The National Office of the Pontifical Mission Societies in the United States

Combined Financial Statements

December 31, 2021 and 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

To the Audit Committee of
The National Office of the Pontifical Mission Societies in the United States

Opinion

We have audited the accompanying combined financial statements of The Society for the Propagation of the Faith, The Society of St. Peter Apostle for Native Clergy, Inc. and the Association of the Holy Childhood, Inc. (collectively "The National Office of the Pontifical Mission Societies in the United States" or the "Organization"), which comprise the combined statement of financial position as of December 31, 2021, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organization as of December 31, 2021, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The combined financial statements of the Organization as of December 31, 2020 were audited by other auditors whose reported dated April 10, 2021 expressed an unmodified opinion on the statements.

Responsibilities of Management for the Combined Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing our audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and access the risk of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

PKF O'Connor Davies, LLP

June 15, 2022

The National Office of the Pontifical Mission Societies in the United States

Combined Statement of Financial Position

	December 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 4,981,339	$ 13,232,993
Investments, at fair value	74,121,858	89,501,022
Due from diocesan offices, net	17,730,097	15,655,121
Accrued interest receivable	42,228	39,091
Legacies, bequests and other receivables, net	634,372	4,009,832
Property and equipment, net of accumulated depreciation	8,695,765	9,073,614
Beneficial interests in trusts	12,755,826	10,989,034
Other assets	53,405	55,997
	$ 119,014,890	$ 142,556,704
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,204,760	$ 1,248,999
Due to the Superior Council	24,022,288	40,448,106
Unsaid mass obligations	758,525	519,220
Refundable advances, including revocable gifts	12,990,529	11,106,917
Distributions due to annuitants and beneficiaries	7,538	7,693
Present value of annuity obligations	10,992,501	11,682,711
Obligations under various other split interest agreements	4,735,408	4,167,582
State mandated annuity reserve	1,648,875	1,752,407
Assets held for others	701,146	704,903
Total Liabilities	57,061,570	71,638,538
Net Assets		
Without donor restrictions		
Operating	15,955,763	15,597,163
Board designated fund	23,514,878	31,065,276
Board designated insurance reserve	1,264,138	1,343,905
Total Without Donor Restrictions	40,734,779	48,006,344
With donor restrictions	21,218,541	22,911,822
Total Net Assets	61,953,320	70,918,166
	$ 119,014,890	$ 142,556,704

See notes to combined financial statements

The National Office of the Pontifical Mission Societies
in the United States

Combined Statement of Activities
Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
General offerings and collections	$ 24,075,185	$ 30,106	$ 24,105,291
Legacies and bequests	3,959,070	-	3,959,070
Solidarity funds	-	27,312	27,312
Dividends and interest income	2,153,307	-	2,153,307
Unrealized gains on securities	5,611,779	-	5,611,779
Realized gains on sale of securities	1,060,326	-	1,060,326
Realized loss on MISIF LLC	(10,220,188)	-	(10,220,188)
Annuity contracts, net of actuarial gains and losses	3,379,108	-	3,379,108
Valuation adjustments in refundable advances, including revocable gifts	(2,888,523)	-	(2,888,523)
Valuation adjustments in beneficial interests in trusts	-	1,766,792	1,766,792
Other income	33,733	-	33,733
Net assets released from restrictions	3,517,491	(3,517,491)	-
Total Revenue, Gains, and Other Support	30,681,288	(1,693,281)	28,988,007
EXPENSES			
Program Services			
Subsidy distributions	23,837,258	-	23,837,258
Program related initiatives	7,981,499	-	7,981,499
Total Program Services	31,818,757	-	31,818,757
Supporting Services			
Management and general	2,556,643	-	2,556,643
Fundraising	1,458,991	-	1,458,991
Total Supporting Services	4,015,634	-	4,015,634
Total Expenses	35,834,391	-	35,834,391
Change in Net Assets Before Other Changes	(5,153,103)	(1,693,281)	(6,846,384)
OTHER CHANGES			
Payments to annuitants and income beneficiaries	2,118,462	-	2,118,462
Change in Net Assets	(7,271,565)	(1,693,281)	(8,964,846)
NET ASSETS			
Beginning of year	48,006,344	22,911,822	70,918,166
End of year	$ 40,734,779	$ 21,218,541	$ 61,953,320

