

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.  
JUNE 30, 2021 AND 2020**

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**JUNE 30, 2021 AND 2020**

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## **Independent Auditor's Report**

To the Most Reverend Christopher J. Coyne, Bishop of the  
Roman Catholic Diocese of Burlington, Vermont  
and the Diocesan Administrative Board of the  
Roman Catholic Diocese of Burlington, Vermont, Inc.

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

We have audited the accompanying financial statements of the Roman Catholic Diocese of Burlington, Vermont, Inc. (RCDB, Inc.), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Certified Public Accountants and Business Consultants**  
Vermont License # 092.0000125 / New Hampshire License # 00627

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**Basis for Qualified Opinion**

The RCDB, Inc., has not included certain activities or operating divisions, such as the Diocesan schools, the Diocesan cemetery, and The Catholic Center (see Note A1), and has not consolidated Vermont Catholic Charities, Inc., into these financial statements, which are required to be consolidated in accordance with Accounting Standards Codification Topic 958. The effects on the financial statements, as of and for the years ended June 30, 2021 and 2020, have not been determined.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the RCDB, Inc., as of June 30, 2021 and 2020, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont  
November 10, 2021

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30,**

**ASSETS**

	<u>2021</u>	<u>2020</u>
Cash	\$ 944,088	\$ 1,533,524
Pledges receivable, net of allowance for doubtful accounts of \$15,090 in 2021 and \$20,609 in 2020	147,144	161,782
Bequest and trust receivables	526,903	797,877
Parish receivables, net of allowance for doubtful accounts of \$95,851 in 2021 and \$42,743 in 2020	675,708	542,011
Prepaid expenses and other current assets	232,797	157,981
Notes receivable - related parties	928,299	1,350,188
Marketable securities	3,170,662	1,784,079
Beneficial interests	19,737,931	15,863,448
Property and equipment, net	3,171,039	3,308,327
Prepaid pension plan costs	<u>3,238,778</u>	<u>1,845,250</u>
Total assets	<u>\$ 32,773,349</u>	<u>\$ 27,344,467</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 192,477	\$ 292,528
Accrued liabilities and reserves	435,119	1,429,696
Due to affiliated organizations, net	779,625	621,548
Funds held for others	1,172,763	45,465
Long-term debt	402,349	1,073,138
Accrued postretirement benefit plan costs	<u>2,291,685</u>	<u>2,615,614</u>
Total liabilities	<u>5,274,018</u>	<u>6,077,989</u>

**NET ASSETS**

Without donor restrictions	13,236,549	10,040,496
With donor restrictions	<u>14,262,782</u>	<u>11,225,982</u>
Total net assets	<u>27,499,331</u>	<u>21,266,478</u>
Total liabilities and net assets	<u>\$ 32,773,349</u>	<u>\$ 27,344,467</u>

