



ARCHDIOCESE of HARTFORD

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

Hartford Roman Catholic Diocesan Corporation

Fiscal Year 2024

Management Discussion and Analysis

In 2023, the Archdiocese of Hartford adjusted its fiscal cycle from a January 1-December 31 calendar year to a fiscal cycle of July 1-June 30. For this change, we conducted a six-month stub period from January 1 to June 30, 2023 to switch the timing to our new cycle. Because of this change, there are no comparative year-over-year financials.

The Hartford Roman Catholic Diocesan Corporation is financially strong and continues to be conservative with expenses to maintain good stewardship of Archdiocesan assets. Investments outperformed expectations through the end of fiscal year 2024, helping to ensure our balance sheet is strong.

Revenues were in line with expectations and expenses have increased slightly, particularly regarding Supporting Services. As the primary mission of the Hartford Roman Catholic Diocesan Corporation is to provide support to our parishes, schools, and affiliate organizations, this is presented as an appropriate area to focus resources.

Below I submit to you the audited Financial Statements and Report of Independent Certified Public Accountants for the Hartford Catholic Diocesan Corporation for the fiscal year ending June 30, 2024.

I certify that my management responsibility is to ensure they are reviewed and evaluated with management and the auditors. There were no known deficiencies or material weaknesses that would have a material effect on the preparation or fair presentation of the financial statements, and that they are free from material misstatement and free from fraud or error.

Gene E. Munson

Gene E. Munson, MBA
Chief Financial Officer
March 19, 2025

Financial Statements and Report of
Independent Certified Public
Accountants

**The Hartford Roman Catholic Diocesan
Corporation**

June 30, 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Most Reverend Christopher J. Coyne, 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 condition as of June 30, 2024, 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 June 30, 2024, 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.

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
March 19, 2025

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Cash and cash equivalents	\$ 6,616,866
Accounts receivable from parishes and others, net	1,106,222
Loans receivable from parishes and others, net	1,092,870
Other receivables, net	637,953
Accrued interest, net	67,774
Prepaid expenses	345,832
Investments	54,905,976
Right of use asset, net	1,761,772
Land, buildings, and equipment, net	<u>2,046,888</u>
Total assets	<u><u>\$ 68,582,153</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 434,110
Right of use liability	1,761,772
Funds on deposit from parishes and others	716,521
Due to related parties	283,953
Estimated liability for loss contingencies (Note 13)	<u>2,898,046</u>
Total liabilities	<u>6,094,402</u>

Net assets

Without donor restriction	
Designated	26,881,627
Undesignated	<u>32,499,820</u>
Total	59,381,447
With donor restriction	<u>3,106,304</u>
Total net assets	<u>62,487,751</u>
Total liabilities and net assets	<u><u>\$ 68,582,153</u></u>

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

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Donor Restrictions		
	Without	With	2024
Revenues and other support			
Insurance program fees	\$ 6,331,524	\$ -	\$ 6,331,524
Annual appeal	9,484,532	-	9,484,532
Special collections	115,486	380	115,866
Bequests and other contributions	94,039	-	94,039
Parish assessment	6,129,796	-	6,129,796
Interest	258,176	-	258,176
Investment return, net	4,268,480	274,020	4,542,500
Gain on sale of real estate	396,523	-	396,523
Other revenue	598,857	30,000	628,857
Net assets released from restriction	-	(10,000)	(10,000)
Net assets released from designation	16,667	(100,000)	(83,333)
Total revenues and other support	27,694,080	194,400	27,888,480
Expenses and losses			
Insurance program expenses	5,972,462	-	5,972,462
Program activities	3,971,402	-	3,971,402
Supporting services	19,192,778	-	19,192,778
Bank fees	176,255	-	176,255
Bad debt expense	128,002	-	128,002
Depreciation	691,772	-	691,772
Other expenses	21,656	-	21,656
Total expenses and losses	30,154,327	-	30,154,327
CHANGE IN NET ASSETS	(2,460,247)	194,400	(2,265,847)
Beginning net assets	61,839,321	4,502,318	66,341,639
Transfer of net assets to related party (Note 15)	2,373	(1,590,414)	(1,588,041)
Ending net assets	<u>\$ 59,381,447</u>	<u>\$ 3,106,304</u>	<u>\$ 62,487,751</u>