See notes to combined financial statements

The National Office of the Pontifical Mission Societies in the United States

Combined Statement of Activities
Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
General offerings and collections	$ 23,062,949	$ 3,910	$ 23,066,859
Legacies and bequests	3,375,826	-	3,375,826
Solidarity funds	-	82,903	82,903
Dividends and interest income	1,881,591	-	1,881,591
Unrealized gains on securities	3,509,565	-	3,509,565
Realized gains on sale of securities	2,438,305	-	2,438,305
Annuity contracts, net of actuarial gains and losses	1,307,743	-	1,307,743
Valuation adjustments in refundable advances, including revocable gifts	(1,666,240)	-	(1,666,240)
Valuation adjustments in beneficial interests in trusts	-	393,015	393,015
Other income	145,665	-	145,665
Net assets released from restrictions	330,880	(330,880)	-
Total Revenue, Gains, and Other Support	34,386,284	148,948	34,535,232
EXPENSES			
Program Services			
Subsidy distributions	23,973,000	-	23,973,000
Program related initiatives	4,030,208	-	4,030,208
Total Program Services	28,003,208	-	28,003,208
Supporting Services			
Management and general	1,726,226	-	1,726,226
Fundraising	1,567,262	-	1,567,262
Total Supporting Services	3,293,488	-	3,293,488
Total Expenses	31,296,696	-	31,296,696
Change in Net Assets Before Other Changes	3,089,588	148,948	3,238,536
OTHER CHANGES			
Payments to annuitants and income beneficiaries	2,245,335	-	2,245,335
Change in Net Assets	844,253	148,948	993,201
NET ASSETS			
Beginning of year	47,162,091	22,762,874	69,924,965
End of year	$ 48,006,344	$ 22,911,822	$ 70,918,166

See notes to combined financial statements

The National Office of the Pontifical Mission Societies
in the United States

Combined Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services			
	Subsidy Distributions	Program Related Initiatives	Total	Management and General	Fundraising	Total	Total Expenses
Subsidy distributions to the Superior Council	$ 23,837,258	$ -	$ 23,837,258	$ -	$ -	$ -	$ 23,837,258
Missio.org and program-related initiative grants	-	1,490,929	1,490,929	-	-	-	1,490,929
Missio corp support	-	4,788,186	4,788,186	-	-	-	4,788,186
Appeals, world mission sunday, and education	-	709,859	709,859	322,140	660,975	983,115	1,692,974
Salaries	-	313,597	313,597	1,039,797	273,259	1,313,056	1,626,653
Marketing and advertising	-	-	-	-	210,789	210,789	210,789
Bad debt expense	-	318,611	318,611	-	-	-	318,611
Employee benefits and taxes	-	137,207	137,207	454,938	119,558	574,496	711,703
Occupancy and information technology	-	148,782	148,782	493,319	129,644	622,963	771,745
Depreciation and amortization expense	-	74,328	74,328	246,449	64,766	311,215	385,543
Total Functional Expenses	$ 23,837,258	$ 7,981,499	$ 31,818,757	$ 2,556,643	$ 1,458,991	$ 4,015,634	$ 35,834,391

See notes to combined financial statements

The National Office of the Pontifical Mission Societies
in the United States

Combined Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services			Supporting Services			
	Subsidy Distributions	Program Related Initiatives	Total	Management and General	Fundraising	Total	Total Expenses
Subsidy distributions to the Superior Council	$ 23,973,000	$ -	$ 23,973,000	$ -	$ -	$ -	$ 23,973,000
Missio.org and program-related initiative grants	-	973,009	973,009	-	-	-	973,009
Missio corp support	-	1,250,000	1,250,000	-	-	-	1,250,000
Appeals, world mission sunday, and education	-	740,638	740,638	203,393	130,709	334,102	1,074,740
Salaries	-	403,012	403,012	725,422	483,613	1,209,035	1,612,047
Marketing and advertising	-	-	-	-	421,333	421,333	421,333
Bad debt expense	-	220,545	220,545	-	-	-	220,545
Employee benefits and taxes	-	159,500	159,500	287,101	191,401	478,502	638,002
Occupancy and information technology	-	186,185	186,185	335,133	223,422	558,555	744,740
Depreciation and amortization expense	-	97,319	97,319	175,177	116,784	291,961	389,280
Total Functional Expenses	$ 23,973,000	$ 4,030,208	$ 28,003,208	$ 1,726,226	$ 1,567,262	$ 3,293,488	$ 31,296,696