The accompanying notes are an integral part of these statements.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30,**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Bishop's Annual Appeal	\$ 1,757,178	\$ 147,144	\$ 1,904,322	\$ 1,854,953	\$ 161,782	\$ 2,016,735
Diocesan assessments	1,470,415	-	1,470,415	1,514,992	-	1,514,992
Insurance premiums charged to parishes and other affiliates for insurance program	1,466,170	-	1,466,170	1,323,607	-	1,323,607
Imputed rental and administrative services charged to affiliated organization	1,502,427	-	1,502,427	1,504,072	-	1,504,072
Program revenue	156,037	-	156,037	249,325	-	249,325
Gifts and bequests	258,698	134,499	393,197	204,195	175,610	379,805
Investment return designated for current operations	587,272	281,501	868,773	737,947	210,433	948,380
Other revenue	<u>527,975</u>	<u>-</u>	<u>527,975</u>	<u>404,127</u>	<u>-</u>	<u>404,127</u>
Total revenues	7,726,172	563,144	8,289,316	7,793,218	547,825	8,341,043
Reclassifications: Net assets released from restrictions	<u>459,494</u>	<u>(459,494)</u>	<u>-</u>	<u>756,164</u>	<u>(756,164)</u>	<u>-</u>
Total revenues and reclassifications	<u>8,185,666</u>	<u>103,650</u>	<u>8,289,316</u>	<u>8,549,382</u>	<u>(208,339)</u>	<u>8,341,043</u>
<b>EXPENSES</b>						
Program services:						
General program expenses	4,801,071	-	4,801,071	6,233,317	-	6,233,317
Priests' benefit fund	800,169	-	800,169	740,308	-	740,308
Diocesan insurance	<u>1,345,348</u>	<u>-</u>	<u>1,345,348</u>	<u>1,240,926</u>	<u>-</u>	<u>1,240,926</u>
Total program services	<u>6,946,588</u>	<u>-</u>	<u>6,946,588</u>	<u>8,214,551</u>	<u>-</u>	<u>8,214,551</u>
Supporting services:						
General and administrative	1,512,853	-	1,512,853	3,446,139	-	3,446,139
Development	<u>596,719</u>	<u>-</u>	<u>596,719</u>	<u>553,440</u>	<u>-</u>	<u>553,440</u>
Total supporting services	<u>2,109,572</u>	<u>-</u>	<u>2,109,572</u>	<u>3,999,579</u>	<u>-</u>	<u>3,999,579</u>
Total expenses	<u>9,056,160</u>	<u>-</u>	<u>9,056,160</u>	<u>12,214,130</u>	<u>-</u>	<u>12,214,130</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<u>(870,494)</u>	<u>103,650</u>	<u>(766,844)</u>	<u>(3,664,748)</u>	<u>(208,339)</u>	<u>(3,873,087)</u>
<b>OTHER GAINS (LOSSES)</b>						
Paycheck Protection Program loan forgiveness	654,360	-	654,360	-	-	-
Investment return (loss) net of amounts designated for current operations	1,126,550	578,460	1,705,010	(64,829)	(45,628)	(110,457)
Increase (decrease) in value of beneficial interests	36,000	1,754,569	1,790,569	36,199	(34,415)	1,784
Contributions to capital campaign	656,552	600,121	1,256,673	178,208	29,714	207,922
Development expense - capital campaign	<u>(191,500)</u>	<u>-</u>	<u>(191,500)</u>	<u>(541,928)</u>	<u>-</u>	<u>(541,928)</u>
Total other gains (losses)	<u>2,281,962</u>	<u>2,933,150</u>	<u>5,215,112</u>	<u>(392,350)</u>	<u>(50,329)</u>	<u>(442,679)</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE PENSION RELATED CHANGES OTHER THAN PENSION SERVICE COST</b>	1,411,468	3,036,800	4,448,268	(4,057,098)	(258,668)	(4,315,766)
Retirement and postretirement plan benefits other than service costs	247,559	-	247,559	185,811	-	185,811
Pension related changes other than net periodic pension cost	<u>1,537,026</u>	<u>-</u>	<u>1,537,026</u>	<u>(1,267,217)</u>	<u>-</u>	<u>(1,267,217)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,196,053	3,036,800	6,232,853	(5,138,504)	(258,668)	(5,397,172)
<b>NET ASSETS, beginning of year</b>	<u>10,040,496</u>	<u>11,225,982</u>	<u>21,266,478</u>	<u>15,179,000</u>	<u>11,484,650</u>	<u>26,663,650</u>
<b>NET ASSETS, end of year</b>	<u>\$ 13,236,549</u>	<u>\$ 14,262,782</u>	<u>\$ 27,499,331</u>	<u>\$ 10,040,496</u>	<u>\$ 11,225,982</u>	<u>\$ 21,266,478</u>

The accompanying notes are an integral part of these statements.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2021**

	Program Expenses				Supporting Expenses			
	General Program	Priests' Benefit Fund	Diocesan Insurance	Total Program	General and Administrative	Development	Total Supporting	Total Expenses
Operating:								
Salaries and wages	\$ 1,184,291	\$ 54,330	\$ 108,658	\$ 1,347,279	\$ 612,749	\$ 350,683	\$ 963,432	\$ 2,310,711
Employee benefits	304,986	22,090	28,082	355,158	112,793	61,925	174,718	529,876
Total personnel	1,489,277	76,420	136,740	1,702,437	725,542	412,608	1,138,150	2,840,587
Buildings and grounds	100,496	-	3,166	103,662	41,319	6,481	47,800	151,462
Contracted services	47,656	-	5,213	52,869	94,549	3,262	97,811	150,680
Insurance	-	-	1,159,841	1,159,841	34,060	-	34,060	1,193,901
Interest	-	-	-	-	22,307	-	22,307	22,307
Legal and related	-	-	-	-	136,790	-	136,790	136,790
Other	111,858	-	725	112,583	221,334	142,711	364,045	476,628
Priest benefits	-	691,653	-	691,653	-	-	-	691,653
Professional and technical	34,515	26,000	35,756	96,271	91,150	4,332	95,482	191,753
Seminary education	428,114	-	-	428,114	-	-	-	428,114
Social services and other subsidies	2,355,737	-	-	2,355,737	13,169	-	13,169	2,368,906
Supplies and postage	140,381	6,096	976	147,453	63,264	21,325	84,589	232,042
	4,708,034	800,169	1,342,417	6,850,620	1,443,484	590,719	2,034,203	8,884,823
Depreciation and amortization	93,037	-	2,931	95,968	69,369	6,000	75,369	171,337
Total operating	4,801,071	800,169	1,345,348	6,946,588	1,512,853	596,719	2,109,572	9,056,160
Non-operating:								
Professional and technical	-	-	-	-	-	191,500	191,500	191,500
Total	<u>\$ 4,801,071</u>	<u>\$ 800,169</u>	<u>\$ 1,345,348</u>	<u>\$ 6,946,588</u>	<u>\$ 1,512,853</u>	<u>\$ 788,219</u>	<u>\$ 2,301,072</u>	<u>\$ 9,247,660</u>

