church and serves as a resource on liturgical law and practice for pastors and parishes serving within the

Archdiocese. The Office coordinates major Archdiocesan liturgical celebrations, and provides catechetical and practical support for the full, conscious and active participation of God's Holy People in the Church's sacramental and liturgical life.

Other ministries within Parish Services include the Indian ministry for members of the local Native American community and Deaf Ministry are also supported. Through the generosity of Catholics in the Archdiocese, 65,000 people in Ciudad Guayana, Venezuela are offered access to the sacraments, food and essential services at the Jesucristo Resucitado mission parish. The important work of the Archdiocesan Council of Catholic Women is also supported in this parish service program area.

Latino Ministries

The Office of Latino Ministry serves the large number of Latino Catholics in the community at more than 20 parishes with Spanish language Masses, catechetical offering and pastoral care. Latino Ministries offers outreach and diverse programs with an area of emphasis including but not limited to evangelization and formation.

Special Issues

Special Issues represent expenses related to the Archdiocese Bankruptcy Settlement. Special Issues expense consist mainly of third party professionals related predominantly to both fees incurred for attorneys representing the Archdiocese in the reorganization and the Ramsey County charges, as well as attorneys representing the unsecured creditors committee and the parish committee.

General Insurance

The Chancery Corporation, both for itself and as the agent for parishes and various other Catholic entities operating within the boundaries of the Archdiocese, participates in the General Insurance Fund (the GIF). The GIF provides comprehensive, uniform coverage for all of the participants. The coverage includes commercial property, casualty, general liability and workers' compensation insurance. The GIF pays a premium to the Workers' Compensation Reinsurance Association for stop loss coverage and has a self-insured retention policy for its property and general liability insurance.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The GIF also participates in the Catholic Umbrella Pool (CUP), which provides extended coverage for liability claims. Catholic Umbrella Pool is a nonprofit corporation formed by member dioceses in collaboration with Catholic Mutual. Catholic Umbrella Pool provides self-insurance programs for the benefit and education of its members and the Church. The Board of Trustees of the Catholic Umbrella Pool have determined that unrealized gains and losses shall be recognized in valuing Catholic Umbrella Pool surplus for each year and that such gain or loss be allocated among participants in a given participant year.

Priest Benefits

The Archdiocese of St. Paul and Minneapolis coordinates a self-insured health and dental benefit fund for active clergy members, seminarians, and religious order sisters within the Archdiocese. The Archdiocese invoices other Catholic entities based on clergy assignments and pay benefit providers directly for any claims.

Cash

At times throughout the year, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Cash is classified into three categories, Without Donor Restriction and Board Designated, and With Donor Restriction. As of June 30, 2019, $1,000,000 is classified as Board Designated funds representing the current obligation of the Note Payable Bankruptcy Settlement.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Included within contributions receivable at June 30, 2019 are contributions and reimbursable expenses receivable from Catholic Services Appeal Foundation of $212,263.

Accounts Receivable

Accounts receivable are due from parishes and other Catholic entities and are non-interest bearing, unsecured and due currently. Credit terms for payment of assessments, insurance and other billings are extended to the borrowers in the normal course of operations, and no collateral is required. Approximately 73% of the outstanding receivables from parishes and other related entities are attributable to 16 parishes at June 30, 2019. A portion of the parish assessments will be repaid over a period of several years. The aging of these receivables, as well as any extended payment terms, are factored into the allowance for doubtful accounts. The Chancery Corporation provides for an allowance for doubtful loans, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience and the financial condition of the creditor. Accounts receivable are written off and charged to the allowance only under extraordinary circumstances. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term. Approximately 61% of total accounts receivable are due from parish assessments at June 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Receivable

The loan is due from a parish and represents an outstanding demand note with a balance of $675,066 as of June 30, 2019(to be paid on a long-term basis). Loans receivable are recorded at their net realizable values, net of an allowance for doubtful accounts, where applicable. No allowance was deemed necessary for the year ended June 30, 2019

The Chancery Corporation provides for an allowance for doubtful loans, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience and the financial condition of the borrower. Loans receivable are written off and charged to the allowance only under extraordinary circumstances, and write-offs must be approved by the Archbishop.