See notes to combined financial statements

The National Office of the Pontifical Mission Societies in the United States

Combined Statement of Cash Flows

	Year Ended December 31, 2021	Year Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	$ (8,964,846)	$ 993,201
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation and amortization	385,543	389,280
Unrealized appreciation in market values of securities	(5,611,779)	(3,509,565)
Realized gain on the sales of securities	(1,060,326)	(2,438,305)
Realized loss on MISIF LLC	10,220,188	-
Bad debt expense	318,611	220,545
Gain in present value of charitable gift annuities	(793,742)	(700,549)
Valuation adjustments in beneficial interests in trusts	(1,766,792)	(393,015)
Contributions to donor restricted endowment funds	10,650	-
Changes in operating assets and liabilities		
Due from diocesan offices	(2,074,976)	5,791,046
Accrued interest receivable	(3,137)	17,927
Legacies, bequests and other receivables	3,375,460	2,956,948
Other assets	2,592	1,883
Accounts payable and accrued expenses	(44,239)	(91,529)
Due to the Superior Council	(16,425,818)	(9,816,344)
Unsaid mass obligations	239,305	75,049
Refundable advances, including revocable gifts	1,883,612	934,957
Distributions due to annuitants and benefeciareis	(155)	(2,097)
Obligations under various other split interest agreements	567,826	432,387
State mandated annuity reserve	(103,532)	(91,375)
Assets held for others	(3,757)	1,658
Net Cash Used in Operating Activities	(19,849,312)	(5,227,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,694)	-
Sales of investments	35,535,688	48,621,034
Purchase of investments	(23,930,336)	(36,142,098)
Net Cash Provided by Investing Activities	11,597,658	12,478,936
Net Change in Cash and Cash Equivalents	(8,251,654)	7,251,038
CASH AND CASH EQUIVALENTS		
Beginning of year	13,232,993	5,981,955
End of year	$ 4,981,339	$ 13,232,993

See notes to combined financial statements

1. Organization and Tax Status

The National Office of The Society for the Propagation of the Faith, The Society of St. Peter Apostle for Native Clergy, Inc. and the Association of the Holy Childhood, Inc. (collectively The National Office of the Pontifical Mission Societies in the United States or the "Organization"), is the principal agency of the Roman Catholic Church (the "Church") that fosters awareness and interest in all aspects of the missionary activity of the Church, and gathers financial support for the most basic needs of the worldwide missionary Apostolate of the Church.

In accordance with Organization policies, The National Office of The Society for the Propagation of the Faith in the United States ("SPOF") makes available to The Society for the Propagation of the Faith in Vatican City the excess for that year of general fund unrestricted public support and revenue, over administrative, program, and fundraising expenses, and inter-fund transfers and adjusted for any board designated funds. This distribution is approved by the Board of Directors. Funds available for distribution are distributed in the following year to assist the worldwide Missionary Apostolate of the Church, providing support for the evangelizing and pastoral programs, and the service and structure of the Church consisting of over 1,100 mission dioceses.

Similarly, at the end of each year and in accordance with the International Statutes, The Society of St. Peter Apostle for Native Clergy, Inc. makes available to The Society of St. Peter Apostle in Vatican City the excess for that year of unrestricted public support and revenue over administrative, program, and fundraising expenses and adjusted for any Board designated funds. This distribution, which is made with the approval of the Board of Directors, is used to support the training of native clergy in the mission dioceses of the Church and for the formation of men and women candidates to religious life.

The Association of the Holy Childhood, Inc., also known as the Missionary Childhood Association ("MCA") conducts animation and fundraising programs in Catholic schools and religious education programs throughout the United States. The excess of unrestricted public support and revenue over administrative, program and fundraising expenses are distributed in the following year to assist mission dioceses in their outreach and service to children in the mission dioceses, including in education, and Christian and missionary formation. This distribution is made with the approval of the Board of Directors.

The Organization was incorporated in the State of New York and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code by virtue of its inclusion in the Official Catholic Directory under the group ruling letter issued annually by the Internal Revenue Service to the United Stated Conference of Catholic Bishops.

2. Summary of Significant Accounting Policies

Principles of Combination

All significant intercompany transactions have been eliminated in combination. The public support and revenue of the Organization includes the net collected (defined as public support and revenue less expenses) from local Archdiocesan and Diocesan Mission offices throughout the United States. The financial statements of the entities have been combined as the entities are the principal agency of the Church in funding missionary activity in the United States of America and the entities share a common Board of Directors.

Basis of Presentation and Use of Estimates

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less at time of purchase.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for each class of receivables where there exists doubt as to whether an amount will be fully collected. The determination of these allowances is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Due from diocesan offices are reflected in the combined statement of financial position net of an allowance for doubtful accounts of $239,931 as of December 31, 2021. No allowance was deemed necessary for the balance as of December 31, 2020. Legacies, bequests and other receivables are reflected in the combined statement of financial position net of an allowance for doubtful accounts of $401,106 and $303,040 as of December 31, 2021 and December 31, 2020.