The accompanying notes are an integral part of these statements.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2020**

	Program Expenses				Supporting Expenses		Total Supporting	Total Expenses
	General Program	Priests' Benefit Fund	Diocesan Insurance	Total Program	General and Administrative	Development		
Operating:								
Salaries and wages	\$ 1,110,141	\$ 46,923	\$ 108,029	\$ 1,265,093	\$ 616,082	\$ 365,560	\$ 981,642	\$ 2,246,735
Employee benefits	287,605	21,200	25,796	334,601	177,644	58,502	236,146	570,747
Total personnel	1,397,746	68,123	133,825	1,599,694	793,726	424,062	1,217,788	2,817,482
Buildings and grounds	106,975	-	3,370	110,345	49,508	6,899	56,407	166,752
Contracted services	75,885	-	-	75,885	128,200	916	129,116	205,001
Forgiveness of related-party debt subsidy	1,263,631	-	-	1,263,631	-	-	-	1,263,631
Insurance	-	-	1,098,782	1,098,782	30,253	-	30,253	1,129,035
Interest	-	-	-	-	27,258	-	27,258	27,258
Legal and related	94	-	-	94	1,596,938	-	1,596,938	1,597,032
Other	280,844	-	268	281,112	543,952	56,857	600,809	881,921
Priest benefits	-	661,068	-	661,068	-	-	-	661,068
Professional and technical	79,795	8,415	-	88,210	125,135	37,673	162,808	251,018
Seminary education	315,941	-	-	315,941	-	-	-	315,941
Social services and other subsidies	2,457,649	-	-	2,457,649	12,700	-	12,700	2,470,349
Supplies and postage	159,342	2,702	1,675	163,719	67,326	20,880	88,206	251,925
	6,137,902	740,308	1,237,920	8,116,130	3,374,996	547,287	3,922,283	12,038,413
Depreciation and amortization	95,415	-	3,006	98,421	71,143	6,153	77,296	175,717
Total	6,233,317	740,308	1,240,926	8,214,551	3,446,139	553,440	3,999,579	12,214,130
Non-operating:								
Professional and technical	-	-	-	-	-	541,928	541,928	541,928
Total	<u>\$ 6,233,317</u>	<u>\$ 740,308</u>	<u>\$ 1,240,926</u>	<u>\$ 8,214,551</u>	<u>\$ 3,446,139</u>	<u>\$ 1,095,368</u>	<u>\$ 4,541,507</u>	<u>\$ 12,756,058</u>

The accompanying notes are an integral part of these statements.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>INCREASE (DECREASE) IN CASH</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 6,232,853	\$ (5,397,172)
Noncash items included in increase (decrease) in net assets:		
Depreciation and amortization	171,337	175,717
Net realized and unrealized gains on investments	(2,242,146)	(494,069)
Bad debt expense (recoveries), net	53,108	(120,288)
Contributions and other changes in value of beneficial interests	(2,391,843)	(31,498)
Pension-related changes other than net periodic pension costs	(1,537,026)	1,267,217
In-kind payments received on note receivable - related party	22,640	29,423
Forgiveness of Paycheck Protection Program loan	(654,360)	-
Forgiveness of note receivable - related party	95,000	1,263,631
Change in operating assets and liabilities:		
Receivables	98,807	(27,816)
Due to and from affiliated organizations	(324,316)	720,258
Prepaid expenses	(74,816)	70,412
Funds held for others	7,404	(20,547)
Accounts payable and accrued liabilities and reserves	(1,094,628)	1,202,189
Pension and postretirement benefit plan costs	(180,431)	(251,183)
	<u>(8,051,270)</u>	<u>3,783,446</u>
Net cash used in operating activities	<u>(1,818,417)</u>	<u>(1,613,726)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital acquisitions	(34,049)	(368,102)
Proceeds from sale of property and equipment	-	305,410
Distributions from beneficial interests	487,155	443,397
Advances to related parties on notes receivable	(25,751)	(1,379,611)
Principal receipts on notes receivable - related parties	330,000	-
Proceeds from sale of marketable securities	1,047,400	4,932,804
Purchases of marketable securities	(559,345)	(1,522,645)
Net cash provided by investing activities	<u>1,245,410</u>	<u>2,411,253</u>
Subtotal (forward)	<u>\$ (573,007)</u>	<u>\$ 797,527</u>

(CONTINUED)

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
Subtotal (forwarded)	\$ (573,007)	\$ 797,527
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt - Paycheck Protection Program	-	654,360
Principal payments on long-term debt	<u>(16,429)</u>	<u>(21,090)</u>
Net cash provided by (used in) financing activities	<u>(16,429)</u>	<u>633,270</u>
Net increase (decrease) in cash	(589,436)	1,430,797
<b>CASH, beginning of year</b>	<u>1,533,524</u>	<u>102,727</u>
<b>CASH, end of year</b>	<u><u>\$ 944,088</u></u>	<u><u>\$ 1,533,524</u></u>

**Supplemental Disclosures of Cash Flows Information**

Cash paid during the year for:

Interest expense	<u>\$ 22,307</u>	<u>\$ 27,258</u>
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The RCDB, Inc., received contributions of investments for the benefit of a related party (a liability) totaling approximately \$390,000 in 2021 and \$145,000 in 2020 (see Note L).