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

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Compensation Costs	Occupancy Costs	Purchased Services	Professional Development	Grants and Support	Other Costs	Insurance Premiums and Claims	Total
Expenses and losses								
Insurance program expense	\$ -	\$ -	\$ 207,943	\$ -	\$ -	\$ -	\$ 5,764,519	\$ 5,972,462
Program activities	1,400,443	77,483	17,037	153,832	1,286,711	1,035,897	-	3,971,402
Supporting services	5,135,784	591,253	1,928,487	-	9,274,291	2,262,963	-	19,192,778
Investment and bank fees	-	-	-	-	-	176,255	-	176,255
Bad debt expense	-	-	-	-	-	128,002	-	128,002
Depreciation	-	-	-	-	-	691,772	-	691,772
Other expenses	-	-	-	-	-	21,656	-	21,656
Total expense	<u>\$ 6,536,227</u>	<u>\$ 668,735</u>	<u>\$ 2,153,467</u>	<u>\$ 153,832</u>	<u>\$ 10,561,002</u>	<u>\$ 4,316,545</u>	<u>\$ 5,764,519</u>	<u>\$ 30,154,327</u>

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

The Hartford Roman Catholic Diocesan Corporation

STATEMENT OF CASH FLOWS

Year ended June 30, 2024

Cash flows from operating activities:

Change in net assets	\$ (2,265,847)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	691,772
Bad debt expense	128,002
Net unrealized gains on investments	(1,403,607)
Gain on the sale of real estate	(389,523)
Changes in assets and liabilities:	
Accounts receivable from parishes and others	(556,616)
Other receivables	(14,808)
Prepaid expenses	(90,616)
Right of use asset	451,383
Deferred revenue	(2,993,737)
Accounts payable and accrued expenses	(699,164)
Right of use liability	(451,383)
Funds on deposit from parishes and others	200,096
Estimated liability for loss contingencies	(130,000)
	<hr/>
Net cash used in operating activities	(7,524,048)

Cash flows from investing activities:

Sales of property, plant, and equipment	197,470
Proceeds from disposal of real estate	159,523
Purchases of investments	(3,352,557)
Sales of investments	8,169,676
	<hr/>
Net cash provided by investing activities	5,174,112

Cash flows from financing activities:

Proceeds from loan collections	648,210
Loans advanced	(40,000)
	<hr/>
Net cash provided by financing activities	608,210

NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,741,726)
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Cash and cash equivalents at beginning of year	8,358,592
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Cash and cash equivalents at end of year	\$ 6,616,866
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The accompanying notes are an integral part of this financial statement.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 condition; 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

There are two classes of net assets, revenues, expenses, gains and losses with each being classified based on the existence or absence of donor-imposed restriction.

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 in net assets with donor restrictions on the financial statements. The financial statements report expenses as

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

decreases in net assets without donor restrictions. Gains and losses on investments and 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.

Cash and Cash Equivalents

The Archdiocese considers highly liquid investments having original maturities of three months or less on June 30, 2024 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.

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.

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 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.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Accounts, Premium and Interest Receivables

The Archdiocese has accounts and interest receivables from parishes, schools and affiliated entities related to Taxa, 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.

Pledges Receivable

Pledges receivables, less an appropriate reserve, are reported within Accounts Receivable from Parishes and Others. The pledge receivable balance was \$248,000 at June 30, 2024.

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.

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.

Right-of-Use Asset

On January 1, 2023, the Archdiocese entered into a 5-year space use agreement with the St. Thomas Seminary of Hartford for the use of office space for Archdiocesan offices at the Seminary. The agreement is accounted for as a lease under the provisions of ASC 842 and the Archdiocese has accordingly recorded a right-of-use (ROU) asset and lease liability which are reflected on the statement of financial position. The ROU asset is depreciated over the term of the lease, and the lease liability is reduced as payments are made on the lease.

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.

Investments Held for Others

Custodian funds are held as assets and offsetting liabilities.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 the period ending June 30, 2024.

The Archdiocese follows the guidance FASB ASC 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.

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.