Investments

Investments are measured at fair value. Investments in perpetual trust assets held at The Catholic Community Foundation of Minnesota (CCF), are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments. Such assets held at CCF are reported at fair value/estimated fair value as reported to the Chancery Corporation by CCF. The Chancery Corporation's remaining interest in perpetual trust assets held at a bank is reported based on the fair value of the underlying trust assets.

Realized and unrealized gains and losses on investments are recorded in the statement of activities based upon the existence or absence of donor-imposed restrictions.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The Chancery Corporation's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adhere to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Chancery Corporation has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Chancery Corporation uses valuation techniques in a consistent manner from year-to-year.

Land, Property and Equipment

Land, property and equipment are recorded at their net book value. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized according to the Archdiocesan capitalization policy.

Contributions and Revenue Recognition

The Chancery Corporation reports gifts of cash and other assets as restricted support 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 restrictictions and reported as net assets released from restrictions in the statement of activities.

The Chancery Corporation reports gifts of land, buildings, and equipment as support without donor restriction 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets
must be maintained, the Chancery Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments, fees and program revenue are recognized throughout the year as earned. Program revenue received for services to be provided in a future period are recorded as deferred revenue at the time of receipt and earned when the services are delivered.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and estimates may change during the near term.

Pension and Medical Benefit Plans

The Chancery Corporation contributes to the Pension Plan for Priests and to the Pension Plan for Lay Employees of the Chancery Corporation, parishes and Catholic schools, and certain other Catholic entities within the Archdiocese. These contributions include normal costs, and an amount to amortize the unfunded past service liabilities of the plans. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available at the individual organization level. The plans are multiple-employer, defined benefit plans and cover substantially all priests and most full-time lay employees of participating employers operating within the boundaries of the Archdiocese.

Benefits for full-time lay employees under the Pension Plan for Lay Employees were frozen January 31, 2011. The Chancery Corporation contributes to the Archdiocesan Medical Benefit Plan, which is a multiple-employer plan, providing medical, dental and other flexible benefits to the participating employer's participating employees. The Plan is a self-insured plan with stop-loss protection. In the event the Plan is terminated and all obligations to the insurers providing group benefits and to the beneficiaries of the Plan have been satisfied, any remaining trust funds shall be distributed to the Chancery Corporation and the Trust shall terminate. The Plan's Trustees have no plans to terminate the Plan.

Income Taxes

The Chancery Corporation is exempt from Federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and similar state statutes.

The Chancery Corporation has evaluated whether it has any significant tax uncertainties that would require recognition or disclosure. Primarily due to the exempt status, the Chancery Corporation does not have any significant tax uncertainties that would require recognition or disclosure.

NOTE 3 INVESTMENTS

The fair value and composition of Investments With Donor Restriction consists of two funds with donor restrictions solely for the purpose of the General Seminary Endowment and the Braun Fund. Both with donor restrictions towards seminary education. As of June 30, 2019 there were no investments without donor restriction.

The Chancery Corporation is the beneficiary of the General Seminary Endowment. CCF retains variance power over these funds and can redirect the distribution of these assets at the discretion of its board.

The Braun Fund is invested with American Funds and the Chancery Corporation receives distributions annually.

Investments are carried at fair value. The balances of the General Seminary Endowment and the Braun Fund as of June 30, 2019 were $1,031,842 and $91,895, respectively.

The following is the approximate fund allocation at June 30, 2019 of investments:

	American Funds	CCF	Total
Cash and Cash Equivalents	$ 8,730	$ 10,319	$ 19,049
Corporate Bonds	-	175,413	175,413
Corporate and International Equities	83,165	742,926	826,091
Alternative Investments	-	103,184	103,184
Total	$ 91,895	$ 1,031,842	$ 1,123,737

NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Chancery Corporation is the sole income beneficiary in three irrevocable perpetual trusts, the assets of which are not in the possession of the Chancery Corporation and for which the Chancery Corporation is not the trustee. The values of these trusts totaled $1,490,207 at June 30, 2019. These trusts were established with specific donor intent for restricted purposes. The assets recorded on the statement of financial position represent the estimated present values of future cash flows from the trusts, which are assumed to equal the fair value of the underlying trust investments. The Chancery Corporation has legally enforceable rights and claims to distributions from the trusts but not to the underlying assets themselves and receives income distributions based on the funds' income after certain trust expenses. These income distributions are received with donor restrictions for specific purposes: the Saint Paul Seminary support, support for physically disabled priests, and housing for elderly members of the Christian Brothers religious order.