During 2021, the RCDB, Inc., received investments and incurred a liability for the benefit of others totaling approximately \$1,000,000 related to a charitable remainder unitrust (the CRUT) in which the beneficiary is revocable (see Note I).

The accompanying notes are an integral part of these statements.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES**

**General:**

The Roman Catholic Diocese of Burlington (the Diocese) was originally established in 1853. As a diocese of the Universal Roman Catholic Church, it is defined according to The Code of Canon Law as being “a portion of the people of God which is entrusted to a bishop for him to shepherd with the cooperation of the Presbyterian, so that, adhering to its pastor and gathered by him in the Holy Spirit through the gospel and the Eucharist, it constitutes a particular church in which the one, holy, Catholic, and apostolic Church of Christ is truly present and operative” (The Code of Canon Law, canon 369). As such, the Diocesan Bishop is the competent authority to erect parishes, diocesan schools, diocesan cemeteries and other activities in order to propagate the Roman Catholic religion without prejudice to the canons of The Code of Canon Law of the Roman Catholic Church and any other legislation promulgated by the Roman Catholic Church and, on the local level, by the Bishop of the Diocese.

**Overview of Operations:**

The Roman Catholic Diocese of Burlington, Vermont, Inc., (RCDB, Inc.) is a civil corporation ancillary to the canonical structure of the Roman Catholic Diocese of Burlington. It was chartered by the Vermont legislature in 1896, in order that it might serve the needs and requirements of those entities initially established by the first Diocesan Bishop, while at the same time respecting the separate legal structures of said entities and those that were to follow. The RCDB, Inc., consists of administrative offices, certain program offices conducted at the diocesan level, the diocesan cemetery, diocesan schools, and The Catholic Center. Certain activities are conducted by separately incorporated, but affiliated, entities or by separate civilly constructed organizations under the pastoral and administrative care of the Diocesan Bishop in accordance with the canons of The Code of Canon Law of the Roman Catholic Church and other legislation as noted above. By virtue of being listed in the Official Catholic Directory as a member of the Universal Roman Catholic Church, the RCDB, Inc., is exempt from income taxation.

**Accounting policies:**

**1. Scope of financial statements**

The accompanying financial statements include the assets, liabilities and financial activities of all administrative offices, program offices and departments of the RCDB, Inc. However, accounts of certain activities or operating divisions of the RCDB, Inc., such as diocesan schools, the diocesan cemetery, and The Catholic Center, have been excluded. Furthermore, Vermont Catholic Charities, Inc. (a separate affiliated corporation for which the RCDB, Inc., is the parent corporation) has also been excluded. This entity operates separately and distinctly from the RCDB, Inc., maintains separate accounts and carries on its own services and programs in accordance with the mission of the Roman Catholic Diocese of Burlington and the Universal Roman Catholic Church.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**1. Scope of financial statements (continued)**

These financial statements include the following activities:

**General program:**

General program includes all accounts and activities of the RCDB, Inc., related to meeting the general and specific operating requirements of the RCDB, Inc., including chancery, program ministries, and Vermont Catholic publication. The general category also includes all accounts related to net assets with donor restrictions for the purpose of producing income for general or specific purposes.

**Priests' Benefit Fund:**

The RCDB, Inc., sponsors a noncontributory, non-ERISA qualified defined benefit retirement plan and related trust, and a defined health benefit postretirement plan under the Priests' Benefit Fund, which provides medical care. The plans provide benefits to all Roman Catholic Priests who have been incardinated in the Diocese, have contributed twenty years of service to the Diocese, and meet certain criteria, as defined in the plans. Activity incurred in connection with the Priests' Benefit Fund, included in the statement of functional expenses, includes:

	2021	2020
Program administrative costs	\$ 108,516	\$ 79,240
Health and dental insurance premiums for active priests	437,726	448,374
Service costs of the retirement and postretirement plans (see Note J)	<u>253,927</u>	<u>212,694</u>
Total priest benefit fund expenses	<u>\$ 800,169</u>	<u>\$ 740,308</u>

**Diocesan insurance:**

The RCDB, Inc., is self-insured for property and liability-related claims costs and maintains a self-insurance reserve. Revenue is generated by premiums charged to affiliated organizations, and insurance premiums are paid to a provider for coverage at specified liability limits. Charges are made to operations for claims, settlements, insurance premiums, and legal defense costs.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**2. Basis of accounting and presentation**

