

Financial Statements and Report of
Independent Certified Public
Accountants

**The Hartford Roman Catholic Diocesan
Corporation**

December 31, 2022 and 2021

Contents

Page

Report of Independent Certified Public Accountants

3

Financial Statements

Statements of financial position

5

Statements of activities 2022

6

Statement of activities 2021

7

Statement of functional expenses 2022

8

Statement of functional expenses 2021

9

Statements of cash flows

10

Notes to financial statements

11

GRANT THORNTON LLP

75 State St., 13th Floor
Boston, MA 02109-1827

D +1 617 723 7900

F +1 617 723 3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Most Reverend Leonard P. Blair, Archbishop of Hartford
The Hartford Roman Catholic Diocesan Corporation

Opinion

We have audited the financial statements of The Hartford Roman Catholic Diocesan Corporation (the “Archdiocese”), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Archdiocese as of December 31, 2022, and the results of its operations 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Archdiocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The financial statements of The Hartford Roman Catholic Diocesan Corporation as of and for the year ended December 31, 2021 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated June 29, 2022.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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



Boston, Massachusetts
June 29, 2023

The Hartford Roman Catholic Diocesan Corporation

STATEMENTS OF FINANCIAL POSITION

December 31,

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 6,053,671	\$ 10,083,018
Accounts receivable from parishes and others, net	580,048	548,060
Loans receivable from parishes and others, net	2,144,412	2,247,338
Other receivables, net	648,456	726,761
Accrued interest, net	60,376	44,192
Prepaid expenses	113,593	203,997
Investments	97,920,130	106,256,703
Land, buildings, and equipment, net	2,300,832	2,285,484
	<u>2,300,832</u>	<u>2,285,484</u>
Total assets	<u>\$ 109,821,518</u>	<u>\$ 122,395,553</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 486,531	\$ 2,286,031
Funds on deposit from parishes and others	25,414,317	29,246,588
Other payables	4,150,001	7,800,001
	<u>4,150,001</u>	<u>7,800,001</u>
Total liabilities	<u>\$ 30,050,849</u>	<u>\$ 39,332,619</u>
Net assets		
Without donor restrictions		
Designated	\$ 39,303,764	\$ 37,445,583
Undesignated	34,787,536	39,079,181
	<u>34,787,536</u>	<u>39,079,181</u>
Total	74,091,300	76,524,764
With donor restrictions	5,679,370	6,538,170
	<u>5,679,370</u>	<u>6,538,170</u>
Total net assets	<u>79,770,670</u>	<u>83,062,934</u>
Total liabilities and net assets	<u>\$ 109,821,519</u>	<u>\$ 122,395,553</u>

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

The Hartford Roman Catholic Diocesan Corporation

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2022

(with summarized comparative financial information for the year ended December 31, 2021)

	Donor Restrictions		Total 2022	Total 2021
	Without	With		
Revenues and other support				
Insurance program fees	\$ 6,193,014	\$ -	\$ 6,193,014	\$ 6,076,152
Annual appeal	9,043,413	-	9,043,413	9,432,188
Special collections	203,861	475,163	679,024	661,232
Bequests and other contributions	717,607	835	718,442	3,829,733
Parish assessment	5,549,316	-	5,549,316	5,469,954
Investment return, net	(5,020,721)	(770,482)	(5,791,203)	9,710,005
Gain on sale of real estate	1,881,619	-	1,881,619	262,421
Other revenue	8,413,127	100,000	8,513,127	8,451,180
Net assets released from restriction	662,416	(664,315)	(1,899)	-
Total revenues and other support	<u>\$ 27,643,652</u>	<u>\$ (858,800)</u>	<u>\$ 26,784,852</u>	<u>\$ 43,892,865</u>
Expenses and losses				
Insurance program expenses	\$ 6,009,061	\$ -	\$ 6,009,061	\$ 5,921,319
Program activities	6,830,293	-	6,830,293	6,676,319
Supporting services	16,741,529	-	16,741,529	20,790,886
Bank fees	120,650	-	120,650	145,654
Bad debt expense	94,585	-	94,585	(139,054)
Depreciation	273,061	-	273,061	276,615
Other expenses	7,937	-	7,937	67,409
Total expenses and losses	<u>30,077,117</u>	<u>-</u>	<u>30,077,117</u>	<u>33,739,148</u>
CHANGE IN NET ASSETS	<u>(2,433,465)</u>	<u>(858,800)</u>	<u>(3,292,264)</u>	<u>10,153,716</u>
Beginning fund balance	76,524,764	6,538,170	83,062,934	72,909,217
Net surplus/(deficit)	(2,433,465)	(858,800)	(3,292,264)	10,153,716
Ending fund balance	<u>\$ 74,091,300</u>	<u>\$ 5,679,370</u>	<u>\$ 79,770,670</u>	<u>\$ 83,062,934</u>

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

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Donor Restrictions		
	Without	With	Total 2021
Revenues and other support			
Insurance program fees	\$ 6,076,152	\$ -	\$ 6,076,152
Annual appeal	9,432,188	-	9,432,188
Special collections	160,353	500,880	661,232
Bequests and other contributions	3,824,314	5,420	3,829,733
Parish assessment	5,469,954	-	5,469,954
Investment return	(9,017,576)	(692,428)	(9,710,005)
Gain on sale of real estate	262,421	-	262,421
Other revenue	8,451,105	75	8,451,180
Net assets released from restriction	598,592	(598,592)	-
Total revenues and other support	43,292,654	600,210	43,892,865
Expenses and losses			
Insurance program expenses	5,921,319	-	5,921,319
Program activities	6,676,319	-	6,676,319
Supporting services	20,790,886	-	20,790,886
Bank and investment fees	145,654	-	145,654
Bad debt expense	(139,054)	-	(139,054)
Depreciation	276,615	-	276,615
Other expenses	67,409	-	67,409
Total expenses and losses	33,739,148	-	33,739,148
CHANGES IN NET ASSETS	9,553,506	600,210	10,153,716
Beginning net assets	66,971,258	5,937,959	72,909,217
Ending net assets	\$ 76,524,764	\$ 6,538,170	\$ 83,062,934

The accompanying notes are an integral part of this financial statement.