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

The Organization follows U.S. GAAP guidance on “Fair Value Measurements” which establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest level of reliance and are related to assets with unadjusted quoted prices in active markets and excludes listed equities and other securities held indirectly through comingled funds. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair values by input levels of the Organization’s investments are included in Note 8 to the combined financial statements.

The Organization follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient.

The Organization holds alternative investments (see Note 8) which are valued on a monthly or quarterly basis using the NAV for the fund which is calculated by a third party. The fair value of alternative investments has been estimated using NAV as reported by the management of the respective alternative investment funds. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. The NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Organization’s interest.

The Organization holds beneficial interests in temporary and irrevocable trusts which are administered by third parties. The amounts are based on Level 3 inputs. The following is a description of valuation methodologies used for these beneficial interests.

- Valued at the fair value of the underlying trust investments determined by the closing price reported in the active or observable market in which the individual market securities that are held within the trust are traded, as reported to the Organization by the third-party trustees.
- Valued based upon the present value of future distributions to be received using current cash flows and an assumed rate of return on the underlying assets of 3.75%.
- Valued based on the present value of forecasted lease payments per the underlying lease.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could results in a different fair value measurement at the reporting date.

2. Summary of Significant Accounting Policies *(continued)*

Investments

Investments in publicly traded debt and equity securities are recorded at fair value, determined on the basis of quoted market values. Investments in alternative investments that are not readily marketable are carried at an estimation of fair value as determined by the respective investment manager. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost and are recorded in the combined statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investment Policy

The overall investment policy of the Organization with respect to investments is to make prudent investments that are designed to emphasize total return and seek investments which: 1) follow the United States Conference of Catholic Bishops (USCCB) guidance as well as 2) support and/or recognize the importance of environmental, social and governance factors. Investment discretion is delegated to the investment managers retained by the Organization who abide by the investment policy, objectives and directives which have been approved by the Organization's Investment Committee.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of the Organization’s operations. Net assets without donor restrictions may be used at the discretion of the Organization’s management and Board of Directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Organization to maintain in perpetuity, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “with donor restrictions” or “without donor restrictions” net asset classes based upon stipulations by the donors.

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment are recorded at cost. Depreciation of furniture and equipment is recorded on a straight-line basis over 3 to 10 years. Depreciation of building improvements is recorded on a straight-line basis over 10 to 40 years. Depreciation of building is recorded on a straight-line basis over 40 years. Expenditures over $3,000 with an estimated useful life of more than 3 years are capitalized to the asset accounts.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. There were no impairment losses on long-lived assets for the years ended December 31, 2021 and 2020.

Amounts Due from and Advances Received from Diocesan Offices

The Organization's policy is to reflect income and a corresponding receivable for amounts collected and due from diocesan offices at their expected net realizable value. The net amount due from diocesan offices recognized in these combined financial statements is expected to be collected by the Organization. Due from diocesan offices are reflected in the combined statement of financial position net of an allowance for doubtful accounts of $239,931 as of December 31, 2021. No allowance was deemed necessary for the balance as of December 31, 2020. Amounts remitted by dioceses to the Organization are considered an obligation of the Organization in the period of remittance.

Split Interest Agreements

The Organization is a party to certain split-interest agreements. The split-interest agreements include annuity funds, pooled income funds, and trust funds. The assets resulting from split-interest agreements are recorded at fair value. Obligations arising from split-interest agreements are recorded as liabilities and are estimated based upon the present value of future cash flows.

Outstanding Legacies and Bequests

The Organization has been named as a beneficiary under various wills and other agreements where the total realizable amount is not presently determinable. The Organization's share is not recorded until the Organization has an irrevocable right to the gift and the proceeds are measurable. As such, there is no provision for uncollectible legacies receivable once the amounts have been recognized as a receivable.

Assets Held for Others

The Organization also receives amounts to be held under various safekeeping and other type arrangements. Such inflows of resources are recorded as assets by the Organization at fair value, with a corresponding liability of equal value. Certain of these assets may give rise to future revenues of the Organization.

2. Summary of Significant Accounting Policies *(continued)*

Annuity Funds

The assets received under charitable gift annuity agreement contracts are held as general assets of the Organization and the related annuity liability is a general obligation of the Organization. The present value of the liability to annuitants is determined by using certain interest assumptions and applicable mortality tables.

The records of the annuity fund are maintained in conformity with the regulations prescribed by the New York State Department of Financial Services. Such regulations provide that:

(a) Net assets must be Board restricted to the extent of 10% of the net present value of annuities. An additional statutory cushion to this reserve of 15% is also required.