The RCDB, Inc.'s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the RCDB, Inc., to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the RCDB, Inc. These net assets may be used at the discretion of management and the Board and include board-designated funds that may be expended with approval of the Board.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the RCDB, Inc., or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**3. Contributions and promises to give**

In accordance with Accounting Standards Codification (ASC) Topic 958-605, *Not for Profit Entities: Revenue Recognition*, contributions are recognized when the donor makes a promise to give to the RCDB, Inc., that is, in substance, unconditional. Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions (see Note K). Contributions restricted for a specific purpose that are satisfied during the same fiscal year are recorded as support without donor restrictions. Pledges receivable, which are primarily related to the Bishop's Fund Appeal, are expected to be collected in one year.

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the RCDB, Inc., report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**4. Diocesan assessments**

Diocesan assessments include assessments to parishes for the general support of the Diocesan operations and Catholic schools.

**5. Allowance for doubtful collection of receivables**

Pledges, bequests, trusts and notes receivable are stated at the amount the RCDB, Inc., expects to collect. The allowances for doubtful accounts are the RCDB, Inc.'s best estimates of the amount of probable credit losses in the RCDB, Inc.'s existing receivable; however, changes in circumstances relating to receivable may result in a requirement for additional allowances in the future. The RCDB, Inc., determine each allowance based on historical write-off experience, current trends in collections and, for larger accounts, the ability to pay outstanding balances. The RCDB, Inc., regularly review their allowances for doubtful accounts and maintain general reserves for loan balances and invoices considered to be at risk of collection. In addition, for accounts receivable, past due balances greater than 90 days and other higher risk amounts are reviewed individually for collectability. Account balances are charged against the respective allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

**6. 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**7. Fair value measurements**

Under the Financial Accounting Standards Board (FASB) authoritative guidance on fair value measurements, fair value is 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. In determining fair value, the RCDB, Inc., uses various methods including market, income and cost approaches. Based on these approaches, the RCDB, Inc., often utilize certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The RCDB, Inc., utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the RCDB, Inc., are required to provide the following information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the RCDB, Inc., have access to.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**7. Fair value measurements (continued)**

For the years ended June 30, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for instruments measured at fair value:

**Investment securities**

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

**Beneficial interests**

The fair value of the beneficial interest in trusts is the RCDB, Inc.'s proportionate share of the total market value based upon quoted market prices of the underlying investments, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The beneficial interests in Vermont Catholic Community Foundation, Inc. (VCCF) are valued based on the net asset value (NAV) of units within the funds of assets, as further described hereafter.

**Pension plan investment securities**

The fair value of pension plan investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

**Investments measured using net asset value**

Certain investments are valued based on NAV of units within a fund of assets. The NAV is used as a practical expedient to estimating fair value and is based upon the quoted prices of the underlying investments. This practical expedient would not be used if it were determined to be probable that the fund will sell the investment for an amount different from the reported NAV. Each fund provides for daily redemptions at reported NAV per unit, with no advance notification requirement.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**8. Beneficial interests**

In accordance with ASC Topic 958, *Not for Profit Entities*, the RCDB, Inc., record their beneficial interest in trusts in which they are named or have been legally determined to be a beneficiary at the lesser of estimated discounted cash flows of income to be received or their proportionate share of the fair value of underlying net assets of the trusts. Distributions received from perpetual trusts are accounted for as gains on investments; other distributions from trusts are accounted for as reductions in the carrying value of the related trust. Changes in the RCDB, Inc.'s share of the change in fair value of the underlying assets of the trusts are recorded as a gain due to the change in value of beneficial interests.

The RCDB, Inc., record their beneficial interest in VCCF at the net asset value of its proportionate share of the fair value of VCCF's investments. Distributions received from the funds are accounted for as reductions in the carrying value of the related fund and changes in the RCDB's share of the change in fair value of VCCF's investments are recorded as investment income.

**9. Funds held for others**

Resources from donors that are directed toward other specified entities are recorded as liabilities for "funds held for others" in the accompanying statements of financial position.

**10. Contributed services**

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the RCDB, Inc.

**11. Property and equipment**

Property and equipment are carried at cost or the fair value of contributed assets, except for assets transferred from other affiliates wholly controlled by the RCDB, Inc., which are recorded at their historical cost to the transferor. Construction in process represents costs incurred on projects in process and not placed in service at year-end. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to activities over their estimated service lives, using the straight-line method.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**12. Endowment**

The RCDB, Inc., endowment consists of eight individual donor restricted funds established for a variety of purposes. Its endowment may include both donor-restricted endowment funds and funds designated by the Diocesan Administrative Board to function as endowments. As required by ASC Topic 958-205-05, *Not-For-Profit Entities: Presentation of Financial Statements: Reporting Endowment Funds*, net assets associated with endowment funds, including funds designated by the Diocesan Administrative Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There were no board designated funds at June 30, 2021 and 2020.