NOTE 5 FAIR VALUE

The following table sets forth the balance of assets by level, within the fair value hierarchy, carried at fair value as of June 30, 2019.

	Fair Value Measurement Using			Fair Value
	Level 1	Level 2	Level 3	Amount
Assets:				
Investments:				
Mutual Funds - American Funds	$ 91,895	$ -	$ -	$ 91,895
Investments Held at CCF	-	-	1,031,842	1,031,842
Beneficial Interest in Perpetual Trusts	-	-	1,490,207	1,490,207
Total	$ 91,895	$ -	$ 2,522,049	$ 2,613,944

The following table sets forth the balances of assets by level, within the fair value hierarchy carried at fair value as of June 30, 2019.

	Investments Held at CCF	Beneficial Interest in Perpetual Trusts
Ending Balance, June 30, 2018 (Unaudited)	$1,031,600	$ 1,519,426
	-	-
Realized Gains	26,066	39,136
Unrealized Gains (Losses)	5,581	2,495
Investment Income	15,930	23,027
Commissions and Fees	(8,135)	(21,377)
Distributions	(39,200)	(72,500)
Ending Balance, June 30, 2019	$1,031,842	$ 1,490,207

NOTE 6 LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consisted of the following at June 30, 2019:

	Life in Years	
Land		
Building	20-400	$ 3,269,815
Furniture, Equipment and Technology	3-10	2,543,654
Vehicles	3-5	157,262
Leasehold Improvements	See Below	1,307,833
Right to Use Asset	See Below	1,721,613
		9,000,177
Less: Accumulated Depreciation		(5,629,176)
Net Land, Property and Equipment		$ 3,371,001

Certain facilities owned by the Chancery Corporation are utilized and subject to third-party mortgages. The Chancery Corporation has a lease agreement with the Cathedral of Saint Paul with a base rent of $1 per year. The lease agreement matures in May 2021 and has a renewal option for an additional 20 years.

The Chancery Corporation has a long-term lease agreement with the St. Paul Seminary for the rent-free use of the Byrne Residence property. The lease agreement matures in 2094 and automatically renews for 25-year terms unless the Chancery Corporation provides a notice prior to the expiration of the lease.

In addition, the Chancery Corporation leased land to three Catholic high schools within the Archdiocese for $1 per year. The leases had varying terms of approximately 20-30 years, which were set to expire on December 31, 2025, June 30, 2030 and June 30, 2038. On October 11, 2018, the Archdiocese sold the land previously leased by three Catholic high schools to each of the schools for an aggregate sales price of $4,000,000. The purchasers were responsible for all of the closing costs and related expenses

NOTE 7 GENERAL INSURANCE PROGRAM

At June 30, 2019, approximately 77% of the General Insurance Program's gross premiums receivable was due from six participants.

Insurance claims payable include unpaid estimated property claim costs up to the general insurance program's aggregate retention, unpaid estimated workers' compensation claim costs up to the stop loss limit, and an estimate for claims incurred but not reported. Claims liability estimates and assumptions are periodically reviewed and updated with any resulting adjustments to claim liabilities reflected in current operating results.

On September 30, 2014, the Chancery Corporation entered into a custodial agreement with the Minnesota Department of Commerce, directly pledging general insurance fund assets for the self-insured workers' compensation program. At June 30, 2019, the balance of the investment was $4,065,640.