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	Compensation Costs	Occupancy Costs	Purchased Services	Professional Development	Grants and Support	Other Costs	Insurance Premiums and Claims
Expenses and losses							
Insurance program expense							
Insurance premiums, claims, and expenses	\$ -	\$ -	\$ 144,942	\$ -	\$ -	\$ -	\$ 5,864,120
Total insurance program expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,864,120</u>
Program activities							
Pastoral ministries	\$ 412,247	\$ 113,204	\$ 700	\$ 2,600	\$ -	\$ 76,853	\$ -
Education and grants	710,946	90,217	89,100	2,117	1,674,500	59,294	-
Communication and faith formation	581,678	1,923	64,104	-	350,000	714,011	-
Support for matriculating seminarians	267,603	211,478	1,607	328,450	-	47,295	-
Clergy retirement and other support	721,329	-	-	209,459	-	117,696	-
Total program activities	<u>\$ 2,693,802</u>	<u>\$ 416,821</u>	<u>\$ 155,510</u>	<u>\$ 542,627</u>	<u>\$ 2,024,500</u>	<u>\$ 1,015,149</u>	<u>\$ -</u>
Supporting services							
Chancery office	\$ 4,707,751	\$ 1,102,627	\$ -	\$ -	\$ -	\$ 720,613	\$ -
Professional fees and settlement costs	-	-	3,657,198	-	-	-	-
Development	563,254	1,357	338,617	-	-	519,576	-
Other supporting services	-	-	-	-	5,078,625	33,794	-
Total supporting services	<u>\$ 5,271,005</u>	<u>\$ 1,103,984</u>	<u>\$ 3,995,815</u>	<u>\$ -</u>	<u>\$ 5,078,625</u>	<u>\$ 1,273,984</u>	<u>\$ -</u>
Interest and deposits on loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,650	\$ -
Bad debt expense	-	-	-	-	-	94,585	-
Depreciation	-	-	-	-	-	273,061	-
Other	-	-	-	-	-	7,937	-
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,233</u>	<u>\$ -</u>
Total expense	<u>\$ 7,964,807</u>	<u>\$ 1,520,805</u>	<u>\$ 4,296,268</u>	<u>\$ 542,627</u>	<u>\$ 7,103,125</u>	<u>\$ 2,785,366</u>	<u>\$ 5,864,120</u>

The accompanying notes are an integral part of this financial statement.

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Compensation Costs	Occupancy Costs	Purchased Services	Professional Development	Grants and Support	Other Costs	Insurance Premiums and Claims	Total Expenses
Expenses and losses								
Insurance program expense								
Insurance premiums, claims, and expenses	\$ -	\$ -	\$ 147,622	\$ -	\$ -	\$ -	\$ 5,773,697	\$ 5,921,319
Total insurance program expenses	-	-	147,622	-	-	-	5,773,697	5,921,319
Program activities								
Pastoral ministries	612,661	52,919	1,140	6,469	-	60,029	-	733,218
Education and grants	826,353	36,059	91,000	73	1,769,591	68,957	-	2,792,032
Communication and faith formation	328,555	1,113	37,564	-	282,557	821,487	-	1,471,276
Support for matriculating seminarians	254,076	154,634	3,426	348,489	-	30,797	-	791,423
Clergy retirement and other support	672,645	3,480	-	116,354	-	109,722	-	902,200
Total program activities	2,694,290	248,204	133,131	471,386	2,052,148	1,090,991	-	6,690,150
Supporting services								
Chancery office	4,654,170	1,017,621	-	-	28,325	540,312	-	6,240,428
Professional fees and settlement costs	-	-	6,805,304	-	-	-	-	6,805,304
Development	577,672	1,482	177,843	-	-	523,115	-	1,280,112
Other supporting services	-	-	-	-	5,607,031	841,727	-	6,448,758
Total supporting services	5,231,842	1,019,103	6,983,147	-	5,635,356	1,905,154	-	20,774,602
Interest and deposits on loans	-	-	-	-	-	393,413	-	393,413
Bad debt expense	-	-	-	-	-	(139,054)	-	(139,054)
Depreciation	-	-	-	-	-	276,615	-	276,615
Other	-	-	-	-	-	67,409	-	67,409
Total expense	\$ 7,926,132	\$ 1,267,307	\$ 7,263,900	\$ 471,386	\$ 7,687,504	\$ 3,594,528	\$ 5,773,697	\$ 33,984,453

The accompanying notes are an integral part of this financial statement.

The Hartford Roman Catholic Diocesan Corporation

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,292,264)	\$ 10,153,714
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	273,061	276,615
Bad debt expense (recoveries)	94,585	(139,054)
Net realized and unrealized gains (losses) on investments	6,802,915	(8,871,404)
Gain on sale of real estate and other fixed assets	(1,701,635)	-
Notes receivable allowance adjustments	(21,034)	3,800
Loan forgiveness	-	(1,774,075)
Changes in assets and liabilities:		
Accounts, premiums, pledges and interest receivable, net	(48,173)	(822,220)
Other receivables	78,305	6,540
Prepaid expenses	90,404	-
Accounts payable and accrued expenses	(1,799,501)	1,401,262
Funds on deposit from parishes and others	73,983	37,384
Reserve for loss contingencies	<u>(3,650,000)</u>	<u>2,505,000</u>
Net cash provided by (used in) operating activities	<u>(3,099,354)</u>	<u>2,777,562</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(269,153)	(189,500)
Proceeds from disposal of real estate and other fixed assets	1,719,044	-
Purchases of investments	(11,518,390)	(8,977,326)
Sales of investments	<u>9,035,579</u>	<u>5,067,506</u>
Net cash provided by (used in) investing activities	<u>(1,032,920)</u>	<u>(4,099,320)</u>
Cash flows from financing activities:		
Proceeds from loan collections	102,926	672,256
Loans advanced	<u>-</u>	<u>(66,475)</u>
Net cash provided by (used in) financing activities	<u>102,926</u>	<u>605,781</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,029,348)	(715,977)
Cash and cash equivalents at beginning of year	<u>10,083,018</u>	<u>10,798,995</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,053,670</u></u>	<u><u>\$ 10,083,018</u></u>