**Interpretation of relevant law**

The RCDB, Inc., follow the state of Vermont's *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Diocesan Administrative Board has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the RCDB, Inc., classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment fund that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**12. Endowment (continued)**

**Interpretation of relevant law (continued)**

In accordance with UPMIFA, the RCDB, Inc., consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) general economic conditions;
- (2) the possible effect of inflation and deflation;
- (3) the role that each investment or course of action plays within the overall investment portfolio of the fund;
- (4) the expected total return from income and the appreciation of investments;
- (5) other resources of the organization;
- (6) the needs of the organization and the fund to make distributions and to preserve capital; and
- (7) an asset's special relationship or special value, if any, to the charitable purposes of the organization.

**Underwater endowment funds**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the RCDB, Inc., to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies may result from unfavorable market fluctuations that occur shortly after an investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Diocesan Administrative Board. There were no such deficiencies as of June 30, 2021 and 2020.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**12. Endowment (continued)**

**Return objectives and risk parameters**

The RCDB, Inc., has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designed funds. Under this policy, as approved by the Diocesan Administrative Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The RCDB, Inc., expects their endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives**

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

**Spending policy and how the investment objectives relate to spending policy**

The RCDB, Inc., has a policy of appropriating for distribution each year 5% of its endowment fund fair value on the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the RCDB, Inc., considered the long-term expected return on its endowments. Accordingly, over the long term, the RCDB, Inc., expects the current spending policy to allow its endowments to grow at an average of 2% annually.

**13. Measure of operations**

The statement of activities reports all changes in net assets, including changes in net assets from supporting activities (“operating”) and other (“non-operating”) activities. Non-operating activities are limited to other resources that generate return from investments, capital campaigns, and other activities considered to be not material to operations or that are unusual or nonrecurring in nature.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**14. Functional allocation of expenses**

Expenses are charged to program and supporting services based on direct expenses incurred and allocations of common expenses.

Common costs are allocated to program and supporting services based upon related estimated utilization. Specifically, salaries and wages and employee benefits are allocated based on estimates of time and effort and buildings and grounds and depreciation and amortization are allocated based on relative square footage utilized in the activity.

In 2020, the RCDB, Inc., launched a capital campaign (see Note M). The RCDB, Inc., incurred fundraising expenses of approximately \$192,000 in 2021 and \$542,000 in 2020 related to managing the planning and fundraising efforts of the campaign. These professional and technical expenses are presented separately as non-operating supporting expenses (development) in the statement of functional expenses and in other gains (losses) in the statement of activities.

**15. Income taxes**

The RCDB, Inc., is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and, by virtue of being listed in the Official Catholic Directory as a member of the Universal Roman Catholic Church, is exempt from income taxation due to its nature as a religious organization under Section 501(a) of the Code and is not required to file annual income tax returns. Any activity conducted by the RCDB, Inc., relative to publishing activities requires a tax return filing for unrelated business income tax. These filings have not had any income tax liability.

**16. Use of estimates**

In preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**17. Recently issued accounting pronouncements**

The RCDB Inc. is currently evaluating the impact of adopting the following on its financial position and results of operations:

***Contributed nonfinancial assets***

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU modifies certain presentation and disclosure requirements that were previously required for contributed nonfinancial assets. The ASU should be applied on a retrospective basis and is effective for years beginning after June 15, 2021.

***Defined Benefit Pension Plan disclosures***

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*, which provides certain additional disclosure requirements and removes or modifies certain previously required disclosures. The ASU is effective for years beginning after December 15, 2021.

**18. Evaluation of subsequent events**

In preparing these financial statements, the RCDB, Inc., has evaluated events and transactions for potential recognition or disclosure through November 10, 2021, the date the financial statements were available to be issued.

**B) RISKS AND UNCERTAINTIES**

***General economic conditions***

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus (COVID-19) and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the RCDB, Inc., operates. While the impact to the RCDB, Inc., is expected to be temporary, the current circumstances are dynamic and the impact on their business operations, including the duration and impact on continuing parish assessments, contribution revenues, and investment earnings, cannot be reasonably estimated at this time. The RCDB, Inc., anticipates this may have an adverse impact on their activities, financial position and cash flows in 2022.

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**NOTES TO FINANCIAL STATEMENTS**  
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**B) RISKS AND UNCERTAINTIES (continued)**

*General economic conditions (continued)*

As of June 30, 2021, there have been no significant effects on the RCDB, Inc.'s activities that have materially or adversely impacted estimates made in the financial statements, including allowances for doubtful accounts or valuation of marketable securities and beneficial interests; nor there have been triggering events indicating that property and equipment should be evaluated for impairment. However, it remains reasonably possible that these estimates made in the financial statements could be adversely impacted in the near term as a result of changes due to the pandemic.