(b) Investments in bonds are to be reported to the New York State Department of Financial Services at cost; with no subsequent increases and declines in fair value recognized. However, for financial reporting purposes, increases or declines in the fair value of bonds are recognized and included within unrealized appreciation (depreciation) in the fair value of investments.

A reconciliation of the ending balances of the present value of annuity obligations included on the combined statement of financial position is as follows for the years ended December 31:

	2021	2020
Present value of annuity obligations, beginning of year	$ 11,682,711	$ 12,291,884
New annuity contracts	2,585,366	607,195
Matured annuity contracts	(873,478)	(1,275,540)
(Gain) loss in net present value of annuities	(2,402,098)	59,172
Present value of annuity obligations, end of year	$ 10,992,501	$ 11,682,711

Annuity contracts, net of actuarial gains and losses are as follows for the years ended at December 31:

	2021	2020
Matured annuity contracts released	$ 873,478	$ 1,275,540
Gain in net present value of annuities	2,505,630	32,203
Annuity contracts, net of actuarial gains and losses	$ 3,379,108	$ 1,307,743

2. Summary of Significant Accounting Policies *(continued)*

Annuity Funds (continued)

The difference between the gain in net present value of annuities include in the combined statement of activities and the (gain) loss in net present value of annuities included within the present value of annuity obligations on the combined statement of financial position is due to adjustments in the state mandated annuity reserves each year. The change in state mandated annuity reserves was $103,532 and $91,375 for the years ending December 31, 2021 and 2020, respectively.

Pooled Income Funds

The Organization maintains a Pooled Income Fund (the "Fund") for the management and investment of irrevocable remainder interests in property contributed to the Organization by donors retaining, or creating, life interests for one or more named beneficiaries living at the time of the transfer. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the Fund. Until a donor's death, the donor (or the donor's designated beneficiary or beneficiaries) is paid, the actual income (as defined under the arrangement) earned on the donor's assigned units. Upon the donor's death, the value of these assigned units reverts to the Organization.

The Organization has received a private letter ruling from the Internal Revenue Service stating that the Fund meets the definition of a "pooled income fund" under Section 642(c)(5) of the Internal Revenue Code of 1954. Accordingly, all transfers to the Fund qualify for deductibility of federal income, estate and gift tax purposes.

Trust Funds

The Organization is a party to certain split-interest agreements involving both revocable and irrevocable trusts. Revocable agreements have been treated as refundable advances, a liability, in the accompanying combined statement of financial position because the donor may revoke all, or part, of the trust prior to the death of the donor.

Liabilities applicable to irrevocable split-interest agreements are measured at the present value of the estimated future payments to income beneficiaries using a discount rate of 5% to 7% and applicable mortality tables. On an annual basis, the Organization revalues the liability based on changes in life expectancy and other actuarial assumptions.

Upon the termination of the irrevocable trust funds, the Organization acquires full right to the net assets, which are then reclassified from a net asset with donor restrictions to a net asset without donor restrictions in the accompanying combined financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization would be subject to Unrelated Business Income Tax ("UBIT") on the net income derived from unrelated business activities had it engaged in such activities. The Organization is no longer subject to examination by the applicable taxing jurisdictions for periods prior to the year ending December 31, 2018.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the combined statement of activities. Specific expenses that are readily identifiable to a single program or activity are charged to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in a reasonable ratio by management. These expenses include salaries, employee benefits and taxes, occupancy and information technology, and depreciation and amortization expense, which are allocated based on estimates of time and effort along with space utilized for related activities allocated based on square footage.

Advertising

Advertising is expensed as it is incurred.

Reclassifications

Certain accounts in the December 31, 2020 combined financial statements have been reclassified to conform to the December 31, 2021 combined financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through the date that the combined financial statements were available to be issued, which date is June 15, 2022.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables along with certain investments. The Organization places its cash and cash equivalents along with its investments at high credit quality financial institutions. A significant portion of such cash and cash equivalents along with investments is not insured by the Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC"). Management believes there is a very low risk of loss due to the failure of these institutions.

3. Concentration of Credit Risk *(continued)*

Concentrations of credit risk with respect to amounts due from Diocesan offices and other receivables are generally diversified due to the large number of individual diocesan offices composing the underlying population.