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

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

(1) ORGANIZATION

The Hartford Roman Catholic Diocesan Corporation (the Archdiocese) is a canonical organization operating as a not-for-profit organization that oversees 142 separate Catholic Corporations in the Hartford, New Haven, and Litchfield counties of Connecticut. The Archdiocese conducts a portion of the Roman Catholic Church's temporal affairs to support the Church's mission. The Archdiocese also oversees the operations of the Chancery building and supervises the building sites. Through specific collections and fundraising drives, the Archdiocese can distribute funds to the needy and various charitable organizations located in the Hartford, New Haven, and Litchfield counties.

The accompanying financial statements include the administrative and program offices under the direct control of the Chancery and exclude the assets and accounts of activities of parishes, schools, cemeteries, supportive housing, etc. These assets and activities are separately incorporated under civil laws; and, each is an operating entity distinct from the Archdiocesan administrative offices that maintain separate accounts, and carry on their respective services and programs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The accompanying financial statements report on the accrual basis of accounting following the U.S. generally accepted accounting principles (U.S. GAAP) as outlined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) including FASB ASC 958, *Not-for-Profit Entities*. U.S. GAAP requires the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting changes in net assets in a statement of activities; and reporting the sources and uses of cash in a statement of cash flows. Also, included within are other principles adopted by the National Conference of Catholic Bishops for Churches and Church Related Organizations. The financial statements eliminate significant Inter-fund balances and transactions.

Net assets without donor restrictions are:

- Undesignated – net assets not restricted by donors or the donor-imposed restrictions have expired.
- Designated for a special purpose – net assets subject to self-imposed limits by the action of the Archbishop. Special purpose net assets may be used or earmarked for future programs such as vocations, educational, and pastoral programs and supporting services.

Net assets with donor restrictions are subject to donor-imposed intent as to how, when, and if the net assets are available for expenditure. Some net assets with donor restrictions are held in perpetuity, and the Archdiocese may never spend the corpus. Generally, the donors of these assets permit the Archdiocese to use all or part of the income earned and in some cases capital gains, if any, on related investments for general or specific purposes. The corpus of these funds represents the historical value of the gift. Other net assets with donor restrictions expire upon the passage of a prescribed time or the occurrence of a stated event as specified by the donors.

Revenues increase net assets without donor restrictions on the financial statements unless donor-imposed restrictions limit the use of the related assets. Revenues from donor-imposed restrictions increase net assets with donor restrictions on the financial statements. The financial statements report expenses as decreases in net assets without donor restrictions. Gains and losses on investments and

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

other assets or liabilities, if any, are reported as increases or decreases in net assets. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled and the specified time has elapsed) are reported as reclassifications between with and without donor restrictions in the specific classes of net assets. A donor who makes a restricted contribution in the same reporting period that the restriction is satisfied is unrestricted support in the statement of activities.

(b) Cash and Cash Equivalents

The Archdiocese considers highly liquid investments having original maturities of three months or less on December 31, 2022 and 2021, to be cash equivalents. The cost of the cash equivalents, which consist of certificates of deposit and commercial paper, approximates fair value.

The Archdiocese maintains its cash and cash equivalents in various financial institutions in accounts which at times may exceed federally insured limits. The Archdiocese has not experienced any losses in such accounts and does not believe it has any significant credit risk on cash and cash equivalents.

(c) Investments and Investment Income

Investments are measured at fair market value determined based upon quoted readily available market prices. There are some investments that are not actively traded and are thus without a readily available market quoted price; for these investments, other factors are applied to obtain their fair value. These investments may use a range of inputs (prices) from a similar observable class of assets. When no observable price quote exists, reliance is made on assumptions that market participants would use to price like-kind investment assets such as cash flow analysis, etc. Investment income (dividends and interest) and gains and losses on investments are recorded on an accrual basis.

(d) Fair Value Measurements

The Archdiocese follows the provisions of ASC Subtopic 820, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements regularly. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Under FASB ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value, the three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices (unadjusted) in the active market for identical assets or liabilities that the Archdiocese can access at the measurement date.
- Level 2 – Quoted prices, other than those included in Level 1, are either directly or indirectly observable for the assets or liabilities, including inputs in markets that are not actively traded.
- Level 3 – No observable quoted prices; reliance on assumptions market participants would use if a market existed for the assets or liabilities.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The determination of the fair value measurement is based on inputs from different fair value hierarchy levels. The level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(e) *Accounts, Premium and Interest Receivables*

The Archdiocese has accounts and interest receivables from parishes, schools and affiliated entities related to parish assessments, health and welfare insurance premiums, pension contributions, and general insurance. An allowance for receivables considered doubtful as to collectability is recorded based on outstanding past due amounts. Management periodically reviews past due activity, which is generally considered balances that are 90 days or more past due. Based on that review, management determines an allowance for doubtful accounts. Any subsequent collections of past due amounts are income recovery from the allowance for doubtful accounts.

(f) *Pledges Receivable*

Pledges receivables, less an appropriate reserve, are reported with Accounts Receivable from Parishes and Others. The pledge receivable balance was \$332,000 and \$416,000 at December 31, 2022 and December 31, 2021 respectively.

(g) *Loans Receivable*

The Archdiocese has outstanding loans to certain parishes and schools for capital improvements and other needs. Loans receivable represent unsecured notes from parishes and other institutions. These loans are either term or demand notes and carry an average interest rate of 2% or are noninterest-bearing. Based on management review of collectability management records an allowance for doubtful accounts.

(h) *Property, Plant, and Equipment*

Land, buildings, furniture, and equipment are recorded at acquisition cost or fair market value at the date of receipt if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis from 5 to 40 years.

(i) *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows. An impairment charge is recognized in the amount by which the asset's carrying amount exceeds the asset's fair value.