*Concentration of credit risk*

The RCDB, Inc., maintains bank account balances which, at times, may exceed federally insured limits. The RCDB, Inc., has not experienced any losses with these accounts. Management believes the RCDB, Inc., is not exposed to any significant credit risk on cash.

The RCDB, Inc., also maintains cash balances in its investment accounts related to transactions with securities. These are invested in money market funds at licensed investment and brokerage firms and are insured by the Securities Investor Protection Corporation (SIPC) for up to \$500,000. In addition, some of those firms provide protection in excess of the SIPC coverage to securities customers in amounts ranging from \$5 million to \$50 million.

**C) AVAILABILITY AND LIQUIDITY**

The following reflects the RCDB, Inc.'s financial assets that are estimated to be available to meet general expenditure needs within one year as of June 30, 2021 and 2020. This includes amounts pledged by donors for general operating use and excludes notes receivable – related parties, beneficial interests, and marketable securities.

	<u>2021</u>	<u>2020</u>
Total financial assets considered current assets	\$ 2,293,843	\$ 3,035,194
Cash required to satisfy donor restrictions	(10,000)	(10,000)
Anticipated distributions from marketable securities and beneficial interests based upon 5% spending policy	<u>1,057,729</u>	<u>882,376</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,341,572</u>	<u>\$ 3,907,570</u>

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**C) AVAILABILITY AND LIQUIDITY (continued)**

The RCDB, Inc., relies upon contribution revenues to fund operations and conduct vigorous fundraising activities to achieve fundraising goals. The RCDB, Inc., manages its cash available to meet general expenditures following these guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Operating within the financial guidelines of its annual budget.

**D) NOTES RECEIVABLE – RELATED PARTIES**

***Rice Memorial High School***

At June 30, 2019, the RCDB, Inc., had one outstanding loan receivable from Rice Memorial High School (Rice), an operating division of the RCDB, Inc., in the amount of \$1,263,631. In conjunction with Rice's *Investing in our Legacy* capital campaign, the RCDB, Inc., matched donor contributions made during 2020 by forgiving this balance of the note in full effective April 1, 2020. The forgiveness of this note was recognized as an expense during 2020 and is included within general program expenses in the statement of activities. Interest income related to the note receivable was not significant in 2020.

During 2020, the RCDB, Inc., made a series of cash advances to Rice, which on July 1, 2020, was formalized into a note receivable. The agreement allows for in-kind payments toward the principal balance by the school reducing tuition fees for children of RCDB, Inc., employees with interest accruing at 1% per annum and no formal repayment schedule. Additional advances on the note totaled approximately \$26,000 in 2021. The note is subordinated to the bonds payable and term debt due to TD Bank, N.A. by Rice (see Note O). During 2021 and 2020, in-kind payments of approximately \$22,600 and \$29,400, respectively, reduced the principal balance of the note receivable. In addition, Rice made a cash payment of \$330,000 on the note in 2021. The balance of the note was \$359,865 at June 30, 2021 and \$781,754 at June 30, 2020.

***St. Joseph Co-Cathedral Parish Charitable Trust***

During 2020, the RCDB, Inc., also made a series of cash advances to St. Joseph Co-Cathedral Parish Charitable Trust totaling \$568,434, which, on August 10, 2020, were formalized into a note receivable. The agreement is non-interest-bearing and has no formal repayment schedule. No additional advances or payments were made on the note in 2021.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**E) MARKETABLE SECURITIES**

The following table presents investment securities measured at fair value on a recurring basis by level within the fair value measurement valuation hierarchy as of:

June 30, 2021				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Government bonds	\$ -	\$ 293,402	\$ -	\$ 293,402
Corporate bonds	-	728,259	-	728,259
Total fixed income	-	1,021,661	-	1,021,661
Common stocks	2,026,139	-	-	2,026,139
Other investments	-	33,284	29,883	63,167
	<u>\$ 2,026,139</u>	<u>\$ 1,054,945</u>	<u>\$ 29,883</u>	<u>3,110,967</u>
Investments measured at net asset value:				
Money market funds				59,695
Total investment securities				<u>\$ 3,170,662</u>
June 30, 2020				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Government bonds	\$ -	\$ 205,692	\$ -	\$ 205,692
Corporate bonds	-	414,668	-	414,668
Total fixed income	-	620,360	-	620,360
Common stocks	1,043,461	-	-	1,043,461
Other investments	-	32,613	29,883	62,496
	<u>\$ 1,043,461</u>	<u>\$ 652,973</u>	<u>\$ 29,883</u>	<u>1,726,317</u>
Investments measured at net asset value:				
Money market funds				57,762
Total investment securities				<u>\$ 1,784,079</u>

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**E) MARKETABLE SECURITIES (continued)**