The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees, errors and omissions; natural disasters, etc. The Organization is covered by the Protected Insurance Plan (the "Plan") of the Archdiocese of New York. The Plan provides for uniform property and blanket liability coverage on all premises and their contents, workers' compensation for all lay employees and directors' liability coverage. The Plan is administered by an independent insurance agent, and is covered by an umbrella policy.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31:

	2021	2020
Cash in bank	$ 4,980,839	$ 13,232,493
Petty cash	500	500
	$ 4,981,339	$ 13,232,993

5. Property and Equipment

Property and equipment, net, consist of the following at December 31:

	2021	2020
Building and improvements	$ 13,367,142	$ 13,367,142
Furniture and fixtures	7,694	27,745
	13,374,836	13,394,887
Less accumulated depreciation	(4,679,071)	(4,321,273)
	$ 8,695,765	$ 9,073,614

During the years ending December 31, 2021 and 2020, the Organization disposed of fully depreciated furniture and fixtures of $27,745 and $36,055, respectively.

6. Retirement Plan – Defined Contribution Plan

The Organization sponsors a defined contribution plan (the "Plan") covering employees with more than one year of service. The Plan matches employee contributions up to 50% of the first 3% of employee contribution. The Plan provides for a 4% discretionary employer contribution. Costs recognized during the years ended December 31, 2021 and 2020 related to defined contribution plans approximated $75,000 and $78,000, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of time restricted net assets related to beneficial interests, pooled income and irrevocable trust funds. A reconciliation of net assets with donor restricted activities for the year ended and balances as of December 31, 2021 are detailed as follows:

	Purpose Restricted		Time Restricted		
	Solidarity Funds	Mater Ecclesiae Funds	Beneficial Interest	Donor Funds	Total
Balance - January 1, 2021	$ 487,842	$ 2,797,935	$ 10,989,034	$ 8,637,011	$ 22,911,822
Additional gifts received during year	27,312	8,350	-	21,756	57,418
Valuation adjustments for the year	-		1,766,792	-	1,766,792
Assets released to meet time or purposes during the year	(69,768)	(2,680,895)	-	(766,828)	(3,517,491)
Balance - December 31, 2021	$ 445,386	$ 125,390	$ 12,755,826	$ 7,891,939	$ 21,218,541

A reconciliation of net assets with donor restricted activities for the year ended and balances as of December 31, 2020 are detailed as follows:

	Purpose Restricted		Time Restricted		
	Solidarity Funds	Mater Ecclesiae Funds	Beneficial Interest	Donor Funds	Total
Balance - January 1, 2020	$ 434,939	$ 2,794,025	$ 10,596,019	$ 8,937,891	$ 22,762,874
Additional gifts received during year	82,903	3,910	-		86,813
Valuation adjustments for year	-	-	393,015	-	393,015
Assets released to meet time or purposes during the year	(30,000)	-	-	(300,880)	(330,880)
Balance - December 31, 2020	$ 487,842	$ 2,797,935	$ 10,989,034	$ 8,637,011	$ 22,911,822

8. Investments

As of December 31, 2021 and 2020, the Organization’s investments at fair value were comprised of the following:

	2021		2020	
Money market funds	$ 2,506,346	3%	$ 5,342,112	6%
Common and preferred stock	16,441,202	22%	14,118,206	16%
State and local municipality bonds	860,188	1%	717,944	1%
United States government and federal agencies' securities	2,804,238	4%	2,199,662	2%
Corporate bonds	3,931,908	5%	3,281,243	4%
Mutual funds	40,336,506	55%	46,484,681	52%
Alternative investments	7,241,470	10%	17,357,174	19%
	$ 74,121,858	100%	$ 89,501,022	100%

8. Investments *(continued)*

A breakout of the investments by category is as follows for the year ended December 31:

	2021	2020
General fund	$ 9,721,808	$ 22,872,976
MCA	2,423,171	3,024,518
Quasi-endowment fund	14,448,935	19,418,632
Annuity fund	20,303,580	18,509,436
Trust fund	24,763,250	23,051,729
Pooled income fund	2,461,114	2,623,731
	$ 74,121,858	$ 89,501,022

The following summarized the inputs used to measure the fair value of investments at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,506,346	$ -	$ -	$ 2,506,346
Common and preferred stock	16,441,202	-	-	16,441,202
State and local municipality bonds	860,188	-	-	860,188
United States government and federal agencies' securities	2,804,238	-	-	2,804,238
Corporate bonds	3,931,908	-	-	3,931,908
Mutual funds	40,336,506	-	-	40,336,506
MISIF LLC *	-	-	-	-
Alternative investments **	-	-	-	7,241,470
Investments Subtotal	66,880,388	-	-	74,121,858
Other Assets				
Beneficial interests in temporary and perpetual trusts	-	-	12,755,826	12,755,826
	$ 66,880,388	$ -	$ 12,755,826	$ 86,877,684