Functional Allocation of Expenses

The statement of functional expenses summarizes the costs of providing the various programs and other activities. These costs include direct and indirect costs that have been allocated consistently, among the programs and administrative expenses. Natural expenses incurred directly in programs or functions as classified in the statement of functional expenses. Programs funded through the Archbishop's Annual Appeal or from outside contributions are classified to a specific program by its natural expense category. Certain indirect costs are reflected as All Other because the program or administrative function is not directly related.

The Archdiocese categorizes expenses to natural expense classifications such as salaries, benefits, depreciation, occupancy, professional services, information technology, etc.

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.

New Accounting Standards

The Archdiocese adopted the Current Expected Credit Loss (CECL) standard as required and determined that the impact on its financial statements was not material, as the nature and volume of its financial assets resulted in minimal expected credit losses. The adoption did not result in significant changes to the Archdiocese's accounting policies, financial position, or results of operations.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Subsequent Events

The Archdiocese follows FASB ASC 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 June 30, 2024 and through March 19, 2025, the date on which the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following schedule reflects the Archdiocese financial assets as of June 30, 2024, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or special internal designation. The amounts not available include funds set aside for long-term investing in the General Insurance Fund reserve. 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 condition includes the following:

Cash and cash equivalents	\$ 6,616,866
Investments	54,905,976
Pledges receivable, due within one year	42,000
Accounts receivable, due within one year	61,887
Loans receivable, due within one year	116,373
Other receivables, due within one year	37,953
	<hr/>
	61,781,055
Less amounts unavailable within one year:	
Funds with donor restrictions	<hr/> (3,106,304)
Assets available to meet cash needs for general expenditures	58,674,751
Less: funds designated by the Archiepiscopal	<hr/> (26,881,627)
Financial assets available	<hr/> <u>\$ 31,793,124</u>

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.

Liquidity of Investments

The Archdiocese invests its long-term financial assets in The Archdiocese of Hartford Investment Trust (the "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 of which 22% have a short duration of fewer than three years, and cash and cash equivalents 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

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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.

NOTE 4 - ACCOUNTS, PREMIUM AND PLEDGES RECEIVABLES

Gross receivables:	
Accounts receivable	\$ 882,792
Premiums receivable	230,520
Pledges receivable	<u>248,000</u>
Gross receivables	<u>1,361,312</u>
Allowance for doubtful accounts:	
Accounts receivable	(50,478)
Premiums receivable	<u>(204,613)</u>
Allowance for doubtful accounts	<u>(255,091)</u>
Net accounts, premiums and pledges receivables	<u>\$ 1,106,221</u>

NOTE 5 - LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

Gross loans receivable	\$ 1,541,835
Allowance for loan losses-beginning of year:	(751,597)
Write offs net of recoveries	<u>302,632</u>
Allowance for loan losses-end of year	<u>(448,965)</u>
Net loans receivable	<u>\$ 1,092,870</u>
Due in:	
Less than one year	\$ 116,373
One to five years	<u>976,497</u>
Total net loans receivable	<u>\$ 1,092,870</u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

The cost of property, plant, and equipment and accumulated depreciation at June 30 is as follows:

Land	\$ 998,441
Buildings and improvements	5,678,514
ROU asset	2,433,341
IT hardware and software	1,795,692
Automobiles, furniture and equipment	<u>1,390,419</u>
	12,296,407
Less: accumulated depreciation	<u>(8,487,746)</u>
Property, plant, and equipment, net	<u>\$ 3,808,661</u>

Depreciation expense for the year ended June 30, 2024 is \$691,772.

NOTE 7 - INSURANCE PROGRAM AND CONTINGENCIES

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 and was valued at \$2,814,969 as of June 30, 2024. 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 \$1,000,000 annual aggregate.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 \$1,000,000 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.
 - 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 \$21,630,361 at June 30, 2024.