(j) *Investments Held for Others*

Custodian funds are held as assets and offsetting liabilities. The Archdiocese receives, maintains, and disburses these funds as directed by the depositors (owners).

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(k) *Income Taxes*

The Archdiocese is an organization described under Internal Revenue Code Section 501(c)(3) and is generally exempt from federal income taxes under Internal Revenue Code Section 501(a). The Internal Revenue Service has issued a Group Ruling to the United States Conference of Catholic Bishops concerning the federal tax status of Catholic organizations listed in the Official Catholic Directory, which includes the Archdiocese. Regarding unrelated business income tax, the Archdiocese reviews any transactions that may create unrelated business income tax in its organization annually. The Archdiocese does not have any material unrelated business income for 2022 or 2021.

The Archdiocese follows the guidance FASB ASC TOPIC 740, *Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and de-recognition of tax positions taken or expected to take in a tax return. The Archdiocese believes it has taken no significant uncertain tax positions.

(l) *Revenue Recognition*

All contributions, donations, legacies, and gifts are recorded as operating revenue unless specifically restricted by the donor. These revenue sources must be unconditional to record as revenue. No revenue is recorded where donor stipulation causes the amount to depend upon a specific future or uncertain event whose occurrence or failure to occur gives the donor a right of return on the gift or donation. Such stipulated donor-imposed gifts are initially recorded as deferred revenue. When the imposed condition occurs, the contribution would be recorded as revenue in that period. Restricted gifts that impact more than one reporting period are recognized as net assets with donor restrictions and are released to net assets without restrictions when the donor restrictions, or time restrictions, are met.

(m) *Functional Allocation of Expenses*

The statement of functional expenses summarizes the costs of providing the various programs and other support activities. These costs include direct and indirect costs that have been allocated consistently, among the programs as well as administrative expenses. Expenses incurred directly by programs or support activities are classified in the statement of functional expenses within the appropriate category: Compensation, Occupancy, Purchased Services, Vocations & Education, Grants & Contributions, Insurance or Other. Certain indirect costs are reflected as separately because they cannot be traced directly to a program or support function.

(n) *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Charges to income that involve the use of significant estimates include the self-insurance program and loss contingencies.

(o) *Reclassifications*

Certain reclassifications have been made to 2021 summarized information to conform to the 2022 presentation.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(p) Subsequent Events

The Archdiocese follows FASB ASC Subtopic 855, *Subsequent Events*, which establishes principles and requirements for subsequent events and applies to accounting to disclose subsequent events not addressed in other applicable generally accepted accounting principles. The Archdiocese evaluated events subsequent to December 31, 2022 and through June 29, 2023, the date on which the financial statements were available to be issued. See note 16 concerning the Organizational Realignment undertaken by the Archdiocese as of January 1, 2023.

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following schedule reflects the Archdiocese financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or special internal designation of funds. The amounts not available include funds set aside for long-term investing in the operating and capital reserves. However, the funds may be used but require that the Archbishop approves that action. These financial assets available for general expenditure, such as without donor or other restrictions limiting their use, within one year of the statement of the financial position includes the following:

	2022	2021
Cash and cash equivalents	\$ 6,053,671	\$ 10,083,018
Investments	97,920,130	106,256,703
Pledges receivable, due within one year	84,000	84,000
Accounts receivable, due within one year	248,048	132,060
Loans receivable, due within one year	358,310	143,949
Other receivables, due within one year	648,456	126,761
	105,312,615	116,826,491
Less amounts unavailable within one year:		
Funds with donor restrictions	(5,679,370)	(6,538,170)
	105,312,615	116,826,491
Assets available to meet cash needs for for general expenditures	99,633,245	110,288,321
Less funds on deposit from parishes and others	(25,414,317)	(29,246,588)
Less funds designated by the Archiepiscopal	(39,303,764)	(37,445,583)
Assets available	\$ 34,915,164	\$ 43,596,150

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The Archiepiscopal designates special-purpose funds from time-to-time to support educational or mission-driven pastoral purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the current Archbishop for the intended designated purpose.

The Archdiocese manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures. Periodic actual-to-budget comparison reporting occurs at the department levels. Occasionally, the plan requires adjustments to ensure adequate liquidity.

(a) Liquidity of Investments

The Archdiocese invests its long-term financial assets in The Archdiocese of Hartford Investment Trust and has a beneficial interest in those assets. Currently, the Trust has approximately 60% of its assets invested in highly liquid passive and active equities and fixed income holdings 22% with a short duration of fewer than three years, and cash and cash equivalents on hand of 1%. Alternative investments of 17% include real estate, private equity, commodities, and multi-strategy and credit distressed hedge funds. Alternatives are subject to constraints that limit the Trust and, in turn, the Archdiocese's ability to withdraw capital or specify the amount available for withdrawal at a given redemption date. The constraints may limit the Archdiocese's ability to respond quickly to changes in market conditions.

(4) ACCOUNTS, PREMIUM AND INTEREST RECEIVABLES

	2022	2021
Gross receivables:		
Accounts receivable	\$ 63,297	\$ 52,530
Premiums receivable	331,490	145,285
Interest receivable	60,376	44,192
	<u>455,163</u>	<u>242,007</u>
Allowance for doubtful accounts:		
Accounts receivable	(19,994)	(10,263)
Premiums receivable	(126,746)	(55,491)
	<u>(146,740)</u>	<u>(65,754)</u>
Net accounts, premiums and interest receivables	<u>\$ 308,423</u>	<u>\$ 176,253</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(5) LOANS RECEIVABLE

Loans receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Gross loans receivable	\$ 2,144,412	\$ 2,247,338
Allowance for loan losses-beginning of year	(747,557)	(945,298)
Write offs net of recoveries	<u>21,034</u>	<u>197,741</u>
Allowance for loan losses-end of year	<u>(726,523)</u>	<u>(747,557)</u>
Net loans receivable	<u>\$ 1,417,889</u>	<u>\$ 1,499,781</u>
Due in:		
Less than one year	\$ 358,310	\$ 143,949
One to five years	<u>1,786,102</u>	<u>2,103,389</u>
Total gross loans receivables	<u>\$ 2,144,412</u>	<u>\$ 2,247,338</u>