* The funds are illiquid in an investment of MISIF LLC with liquidation being at the discretion of Missio Corp (the "Fund Manager"). The Organization had requested a full liquidation of the investment in a letter to the Fund Manager with a response received denying the request. Management of the Organization is diligently working to redeem the investment, however there is no timeline and no guarantee of investment return. Management has determined this investment has incurred a loss other than a temporary impairment and accordingly has written the cost down to zero and recorded a realized loss of $10,220,188 which is reflected in the 2021 combined statement of activities. As such, the investment was transferred from NAV to a Level 3 investment during 2021. The Organization's policy is to report transfers at the end of the reporting period.

8. Investments *(continued)*

The following summarized the inputs used to measure the fair value of investments at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,342,112	$ -	$ -	$ 5,342,112
Common and preferred stock	14,118,206	-	-	14,118,206
State and local municipality bonds	717,944	-	-	717,944
United States government and federal agencies' securities	2,199,662	-	-	2,199,662
Corporate bonds	3,281,243	-	-	3,281,243
Mutual funds	46,484,681	-	-	46,484,681
Alternative investments **	-	-	-	17,357,174
Investments Subtotal	72,143,848	-	-	89,501,022
Other Assets				
Beneficial interests in temporary and perpetual trusts	-	-	10,989,034	10,989,034
	$ 72,143,848	$ -	$ 10,989,034	$ 100,490,056

During the year ended December 31, 2020 there were no transfers in or out of Levels 1, 2, or 3 of the fair value hierarchy.

** As discussed in Note 2, alternative investments are valued at NAV and are not included in the fair value hierarchy. Amounts in the total column are presented to permit a reconciliation to the combined statement of financial position.

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial conditions and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

8. Investments *(continued)*

Information regarding investments valued at NAV at December 31, 2021 is as follows:

Investment Funds	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Real Estate Investments (a)				
American Core Realty Fund, LP	$ 2,591,086	-	Quarterly	60 days in advance
MP Securitized Credit Fund, Ltd.	124,154	-	N/A *	N/A
International Real Estate Investments (b)				
Pine River Fund Ltd.	36,308	-	N/A *	N/A
Exchange Traded Equity Investments (c)				
Millenium International Ltd	2,402,607	-	Quarterly	60 days in advance
Exchange Traded Fixed Income Investments (d)				
State Street Fixed Income Fund for Charitable Trusts	2,087,315	-	Monthly	Immediately- processed at end of the current month
	$ 7,241,470	$ -		

* The investments are currently in the liquidation process with an expectation to fully liquidate in 2022.

a. This category includes one hedge fund and one open-ended fund. The open-ended fund invests broadly in United States based commercial, industrial, and residential multi-family real estate. The hedge fund invests in commercial mortgage-backed securities associated with real estate in the United States.
b. This category includes one hedge fund which invests in infrastructure projects located in Central America.
c. This category includes one hedge fund that invest primarily in equity securities with some fixed income and commodity activity.
d. This category includes one common trust fund investing both in fixed income securities of large corporate organizations in addition to fixed income securities issued by various agencies of the United States government. Distributions are received upon liquidation of the underlying assets in the fund.

The Organization's investments had total returns for the years ended December 31, 2021 and December 31, 2020 of $(1,394,776) and $7,829,461, respectively. These returns are calculated as follows:

	2021	2020
Net realized gain on sale of investments	$ 1,060,326	$ 2,438,305
Net realized loss on MISIF LLC	(10,220,188)	-
Net unrealized appreciation in value	5,611,779	3,509,565
Net appreciation (depreciation) in fair value of investments	(3,548,083)	5,947,870
Dividends and interest income from investments	2,153,307	1,881,591
Total Return on Investments	$ (1,394,776)	$ 7,829,461

9. Endowments

Interpretation of Relevant Law

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") requires the preservation 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, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the endowment fund that are perpetual in nature, (b) the original value of subsequent gifts to the endowment fund that are perpetual in nature and (c) accumulations of investment returns to the endowment fund that are perpetual in nature 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 perpetual in nature is classified as temporarily in nature until those amounts are appropriated for expenditure by those charged with governance in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Investment Policy

The Organization's investments are overseen by an investment committee that charges selected investment managers with the task of making investments for the interest and purpose of providing investment returns for the investments. The assets must be invested with the care, skills, and diligence that a prudent person acting in this capacity would undertake.