NOTE 8 - NET ASSETS

Net Assets Without Donor Imposed Restrictions

Net assets without donor restrictions include the following as of June 30:

Designated for special purpose funds:	
Archbishop's Annual Appeal Fund	\$ 9,833,846
Vicariate Outreach Fund	1,146,214
Children's Care Fund	893,177
Extern Priest Retirement Fund	567,023
WJMJ Fund	1,036,298
Alma Bousquet Fund	384,587
Smith Fund	176,509
General Insurance Fund	9,940,507
Saint Teresa Benedicta Fund	2,903,439
Our Gift for Tomorrow Fund	27
	<hr/>
Designated for special purpose	26,881,627
	<hr/>
Undesignated	32,499,820
	<hr/>
Total net assets without donor restrictions	<u><u>\$ 59,381,447</u></u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 June 30, 2024 and the corresponding purposes for which the income is expendable are as follows:

Subject to expenditure for specific purpose:

Archdiocesan wide collections:	
Catholic social justice	\$ 175,527
S. French Human Trafficking Bequest	3,530
Sacred Music & Liturgy:	
O'Connor/King Fund	128,060
Support for Clergy:	
Residential and other support for retired priests:	
Croteau Fund	651,741
Ambroso Bequest	30,000
Wellness support for priests:	
Kiely Fund	1,065,837
Support for the Poor:	
Henegan Fund	520,981
	<hr/>
Net assets with donor-purpose restricted	2,575,676
	<hr/>
Net assets held as endowed assets to generate income for specified purposes:	
Sacred Music & Liturgy-O'Connor King Fund	105,225
Residential Support for Retired Priests-Croteau Fund	425,403
	<hr/>
Net assets held as endowed	530,628
	<hr/>
Net assets with donor restrictions	<u><u>\$ 3,106,304</u></u>

NOTE 9 - INVESTMENTS

Investments at June 30, 2024 consist of the following:

Cash and cash equivalents	\$ 24,116
Equity securities	373,719
Fixed income securities	454,865
Hedge funds	181,691
Commodities	42,754
Equity interest in Catholic Umbrella Pool	2,814,969
Interest held by others	2,683,664
Interest in Archdiocese of Hartford Investment Trust	48,330,198
	<hr/>
	<u><u>\$ 54,905,976</u></u>

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

The Archdiocese of Hartford established The Archdiocese of Hartford Investment Trust (the Trust) to invest its assets in combination with similar assets owned by specific religious, charitable, and educational organizations affiliated with the Archdiocese (collectively, the Plan Participants), and to share the investment gains and losses of the Trust. The Trust operates by the trust laws of the State of Connecticut. Participation is limited to religious, charitable, or educational organizations affiliated with the Archdiocese and its supporting corporations. The Trusts' assets were held with BNY Mellon for the first three months of the fiscal year. The Trust established agreements with Northern Trust (the Custodian) to be the new custodians of the assets. The transfer of assets from BNY Mellon to Northern Trust began on October 1st, 2023. In addition to the agreements the Trust has with the custodian, it also maintains established agreements with various professional investment managers to manage the assets. The Trust also established investment policy guidelines and an investment committee to oversee the investment activities of the Trust. The Trust's investment committee regularly reviews the performance of investment managers. Periodically, the investment committee adjusts the investment allocations of the Trust consistent with investment objectives and assessment of risks and market conditions.

The total net investment return on invested assets for the year ended June 30, 2024 consist of the following components:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,376,542	\$ 96,560	\$ 1,473,102
Investment expenses	<u>(142,539)</u>	<u>(12,217)</u>	<u>(154,756)</u>
Total investment income	<u>1,234,003</u>	<u>84,343</u>	<u>1,318,346</u>
Realized gains	1,461,864	94,678	1,526,545
Unrealized gains	<u>1,326,848</u>	<u>96,723</u>	<u>1,423,571</u>
Total realized/unrealized gains on investments	<u>2,788,712</u>	<u>191,401</u>	<u>2,980,113</u>
Total net investment return	<u>\$ 4,022,715</u>	<u>\$ 275,744</u>	<u>\$ 4,298,459</u>

The amounts disclosed in this footnote are based upon The Archdiocese of Hartford Investment Trust disclosures as it relates to The Hartford Roman Catholic Diocesan Corporation, which differ by values related to alternative investments.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 10 - FAIR VALUE MEASUREMENTS