Summary financial information for the General Insurance Program for the fiscal year ended June 30, 2019:

ASSETS		
Cash and Equivalents	$	6,895,988
Investment - Workers Compensation Pledge		4,065,640
Premiums Receivable, Net of Allowance of $2,405,288		1,382,769
Catholic Umbrella Pool Deposits		370,032
Other Receivables		65,463
Other Assets		101,962
Total Assets	$	12,881,854
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	$	117,134
Accrued Liabilities		5,195,050
Due to Chancery Corporation		37,164
Total Liabilities		5,349,348
Without Donor Restrictions, Assets of the Participants		7,532,506
Total Liabilities and Net Assets	$	12,881,854

NOTE 8 AMOUNTS HELD FOR OTHERS UNDER AGENCY TRANSACTIONS

Amounts held for others under agency transactions consist of charitable collection accounts and funds held for others totaling $182,129 as of June 30, 2019.

NOTE 9 NET ASSETS

Net assets with donor restrictions whether restricted by time or purpose consist of the following at June 30, 2019.

Clergy Services	$	711,598
Catholic Education		243,254
Parish Services		43,729
Marriage, Family and Life		130,409
Other		103,331
Total	$	1,232,321

Net assets with donor restrictions on accumulated endowment earnings consist of the following at June 30, 2019.

Clergy Services	$	799,692
Marriage, Family and Life		41,967
Total	$	841,659

Net Assets with donor restrictions that are restricted in perpetuity consist of the following at June 30, 2019.

Clergy Services	$	1,722,357
Other		5,000
	$	1,727,357

NOTE 10 ENDOWMENT FUNDS

The Chancery Corporation's endowment consists of endowment funds with donor restrictions established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Chancery Corporation receives distributions from these endowments each year based on the spending policies of the financial institution where these endowment funds are held.

Interpretation of Relevant Law

The Archdiocesan Corporate Board has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chancery Corporation classifies these net assets with donor restrictions in perpetuity at the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment with donor restrictions, and (c) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted in perpetuity is classified as net assets with donor restrictions by time and/or purpose until those amounts are appropriated for expenditure by the Chancery Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

As approved by the Corporate Board, a majority of the Chancery Corporation's endowment funds are held at CCF. Those funds are managed according to CCF's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital and the purchasing power of the endowment assets, while providing a predictable funding stream to support programs. Endowment assets held at CCF include those assets with donor restrictions that the Chancery Corporation must hold in perpetuity. Under these policies, these assets are invested by CCF in a manner to achieve a return over a rolling 10-year period which exceeds the rate of inflation by 5% to 7%, while outperforming a passive market index portfolio consisting of similar asset allocations over a rolling 5-year period.

The endowment funds held and managed by the Chancery Corporation are subject to similar policies as directed by the Chancery Corporation Corporate Board.

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters (Continued)

To satisfy its long-term rate-of-return objectives, the Chancery Corporation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chancery Corporation targets diversified asset allocations that seek to achieve its long-term return objectives within prudent risk constraints. CCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As approved by the Chancery Corporation Corporate Board, the endowment assets invested by CCF are managed according to CCF's investment and spending policies. The Chancery Corporation receives distributions from these endowments each year based on CCF's spending policies. CCF has a policy of appropriating for distribution each year a board-determined percentage of its endowment fund's average fair value over a designated measurement period. CCF's board-determined distribution percentage was 4% for 2019. In establishing this policy, CCF considered the long-term expected return on its endowment.

With respect to endowment funds held and managed by the Chancery Corporation, the board has an informal policy of appropriating for distribution sufficient funds to achieve program objectives while considering the long-term expected return on its investment assets, considering the nature and duration of the individual endowment funds, and the possible effects of inflation.

These spending policies are consistent with the Chancery Corporation's objective to maintain the purchasing power of endowment assets held in perpetuity, to provide a consistent and predictable funding stream to support the endowment purposes specified, as well as to provide additional growth through investment return.