The Organization's spending policy is based on a total return approach utilizing both income and capital appreciation to be withdrawn for spending. The maximum allowable expenditure in a year shall be no more than 5-7% payout of the rolling five year average

market value of its investments, determined quarterly. Carryover of unspent distributions and special payments in excess of the annual spending policy are allowable expenditures only with special approval of those charged with governance.

The Organization's endowments consisted of the following at December 31:

	2021	2020
Board Designated Funds		
Quasi endowment	$ 23,514,878	$ 31,065,276
Donor-restricted endowment funds	1,847,805	1,837,155
	$ 25,362,683	$ 32,902,431

9. Endowments *(continued)*

Investment Policy (continued)

The following table summarizes changes in the endowment funds for the year ended December 31, 2021:

	Total	Quasi-Endowment	Donor-Restricted
Endowment net assets, beginning of the year	$ 32,902,431	$ 31,065,276	$ 1,837,155
Endowment contributions	10,650	-	10,650
Investment income	455,317	455,317	-
Realized gains on sale of securities	275,008	275,008	-
Unrealized gains on investments	1,251,082	1,251,082	-
Realized loss on MISIF LLC	(7,500,000)	(7,500,000)	-
Appropriation for Missio Corp support	(1,487,758)	(1,487,758)	-
Endowment assets appropriated for expenditure	(544,047)	(544,047)	-
Endowment net assets, end of year	$ 25,362,683	$ 23,514,878	$ 1,847,805

The following table summarizes changes in the endowment funds for the year ended December 31, 2020:

	Total	Quasi-Endowment	Donor-Restricted
Endowment net assets, beginning of the year	$ 31,169,268	$ 29,332,113	$ 1,837,155
Investment income	349,720	349,720	-
Realized gains on sale of securities	647,108	647,108	-
Unrealized gains on investments	1,177,347	1,177,347	-
Endowment assets appropriated for expenditure	(441,012)	(441,012)	-
Endowment net assets, end of year	$ 32,902,431	$ 31,065,276	$ 1,837,155

During 2011, MCA entered into an agreement with SPOF to rent office space in its office for a period of 40 years with the total rent amount over the term amounting to $1,000,000. The deferred rent balance is being amortized over 40 years per the terms of the agreement.

10. Unsaid Mass Obligations

The Organization had the following unsaid mass obligations as of December 31:

	2021	2020
Mass intentions	$ 429,712	$ 193,467
Gregorian masses	328,813	325,753
	$ 758,525	$ 519,220

11. Liquidity and Availability of Financial Assets

The Organization's financial assets reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions, are composed of the following at December 31:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	$ 4,981,339	$ 13,232,993
Investments, at fair value	74,121,858	89,501,022
Due from diocesan offices, net	17,730,097	15,655,121
Accrued interest receivable	42,228	39,091
Legacies, bequests and other receivables, net	634,372	4,009,832
Beneficial interests in trusts	12,755,826	10,989,034
Total Financial Assets	110,265,720	133,427,093
Less amounts not available to be used within one year:		
Loan portfolio contribution into MISIF LLC	-	(2,720,187)
Long term legacies, bequests, and other receivables	(90,365)	-
Refundable advances, including revocable gifts	(12,990,529)	(11,106,917)
Obligations under various other split interest agreements	(4,735,408)	(4,167,582)
Net assets with purpose restrictions	(21,218,541)	(22,911,822)
Present value of annuity obligations	(10,992,501)	(11,682,711)
State mandated annuity reserve	(1,648,875)	(1,752,407)
Assets held for others	(701,146)	(704,903)
Board designated funds	(23,514,878)	(31,065,276)
Total amounts not available to be used within one year	(75,892,243)	(86,111,805)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 34,373,477	$ 47,315,288

As part of the Organization's strategy, management structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Organization's liquidity management strategy, the Organization seeks to maintain adequate liquidity to meet its obligations, including planned expenditures as approved by those charged with governance.

Throughout the year, the Organization receives significant contributions from donors that are utilized to fund the ongoing programs that are central to its annual operations, and provide the resources needed to meet the cash needs for general operational expenses. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining adequate reserves to provide reasonable assurance that long-term goals will be achieved.

To ensure a high likelihood of achieving these objectives, management routinely monitors its liquidity, forecasts its future cash requirements and predicts cash flows. During the years ended December 31, 2021 and 2020, the Organization managed the level of liquidity and operating reserves required to meet the three guiding principles as outlined above.

12. Risk and Uncertainties

The Organization's operations and financial performance may be affected by the ongoing coronavirus outbreak which has spread globally and is expected to continue to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as decline in revenue and support activities. The effects of the items above on the Organization's future business, financial condition and results of operations cannot be determined at this time.

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