(6) PROPERTY, PLANT, AND EQUIPMENT

The cost of property, plant, and equipment and accumulated depreciation at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,068,441	\$ 1,068,441
Buildings and improvements	5,858,114	5,652,505
IT hardware & software	1,838,324	1,835,520
Automobiles,furniture and equipment	<u>1,252,304</u>	<u>1,209,046</u>
	10,017,183	9,765,512
Less accumulated depreciation	<u>(7,716,351)</u>	<u>(7,480,027)</u>
Property, plant, and equipment, net	<u>\$ 2,300,832</u>	<u>\$ 2,285,485</u>

Depreciation expense for the years ended December 31, 2022, and 2021 was \$273,061 and \$276,615 respectively.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(7) INSURANCE PROGRAM AND CONTINGENCIES

The Archdiocese obtains property and liability insurance coverages for its offices, agencies, parishes, schools, and certain affiliates and other related religious organizations through the following entities: Catholic Mutual Group ("CMG") associated with Catholic Mutual Relief Society of America ("the Society"), Catholic Umbrella Pool ("CUP"), and Cathedral Indemnity Corporation ("CIC") (a Vermont regulated subsidiary Captive insurance company) all provide various insurance coverages.

There are three components to the Archdiocesan Insurance Program.

- The Society, associated with CMG, places insurance coverage for Catholic (arch) dioceses and related Catholic organizations coverage through its relationship with reinsurers, including CUP. CMG obtains insurance for its members at specific risk levels, thus mitigating the overall risk profile.
- In 1987, the Archdiocese and several other dioceses formed the CUP. CUP provides participating dioceses with excess insurance liability coverage and morality coverage for its membership through liability reinsurance treaties supporting CMG. Effective May 1998, CUP incorporated as a nonprofit corporation under the Nebraska Nonprofit Act. CUP's contribution income derives from 35 (Arch) Dioceses of the Roman Catholic Church in North America that participate in CUP.

The Archdiocese's investment in CUP uses the equity method of accounting, valued at \$2,595,659 and \$2,839,195 on December 31, 2022, and 2021, respectively. The Archdiocese reports its investment in CUP with its other investments on the Statement of Financial Position.

- In 2011, the Archdiocese formed a Vermont regulated captive insurance company called CIC. CIC provides insured lines of coverage, such as workers' compensation, property coverage on the first \$100,000 per occurrence of damage with a \$500,000 annual aggregate. CIC also covers the first \$100,000 general and automobile liability per occurrence and has a one million dollars annual aggregate.

The Archdiocesan protection is structured as follows:

- CMG obtains property excess insurance coverage above the \$100,000 per occurrence and \$500,000 annual aggregate that CIC retains. CMG then provides excess insurance for claims amounts up to \$30,000,000 for damage to real property.
- CIC, CMG, and CUP provide general liability coverage as follows:
 - CIC provides general and automobile liability up to \$100,000 per occurrence and has a one million dollars annual aggregate.
 - CIC provides workers compensation insurance coverage up to \$500,000 per claim which is actively managed with PMA claim management.

Archdiocese purchases excess insurance stop loss from Safety National for individual workers compensation claims above \$500,000.

CMG provides general and auto liability coverage above CIC \$100,000 per occurrence limit with \$500,000 excess coverage.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

CMG with the reinsurance support of CUP and other reinsurance companies provides general and auto liability coverage over \$600,000 per occurrence up to \$30,000,000 per occurrence and the \$60,000,000 annual aggregate.

These coverages are placed through the Society and Catholic Relief Insurance Company of America.

As a Participant in CUP, The Archdiocese is liable for a proportionate share of any losses beyond CUP's responsibilities to fund such losses. Such an event would happen only after liquidating the total participants' equity of \$16,785,808 at June 30, 2022.

(8) NET ASSETS

(a) Net Assets Without Donor Imposed Restrictions

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include the following as of December 31, 2022 and 2021:

	2022	2021
Designated for special purpose funds:		
Archbishop's Annual Appeal Fund	\$ 4,851,719	\$ 4,653,549
Catholic School Support Program Fund	615,160	809,282
Vicariate Outreach Fund	1,180,965	-
Children's Care Fund	860,858	980,903
Linahan Fund	5,779,675	6,736,720
WJMJ Fund	746,101	870,391
Alma Bousquet Fund	331,253	394,473
Priests Continuing Education Fund	128,260	141,476
Education Fund	9,693,787	11,094,199
Smith Fund	149,799	173,798
Deacon Continuing Education	274,325	293,808
St Boniface Fund	1,634,760	1,944,046
General Insurance Fund	8,577,875	9,352,911
Saint Teresa Benedicta Fund	4,479,199	-
Our Gift for Tomorrow Fund	27	27
	<u>39,303,764</u>	<u>37,445,583</u>
Designated for special purpose		
	<u>34,787,536</u>	<u>39,079,181</u>
Undesignated		
	<u>34,787,536</u>	<u>39,079,181</u>
Total net assets without donor restrictions	<u>\$ 74,091,300</u>	<u>\$ 76,524,764</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(b) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions received from donors whose use by the Archdiocese is limited to in perpetuity donor restrictions or donor-imposed stipulations based on time or purpose. Donations received through Archdiocesan parish collections for the Catholic elementary or secondary schools, the Campaign for Human Development, and the Cooperative Parish Sharing collections are donor-restricted funds for the purpose. In the subsequent year, these collections will become released from restriction. The restricted amounts as of December 31, 2022 and 2021 and the corresponding purposes for which the income is expendable are as follows:

	2022	2021
Subject to expenditure for specific purpose:		
Archdiocesan wide collections:		
Catholic school education	\$ 800,280	\$ 842,107
Catholic social justice	274,239	314,265
Sacred Music & Liturgy:		
O'Connor/King Fund	101,437	137,620
Vocations & Seminarians:		
Mulcahy Fund	1,202,229	1,595,072
Estate of Danek/Drozdz Family	538,921	616,387
Support for Clergy:		
Residential and other support for retired priests:		
Croteau Fund	518,384	660,065
Ambroso Bequest	100,000	-
Wellness support for priests:		
Kiely Fund	916,394	1,068,900
Support for the Poor:		
Henegan Fund	446,858	523,125
	<u>4,898,742</u>	<u>5,757,541</u>
Net assets with donor-purpose restricted		
	<u>4,898,742</u>	<u>5,757,541</u>
Net assets held as endowed assets to generate income for specified purposes:		
Sacred Music & Liturgy-O'Connor King Fund	105,225	105,225
Support for Seminarian Education-Mulcahy Fund	250,000	250,000
Residential Support for Retired Priests- Croteau Fund	425,403	425,403
	<u>780,628</u>	<u>780,628</u>
Net assets held as endowed		
	<u>780,628</u>	<u>780,628</u>
Net assets with donor restrictions	<u>\$ 5,679,370</u>	<u>\$ 6,538,169</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Investment income earned on endowed net assets is shown in net assets with donor-purpose restricted.

Donor restricted net assets were released from donor restriction during 2022 and 2021 by incurring expenses satisfying the restricted purpose specified by the donor. The net assets released from restriction for the years ended December 31, 2022 and 2021, totaled \$664,315 and \$598,592 respectively.

(9) INVESTMENTS

Investments at December 31, 2022, and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 48,648	\$ 98,765
Equity securities	1,417,328	1,938,202
Fixed income securities	793,873	750,294
Mutual funds	134,451	142,339
Investment in CUP	2,595,659	2,839,195
Interest in Archdiocese of Hartford Investment Trust	<u>67,819,086</u>	<u>71,386,410</u>
	<u>\$ 72,809,045</u>	<u>\$ 77,155,205</u>

The Archdiocese established the Archdiocese of Hartford Investment Trust (the Trust) to invest certain of its assets in combination with similar assets owned by specific religious, charitable, and educational organizations affiliated with the Archdiocese and to share the investment gains and losses of the Trust on a unitized basis. Therefore, the Archdiocese receives its share of net investment return from its beneficial interest in the Trust assets. The Trust established agreements with BNY-Mellon Bank to be the custodian of the assets and with various professional investment managers to be investment managers of the assets. The Trust also established investment policy guidelines and an investment committee to oversee the investment activities of the Trust.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The total net investment return on invested assets for the years ended December 31, 2022 and 2021 consists of the following components:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,053,252	\$ 106,843	\$ 1,160,095
Investment expenses	(301,114)	(35,886)	(337,000)
Total net investment income	752,138	70,957	823,095
Realized gains/(losses)	2,384,855	115,087	2,499,942
Unrealized gains/(losses)	(8,099,242)	(957,303)	(9,056,545)
Total realized/unrealized (losses) on investments	(5,714,387)	(842,216)	(6,556,603)
Total net investment return	<u>\$ (4,962,249)</u>	<u>\$ (771,259)</u>	<u>\$ (5,733,508)</u>

	2021		
	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 897,461	\$ 106,684	\$ 1,004,145
Investment expenses	(211,781)	(33,526)	(245,307)
Total net investment income	685,680	73,158	758,838
Realized gains	4,031,380	222,312	4,253,692
Unrealized gains	3,641,631	396,905	4,038,536
Total realized/unrealized gains on investments	7,673,011	619,217	8,292,228
Total net investment return	<u>\$ 8,358,691</u>	<u>\$ 692,375</u>	<u>\$ 9,051,066</u>

The operating reserve earned interest of \$648 and \$13,069 in 2022 and 2021, respectively, is excluded from the total net investment income.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(10) FAIR VALUE MEASUREMENTS

The Archdiocese's financial assets carried at fair value at December 31, 2022 and 2021, are summarized in the following table based on the fair value hierarchy:

	2022			
	Level 1	Level 2	Investments Measured at NAV	Total
Investments:				
Cash and cash equivalents	\$ 48,648	\$ -	\$ -	\$ 48,648
Equity securities	1,417,328	-	-	1,417,328
Fixed income securities	-	793,873	-	793,873
Mutual funds and other	134,451	-	-	134,451
Investment in CUP	-	-	2,595,659	2,595,659
Interest in Archdiocese of Hartford Investment Trust	-	-	67,819,086	67,819,086
Total investments	1,600,427	793,873	70,414,745	72,809,045
Investments held for others:				
Cash and equivalents	2,627,464	-	-	2,627,464
Equity securities	8,764,591	-	-	8,764,591
Fixed income securities	9,610,252	-	-	9,610,252
Mutual funds and other	3,520,784	-	-	3,520,784
Interest in Archdiocese of Hartford Investment Trust	-	-	588,001	588,001
Total investments held for others	24,523,091	-	588,001	25,111,092
Total	<u>\$ 26,123,518</u>	<u>\$ 793,873</u>	<u>\$ 71,002,746</u>	<u>\$ 97,920,137</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

	2021			
	Level 1	Level 2	Investments Measured at NAV	Total
Investments:				
Cash and cash equivalents	\$ 98,765	\$ -	\$ -	\$ 98,765
Equity securities	1,938,202	-	-	1,938,202
Fixed income securities	-	750,294	-	750,294
Mutual funds and other	142,339	-	-	142,339
Investment in CUP	-	-	2,839,195	2,839,195
Interest in Archdiocese of Hartford Investment Trust	-	-	71,386,410	71,386,410
Total investments	2,179,306	750,294	74,225,605	77,155,205
Investments held for others:				
Cash and equivalents	2,550,814	-	-	2,550,814
Equity securities	11,340,053	-	-	11,340,053
Fixed income securities	10,763,231	-	-	10,763,231
Mutual funds and other	3,834,991	-	-	3,834,991
Interest in Archdiocese of Hartford Investment Trust	-	-	656,127	656,127
Total investments held for others	28,489,089	-	656,127	29,145,216
Total	\$ 30,668,395	\$ 750,294	\$ 74,881,732	\$ 106,300,421