Endowment Net Assets – Composition of Type of Fund

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds with Donor Restrictions	$ -	$ 1,078,809	$ 1,078,809
Total Endowment Funds	$ -	$ 1,078,809	$ 1,078,809

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year (Unaudited)	$ -	$ 1,078,567	$ 1,078,567
Investment Return:			
Investment Income, Net of Fees	-	7,795	7,795
Net Appreciation (Realized and Unrealized)	-	31,647	31,647
Total Investment Income	-	39,442	39,442
Appropriations of Funds	-	(39,200)	(39,200)
Endowment Net Assets, End of Year	$ -	$ 1,078,809	$ 1,078,809

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Chancery Corporation to retain as a fund of perpetual duration. In accordance, with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restriction. As of June 30, 2019 no endowments had deficiencies

NOTE 11 PENSION AND MEDICAL BENEFIT PLANS

Pension Plans

Effective January 31, 2011, the Pension Plan for Lay Employees (Lay Pension Plan) was frozen. Due to the frozen status of the plan, active plan participants are no longer earning benefits, are no longer accruing additional credited years of service, and pension benefits upon participant retirement will be based upon the participant’s credited years of service and salary history as of January 31, 2011. Participants in the plan who were not vested as of the freeze date will continue to earn vesting service after January 31, 2011, for each year in which they work in a full time capacity until these participants become fully vested by reaching five years of full time service. Employees who terminate with five or more years of credited service are generally entitled to annual pension benefits as defined by the Lay Employee Plan. Pension benefits are based primarily on years of service and final average earnings calculated as the average of the employee’s five highest earning years.

The Pension Plan for Priests (Priest Pension Plan) covers substantially all incardinated priests, or those beginning the process of incardination established by the Chancery Corporation or one of the participating employers. Priest retirement benefits are computed in accordance with the plan document, which can be changed by the trustees of the plan.

NOTE 11 PENSION AND MEDICAL BENEFIT PLANS (CONTINUED)

Pension benefits are calculated primarily based on age at the date of retirement through 65 and years of service, not to exceed 40. Active participants who become totally and permanently disabled receive disability benefits computed as though they had been employed to normal retirement age. The board of trustees has the discretionary authority to pay the cost of medical and dental insurance for participants who retire or become disabled.

The risks of participating in these multiple-employer plans are shared with the other employers participating in the plans. Because this is a multiple-employer plan, valuation information is not available specific to each individual or participating employer. The Chancery Corporation's contribution to the Lay Pension Plan is a fixed amount based on a percentage of qualified salaries and the contribution to the Priest Pension Plan are a fixed amount per priest established by the trustees of the Priest Pension Plan.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Loan Guarantees

Loan guarantees are typically given to enable Parishes and schools to finance property additions or refinance existing debt.

At June 30, 2019 the Chancery Corporation was contingently liable as guarantor for approximately $31,000,000 on 10 loans for 8 Catholic institutions operating within the boundaries of the Archdiocese. Of this, the Chancery Corporations guaranteed approximately $5,800,000 lent by a related financial institution. A single institution makes up 56% of the total guaranteed loan balances. Included in the total amount above are two guaranteed loans covered under a blanket indemnification from a certain organization, which covers a maximum of $1,000,000 between the two loans. Also included in this amount are guarantees in which the Chancery Corporation is liable under replenishment agreements. Those replenishment agreements have no stated length for covering the payment; therefore, the entire value of the loan is included. On July 23, 2019, a parish with three loans totaling $6,100,000, which the Chancery Corporation was a guarantor, refinanced with another financial institution. The Chancery Corporation is not a guarantor on the newly refinanced loans. As a result, the total amount guaranteed by the Chancery Corporation decreased to $24,900,000 subsequent to year end.

Although generally not specifically limited, the maximum potential amount of future payments (undiscounted) the Chancery Corporation could be required to make under these guarantees would be the outstanding amount plus stated interest. The Chancery Corporation would be required to perform under a guarantee only in the event of default, which is generally non-payment of installments when due. In certain cases the requirements of the guarantee call for the Chancery Corporation to continue making debt payments while others become due on demand. Management believes the fair value of such assets are in excess of any guaranteed amounts and that material payments will not be required under these guarantees.

Lease Guarantee

In 2017, the Chancery Corporation entered into a lease agreement for office space located at 777 Forest Street, Saint Paul, Minnesota known as the Catholic Center. As stipulated by the lease agreement, a revolving letter of credit was obtained by the Chancery Corporation effective June 4, 2019. The letter of credit has a maximum principal amount of $2,500,000

NOTE 12 CONTINGENCIES AND COMMITMENTS (CONTINUED)

and is utilized to provide a letter for credit to the property owner. Should dollars be drawn from this line of credit, a floating interest rate equal to one-half of one percent (0.50%) per annum below the Prime Rate of Interest would be applied. Payments would be due in monthly installments. There were no draws on the letter of credit as of June 30, 2019.