The Archdiocese's financial assets carried at fair value at June 30, 2024 are summarized in the following table based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Investments:					
Cash and cash equivalents	\$ 24,116	\$ -	\$ -	\$ -	\$ 24,116
Equity securities	373,719	-	-	-	373,719
Fixed income securities	-	454,865	-	-	454,865
Hedge funds	-	-	-	181,691	181,691
Commodities	-	42,754	-	-	42,754
Equity interest in Catholic Umbrella Pool	-	-	-	2,814,969	2,814,969
Interest held by others	-	-	2,683,664	-	2,683,664
Interest in Archdiocese of Hartford Investment Trust	-	-	-	48,330,198	48,330,198
Total investments	<u>\$ 397,835</u>	<u>\$ 497,619</u>	<u>\$ 2,683,664</u>	<u>\$ 54,010,522</u>	<u>\$ 54,905,976</u>

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' underlying investments in marketable equity and debt securities. The Archdiocese can redeem its investment in the Archdiocese of Hartford Investment Trust at NAV daily.
- Level 1 investments held in Trust for others are securities that trade in active markets with quoted market prices readily available. Level 2 investments held in Trust for others result when securities do not trade actively in the open market, but other significant observable inputs are present to determine fair value.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

The amounts disclosed in this footnote are based upon The Archdiocese of Hartford Investment Trust disclosures as it relates to The Hartford Roman Catholic Diocesan Corporation, which differ by values related to alternative investments.

NOTE 11 - ENDOWMENT FUNDS

The Archdiocese's endowment consists of three individual funds that are in perpetuity Refer to Note 8 for additional details regarding temporarily restricted funds and funds held with special purpose designations.

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 and spending 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. Under the current spending policy, no appreciation from the endowment net assets has been spent during the year ended June 30, 2024.

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.

Below is a schedule of endowed net asset balances as of June 30, 2024:

	<u>Original Gift</u>	<u>Accumulated Gains</u>	<u>Investment Disbursements</u>	<u>Total Funds</u>
Endowment Funds	\$ 530,628	\$ 2,556,561	(\$ 1,776,760)	\$ 1,310,429

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Changes in endowment funds for the year ended June 30, 2024:

Balance, beginning of period	\$ 2,805,164
Investment returns:	
Investment income, net	44,790
Net appreciation (realized and unrealized)	<u>237,235</u>
Total investment return	<u>282,025</u>
Investment transfer	(1,766,760)
Investment release	<u>(10,000)</u>
Balance, end of period	<u>\$ 1,310,429</u>

NOTE 12 - 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, 2023, and 2022 for priests totaled \$89,215 and \$89,685, respectively, and the contributions on behalf of lay employees totaled \$157,950 and \$280,466 in 2023 and 2022, 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 calendar year 2024, the monthly benefit is \$3,402 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) $[1.5\% \times \text{the participant's credited service as of December 31, 2019} + 1\% \times \text{credited service after January 1, 2020}] \times \text{average earnings} \times \text{vesting percentage}$, multiplied by:

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

(b) Early retirement reduction factor – a factor of 1 equates to normal retirement.

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

Legal Plan Name	Plan EIN	Present Value Accumulated Benefits	Fair Value of Plan Assets	Total Contributions	Funded Status
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

NOTE 13 - ESTIMATED LIABILITY 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 were 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. As required by generally accepted accounting principles, the Archdiocese evaluates these contingencies to determine if it is probable that a loss has been incurred and if the amount of loss can be reasonably estimated. Accruals for loss contingencies are recognized when it is probable that a liability has been incurred, and the amount is reasonably estimable.

The Hartford Roman Catholic Diocesan Corporation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 14 - GUARANTEES

Effective February 1, 2024, the Archdiocese has agreed to act as a guarantor on a \$10 million line of credit that has been secured from the Knights of Columbus by The St. Thomas Seminary of Hartford, an affiliated organization, to serve as a bridge financing for a project to restore the exterior walls of the Seminary building. The Archdiocese has pledged as collateral a portion of its General Reserve Fund that is held in the Archdiocese of Hartford Investment Trust.

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

Saint Thomas Seminary of Hartford	\$ 10,000,000
Our Lady of Fatima, Hartford	<u>100,000</u>
	<u>\$ 10,100,000</u>

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

NOTE 15 - TRANSFER OF NET ASSETS TO RELATED PARTY

On June 2, 2024, the Archdiocese of Hartford transferred the Mulcahy Trust Fund, worth approximately \$1.6 million, to St. Thomas Seminary of Hartford, as it was part of the realignment of 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 that occurred on January 1, 2023. The transfer is reflected in the Statement of Activities as a transfer of net assets to a related party.