The methods and assumptions used to determine the fair value of each class of financial instruments:

- Cash and cash equivalents are at cost plus accrued interest, which approximate fair value because of the short maturity of these Instruments.
- Equity securities and mutual funds are measured using quoted market prices in an active market at the reporting date multiplied by the number of shares. Fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for debt securities are not available, the fair value is determined using quoted prices for similar debt securities. When necessary, the Archdiocese uses matrix pricing from a third-party pricing vendor to determine fair value. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities rather than on specific bids and offers for designated security.
- Investments in shares or units of investment funds, including the Archdiocese of Hartford Investment Trust, are recorded at net asset value (NAV) as a practical expedient determined from the funds'

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

underlying investments in marketable equity and debt securities. The Archdiocese can redeem its investment in the Archdiocese of Hartford Investment Trust at NAV daily.

(11) ENDOWMENT

The Archdiocese's net assets with donor restrictions consist of nine individual funds. Three of the funds have a corpus that is restricted in perpetuity which allows the Archdiocese to only spend income generated by the funds for the donor specified purpose. The remaining funds are restricted as to purpose, meaning the Archdiocese can spend both income and principle for the donor specified purpose.

The Archdiocese has interpreted the laws prescribed by the State of Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of historic dollar value of the in perpetuity funds. Archdiocese classifies net assets with donor restrictions those funds considered in perpetuity funds. Net assets with donor restrictions category use the original value of gifts received reported as in perpetuity. The original gift value remains constant value while the accumulation of earnings of the amount in perpetuity is appropriated for expenditure by the Archdiocese in a manner consistent with the standard of procedure prescribed by UPMIFA. Per UPMIFA, the Archdiocese considers the following factors in determining to appropriate or accumulate restricted donor funds: duration and preservation of a fund, purpose of the organization and the donor designations to it, general economic conditions, the possible effect of inflation and deflation, expected total return of the charitable assets, other resources of the organization and investment policies of the Archdiocese.

The Archdiocese has adopted investment policies that attempt to provide a predictable stream of funding to programs supported by its donor-restricted funds while also increasing investment value after inflation. Under these policies, the Archdiocese invests its funds to produce results that exceed the price and yield results of composite benchmarks such as: Russell large-cap growth and value, Russell 2000 small-cap, MSCI-EAFE, and the Barclay intermediate aggregate government/corporate indices while assuming a moderate level of investment risk. The Archdiocese expects its funds to provide an average total rate of return of 6.5% annually.

To achieve its long-term rate of return objectives, the Archdiocese relies on a total return strategy through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Archdiocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Special-purpose designated funds to consist of 14 funds that show as without donor-designated restricted by the Archbishop for purposes of education and pastoral mission. These funds apply the same investment and spending policies used by the funds that are with donor restrictions.

The Archdiocese currently has a policy that allows the Archbishop to make distributions from designated funds to support the Archdiocese's operations, programs, and capital needs.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Below is a schedule of both donor-imposed restricted and special-purpose designated investment balances included in net assets as endowment funds as of December 31:

	Without Donor Restrictions	Permanent donor restrictions		Temporary donor restrictions	Total Funds as of December 31, 2022
		Original Gift	Accumulated Gains		
Donor-restricted funds	\$ -	\$ 780,628	\$ 1,822,050	\$ 3,076,691	\$ 5,679,369
Special-purpose designated funds	29,529,919	-	-	-	29,529,919
Total endowed funds	<u>\$ 29,529,919</u>	<u>\$ 780,628</u>	<u>\$ 1,822,050</u>	<u>\$ 3,076,691</u>	<u>\$ 35,209,288</u>

	Without Donor Restrictions	With Donor Restrictions		Temporary donor restrictions	Total Funds as of December 31, 2021
		Original Gift	Accumulated gains		
Donor-restricted funds	\$ -	\$ 780,628	\$ 2,392,757	\$ 3,364,784	\$ 6,538,169
Special-purpose designated funds	28,092,670	-	-	-	28,092,670
Total endowed funds	<u>\$ 28,092,670</u>	<u>\$ 780,628</u>	<u>\$ 2,392,757</u>	<u>\$ 3,364,784</u>	<u>\$ 34,630,839</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Changes in endowment and Special-purpose funds for the year ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$ 28,092,670	\$ 6,538,170	\$ 34,630,840
Investment returns:			
Investment income, net	359,162	71,735	430,897
Net depreciation (realized and unrealized)	(2,738,364)	(842,217)	(3,580,581)
Total investment return	(2,379,202)	(770,482)	(3,149,684)
New gifts	13,487,274	575,998	14,063,272
Appropriation of endowment assets for expenditures	(9,670,823)	-	(9,670,823)
Released from restriction	-	(664,315)	(664,315)
Balance, end of year	<u>\$ 29,529,919</u>	<u>\$ 5,679,371</u>	<u>\$ 35,209,290</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$ 25,734,853	\$ 5,937,959	\$ 31,672,812
Investment returns:			
Investment income, net	320,045	73,211	393,256
Net appreciation (realized and unrealized)	3,436,236	619,218	4,055,454
Total investment return	3,756,281	692,429	4,448,710
New gifts	9,835,458	506,374	10,341,832
Appropriation of endowment assets for expenditures	(11,233,922)	-	(11,233,922)
Released from restriction	-	(598,592)	(598,592)
Balance, end of year	<u>\$ 28,092,670</u>	<u>\$ 6,538,170</u>	<u>\$ 34,630,840</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(12) PAYROLL PROTECTION PROGRAM LOAN

The Archdiocese applied for and received a Paycheck Protection Program ("PPP") loan from the Small Business Administration ("SBA") in the amount of \$1,774,075. The promissory note was dated April 29, 2020, with an interest rate of 1% with monthly payments of \$99,839 starting on November 29, 2020, and extending for 17 months. The Archdiocese applied for the forgiveness of the loan amount following the CARES Act forgiveness legislation on December 9, 2020, and as of June 17, 2021, the PPP loan from the SBA in the amount of \$1,774,075 and interest of \$19,879.36 was forgiven by the SBA. The loan forgiveness is recorded in other operating income in 2021.