Cathedral of Saint Paul

In 2001, the Cathedral of Saint Paul Parish (the Parish) took out a loan for improvements to the Cathedral property that the Parish leases and which the Chancery Corporation owns. The Chancery Corporation approved the property to be mortgaged at that time. In August 2011, the Parish loan was refinanced to an interest only loan with principal due at maturity in August 2017.

In August 2016, the loan was refinanced, requiring accrued interest payments monthly by the Parish and interest and principal due at maturity in August 2021. The amount outstanding on this loan was $4,412,487 as of June 30, 2019.

The Archdiocese is not a guarantor of the loan. In the event of a default, the lender would have the right to foreclose on the property.

Asbestos Containing Materials

A survey of Chancery Corporation buildings was done in 2007 by an environmental consulting firm, which identified the presence of asbestos containing materials (ACM’s). Management's current obligation with respect to the presence of the ACMs is primarily that of monitoring and maintenance. If there is renovation or repair work necessary that disturbs the asbestos, then special removal techniques must be utilized.

Management has determined that an asset retirement obligation related to the presence of ACMs cannot be reasonably determined at this time because insufficient information is available in that both the method of retirement and the expected dates of such retirement cannot be estimated.

NOTE 13 LIQUIDITY DISCLOSURE

Liquidity Disclosure

As part of its liquidity management, the Chancery Corporation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. As of June 30, 2019, the Archdiocese had a cash balance of $5,422,915 for Cash Without Donor Restriction and Board Designated purposes. Of that amount, $1,000,000 was Board Designated for the cash payment due within one year related to the Note Payable – Bankruptcy Settlement. The remaining balance of $4,422,915 in addition to the contributions receivable of $212,263 is without donor restrictions and is available for general expenditures.

NOTE 14 SUBSEQUENT EVENTS

General Insurance Fund

Effective September 1, 1980, a trust was established for the benefit of the Archdiocese, all of the parishes, and certain other Catholic entities, commonly referred to as the "General Insurance Fund" (GIF). The GIF provides comprehensive and uniform insurance coverage for the participants. The coverage provided by the GIF includes commercial property, casualty, general liability and workers' compensation insurance. The GIF is maintained for the benefit of the participants who have contributed funds in exchange for obtaining insurance coverage. Effective July 1, 2019, the trust was renamed the "Archdiocese of St. Paul and Minneapolis Participants' Restated and Amended Irrevocable Trust" (Trust) and as a result, all assets and liabilities will be transferred to the new trustee of the Restated Trust. The transfer will result in a non-operating charge of $7,532,506 for the fiscal year ending June 30, 2020. The Trust assumed certain obligations of the Archdiocese under the Joint Chapter 11 Plan of Reorganization and all disputes related to the Trust were resolved and the funds then held in trust, not distributed as part of the Plan, are to continue to be held in trust to be used for the benefit of all such participating entities consistent with past practices.

There were no other subsequent events.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
SUPPLEMENTAL INFORMATION
JUNE 30, 2019 AND 2018

SUPPLEMENTAL INFORMATION

See Independent Auditors' Report on Supplementary Information.

Statements of Financial Position

The Statements of Financial Position are as follows as of June 30, 2019 (audited) and June 30, 2018 (unaudited):

	2019	2018 (unaudited)
ASSETS		
Cash - Without Donor Restriction & Board Designated	$ 5,422,915	$ 2,698,445
Cash - Restricted for Bankruptcy	-	23,475,000
Cash - With Donor Restriction	1,196,721	1,880,642
Contributions Receivable, Net of Allowances	212,263	535,156
Accounts Receivable, Net of Allowances	3,481,624	4,784,148
Loans Receivable	675,066	697,604
Investments With Donor Restrictions	1,123,737	1,143,414
Beneficial Interest in Perpetual Trusts	1,490,207	1,519,426
General Insurance Program Assets	12,881,854	10,773,364
Prepaid Expenses and Other Assets	185,006	315,003
Land, Property & Equipment	3,371,001	4,244,390
Total Assets	**$ 30,040,394**	**$ 52,066,592**
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities, Pre-Petition	$ -	$ 242,332
Accounts Payable and Accrued Liabilities, Post-Petition	1,810,479	1,577,658
Bankruptcy Settlement Liability	-	28,694,031
General Insurance - Claims Payable and Other Liabilities	5,349,348	4,836,053
Amounts Held for Others Under Agency Transactions	182,129	175,232
Parish Demand Deposits	-	495,028
Deferred Revenue	199,011	144,176
Lease Payable	50,171	65,469
Other Liabilities	212,733	175,000
Deferred Rent	165,762	176,963
Note Payable Bankruptcy Settlement	5,000,000	5,000,000
Total Liabilities	**12,969,633**	**41,581,942**
Net Assets		
Without Donor Restrictions - Undesignated	12,269,424	6,291,163
Without Donor Restrictions - Designated	1,000,000	-
With Donor Restrictions		
Restricted by Time and/or Purpose	2,073,980	2,436,912
Restricted in Perpetuity	1,727,357	1,756,575
Total Net Assets	**17,070,761**	**10,484,650**
Total Liabilities and Net Assets	**$ 30,040,394**	**$ 52,066,592**

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
SUPPLEMENTAL INFORMATION
JUNE 30, 2019 AND 2018

Statement of Activities

See Independent Auditors' Report on Supplementary Information.

	2019 (unaudited)	2018 (unaudited)
OPERATING ACTIVITIES:		
OPERATING REVENUE		
Contributions	$ 2,528,413	$ 2,727,981
Parish Assessments	14,599,007	14,561,156
Fees and Program Revenues	2,710,682	2,365,234
Investment Income, Net	107,900	291,356
Other Income	241,000	641,001
Operating Revenue	20,187,002	20,586,728
OPERATING EXPENSE		
Program Services		
Catholic Education	933,375	1,313,560
Central Services	4,876,621	5,109,558
Clergy Services	5,007,836	4,739,194
Communications	1,881,250	1,875,894
Community Services	83,261	75,050
Evangelization	317,139	267,180
Marriage, Family and Life	958,789	856,950
Parish Service and Outreach	1,835,614	1,517,428
Latino Ministries	495,503	475,989
Total Program Services	16,389,388	16,230,803
Support Services		
General and Administrative	2,648,180	2,905,425
Developmnent and Stewardship	255,386	468,100
Total Support Services	2,903,566	3,373,525
Total Operating Expense before Special Issues Expense	19,292,954	19,604,328
Change in Net Assets from Operations before Special Issue Expense	894,048	982,400
Special Issues Expense	(801,123)	20,991,488
Change in Net Assets from Operations	1,695,171	(20,009,088)
NON-OPERATING ACTIVITY		
Gain on Sale of Assets	3,395,470	
General Insurance Program Revenue	10,101,680	9,479,187
General Insurance Program Expense	(8,506,485)	(6,720,347)
Priest Benefits Revenue	3,056,286	3,101,557
Priest Benefits Expense	(3,156,011)	(2,614,366)
Change in Net Assets from Non-Operating Activities	4,890,940	3,246,031
CHANGES IN NET ASSETS	$ 6,586,111	$ (16,763,057)

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
SUPPLEMENTAL INFORMATION
JUNE 30, 2019 AND 2018

Functional Expense (Unaudited)

See Independent Auditors' Report on Supplementary Information.

Functional Expense is as follows as of June 30, 2019 (unaudited).

	ADSM Program Services	Management and General	Fundraising	Total
Salaries and Benefits	$8,776,860	$2,906,772	$167,084	$11,850,716
Grants and Allocations	193,813		11,960	205,773
Professional Services	1,140,782	575,278	4,836	1,720,896
Supplies and Equipment	1,509,604	643,117	22,345	2,175,066
Travel and Meetings	501,624	39,736	1,452	542,812
Other and Occupancy	1,845,899	573,640	9,568	2,429,107
Depreication	241,856	115,652	11,075	368,584
Total	**14,210,438**	**4,854,195**	**228,320**	**19,292,954**