(13) PENSION PLANS

The Archdiocese is a participant with other related Archdiocesan organizations in two multiemployer noncontributory retirement plans covering incarnated priests of the Archdiocese and certain full-time lay employees of the Archdiocese. The risks of participating in a multiemployer plan are different from single-employer programs in the following aspects:

- Assets contributed to the multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multiemployer plan due to bankruptcy or cessation of operations, the unfunded obligations of the plan related to the vested benefits of the employees of that entity would remain with the entities that continue to participate.
- If an entity were to petition to stop participating in the multiemployer plan, the entity may be required to pay the plan a withdrawal liability based on the benefit obligation related to that entity's vested employees and the plan's funded status.
- Participants in the plans do not have any right or claim to a retirement benefit except upon reaching the retirement date or disability. No participant is entitled to any right or claim to a retirement benefit, except to the extent such right is specified under the terms of the plans, and retirement funds are sufficient.

The retirement plan expense is equal to the required annual contributions to the plans, calculated based upon actuarially determined methods. Cash amounts contributed by the Archdiocese to the plans for years ended December 31, 2022, and 2021 for priests totaled \$89,685 and \$78,188, respectively, and the contributions on behalf of lay employees totaled \$280,466 and \$225,838 in 2022 and 2021, respectively. Both the lay employee and priest retirement plans are funded at over 80%.

Retired priests covered by the Priests Retirement Plan are paid a specified monthly benefit that is adjusted from time-to-time by the Priests Retirement Board. For 2022, the monthly benefit was \$3,146 per month.

The basic calculation of the normal retirement benefit paid to participants in the Retirement Plan for Eligible Lay Employees is equal to:

- a) $[1.5\% \times \text{the participant's credited service as of 12/31/2019} + 1\% \times \text{credited service after 1/1/2020}] \times \text{average earnings} \times \text{vesting percentage}$, multiplied by:
- b) Early retirement reduction factor – a factor of 1 equates to normal retirement

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

In addition to pension benefits, the Archdiocese offers other post retirement benefits, including health, dental and automobile insurance which are expected to be paid to or on behalf of currently retired clergy and active clergy after retirement (the "OPEB Plan"). The OPEB Plan agreement provides that the participating employers make monthly contributions to the OPEB Plan of a specified amount agreed upon by the Finance Committee. The Archdiocese contributions to the OPEB Plan amounted to \$115,706 and \$108,790 for the years ended December 31, 2022 and 2021, respectively.

The following table discloses the name and funded status of the plans as of January 1, 2022 (the date of the latest actuarial valuation):

<u>Legal Plan Name</u>	<u>Plan EIN</u>	<u>Present Value Accumulated Benefits</u>	<u>Fair Value of Plan Assets</u>	<u>Total Contributions</u>	<u>Funded Status</u>
The Archdiocese of Hartford-Retirement Plan for Eligible Lay Employees	06-0646669	\$ 219,515,813	\$ 224,135,857	\$ 4,710,945	102.10%
Priests Retirement Plan for Secular Priests of the Archdiocese of Hartford	06-0646669	\$ 53,537,013	\$ 60,640,604	\$ 793,390	113.27%
Other Post Employment Benefits for Secular Priests of the Archdiocese of Hartford	06-0646669	\$ 22,822,700	\$ 26,840,000	\$ 115,706	117.60%

The Archdiocese of Hartford Retirement Plan for Eligible Lay Employees was frozen to new participants as of January 1, 2020.

Effective January 1, 2020, the Archdiocese established the Archdiocese of Hartford 403(b) Plan, a multiemployer defined contribution retirement plan this is open to all incardinated priests and lay employees. Participants can contribute up to 100% of their salary subject to annual limits imposed by the Internal Revenue Service. Participating employers match employee contributions based a point system. A participant's points are determined as of December 31 each year and are computed by adding the participant's age and years of credited service. The points based matching schedule is as follows:

Less than 40 points	=	up to 3% of contributions
40-49 points	=	up to 4% of contributions
50-54 points	=	up to 4.5% of contributions
55-59 points	=	up to 5% of contributions
60-69 points	=	up to 6% of contributions
70-79 points	=	up to 7% of contributions
80 points and over	=	up to 8% of contributions

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

(14) RESERVE FOR LOSS CONTINGENCIES

The Archdiocese is subject to various lawsuits, claims, and legal contingencies, many of which may be covered by liability insurance in whole or in part. Several matters are related to the alleged misconduct of priests and other affiliated entities through which the Archdiocese conducts its temporal affairs. Although the Archdiocese has and will continue to defend itself against such alleged claims, from time to time, the Archdiocese has agreed to settle claims related to such matters. The Archdiocese is aware of pending legislation that may allow barred claimants to bring a lawsuit for alleged misconduct of priests. Under generally accepted accounting principles, to record a loss contingency the loss must be probable and estimable.

(15) GUARANTEES

The Archdiocese is contingently liable as a guarantor of financing arrangements to facilitate needed construction by the following corporations:

	<u>2022</u>	<u>2021</u>
Our Lady of Fatima, Hartford	<u>\$ 285,407</u>	<u>\$ 289,941</u>
	<u>\$ 285,407</u>	<u>\$ 289,941</u>

The obligations above are collateralized by the marketable securities, land, and buildings at these corporations. However, in the event of default, the Archdiocese could be required to make payments to pay off the outstanding debt.

(16) ORGANIZATIONAL REALIGNMENT

On January 1, 2023, the Archdiocese of Hartford realigned the activities related to the oversight of its schools, faith development programs, and vocations placing all personnel and other assets related to these programs under the management of the St. Thomas Seminary of Hartford. This realignment resulted in the transfer of 5 departments, 9 employees, and approximately \$18 million in restricted and designated funds held in the Hartford Investment Trust from the Hartford Roman Catholic Diocesan Corporation to the Seminary.