The following schedule summarizes the total investment returns, and their classifications in the statements of activities, including income from the distributions from beneficial interests, during the years ended June 30:

2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Net realized and unrealized gains	\$ 1,682,511	\$ 859,635	\$ 2,542,146
Interest and dividend income	(4,924)	-	(4,924)
Investment management fees	36,235	326	36,561
Total investment gain	<u>\$ 1,713,822</u>	<u>\$ 859,961</u>	<u>\$ 2,573,783</u>

  

2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Net realized and unrealized gains	\$ 579,677	\$ 164,392	\$ 744,069
Interest and dividend income	108,860	413	109,273
Investment management fees	(15,419)	-	(15,419)
Total investment gain	<u>\$ 673,118</u>	<u>\$ 164,805</u>	<u>\$ 837,923</u>

The RCDB, Inc., designated a portion of the cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

The following schedule summarizes the investment returns (losses) and their classification in the statements of activities:

2021			
	Without Donor Restrictions	With Donor Restrictions	Total
Operating	\$ 587,272	\$ 281,501	\$ 868,773
Other	1,126,550	578,460	1,705,010
Total return on investments, net	<u>\$ 1,713,822</u>	<u>\$ 859,961</u>	<u>\$ 2,573,783</u>

  

2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Operating	\$ 737,947	\$ 210,433	\$ 948,380
Other	(64,829)	(45,628)	(110,457)
Total return on investments, net	<u>\$ 673,118</u>	<u>\$ 164,805</u>	<u>\$ 837,923</u>

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**F) BENEFICIAL INTERESTS**

*Trusts*

The Diocese is the beneficiary of three trusts at June 30, 2021 and 2020, the net assets of which have been accounted for as net assets with donor restrictions. The RCDB, Inc., carries the beneficial interests in trusts at fair value, net of distributions expected to be made to the RCDB, Inc., as reimbursement of expenses already incurred.

- The first trust is a perpetual charitable trust, which names the Diocese as a beneficiary. The trustee is required to distribute a minimum of 5% of the fair value of the trust annually and may elect to make additional discretionary distributions to beneficiaries. As a beneficiary, distributions received by the RCDB, Inc., must be used for the education of seminarians for service in the State of Vermont and the care of elderly Priests within the Diocese. The RCDB, Inc., is guaranteed a minimum of 50% of all distributions from the trust to a maximum of 95%, depending upon the level of spending for the education of seminarians for service in the State of Vermont. Distributions for each fiscal year to reimburse the Diocese for expenses already incurred are received following the end of the fiscal year but are accrued for as of the end of the fiscal year and, accordingly, are included in “Bequest and trust receivables” totaling \$300,000 and \$250,000 at June 30, 2021 and 2020, respectively. Conditional trust distributions receivable of \$226,904 and \$162,353 are included in beneficial interests at June 30, 2021 and 2020, respectively, and were recorded as “Gifts and bequests” revenue in 2021 and 2020. RCDB, Inc., carries the beneficial interest in trust at 50% of the fair value of the underlying assets in the trust; RCDB, Inc.’s portion of the trust’s value is \$7,656,938 and \$6,084,561 at June 30, 2021 and 2020, respectively. Gains on the change in the value of the beneficial interest were \$1,872,417 in 2021 and \$249,908 in 2020.
- A second trust allows the Diocese to direct the trustee to distribute the assets for the purpose of archival preservation. The amounts held in this trust were \$309,039 and \$249,231 at June 30, 2021 and 2020, respectively.
- The remaining trust requires that the trustee retain in perpetuity the assets for purposes of investment, the income of which is available to support the general activities of the Diocese. The amounts held in this trust were \$772,884 and \$663,259 at June 30, 2021 and 2020, respectively.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**F) BENEFICIAL INTERESTS (continued)**

***Vermont Catholic Community Foundation***

The RCDB, Inc., is also the beneficiary of funds owned and managed by VCCF for the Diocesan benefit. Funds are established through contributions by third parties to benefit the Diocese and through transfers of RCDB, Inc., assets into VCCF funds pursuant to agreements that limit the RCDB, Inc., from access to those assets, as defined. The RCDB, Inc., receives distributions from the funds to support general operations and various activities restricted by donors. The net assets associated with these funds have been accounted for based on the nature of the fund and donor restrictions. The amounts held by the VCCF were \$10,999,070 and \$8,866,397 at June 30, 2021 and 2020, respectively.

***Fair value***

The following table presents the beneficial interests measured at fair value on a recurring basis as of June 30:

	<u>2021</u>	<u>2020</u>
Fair value determined by level 1:		
Mutual funds - equity	\$ 6,710,440	\$ 5,282,301
Mutual fund - fixed income	1,074,062	1,307,326
Equities	<u>707,954</u>	<u>537,498</u>
	8,492,456	7,127,125
Investments measured at net asset value:		
Money market funds (a)	546,405	119,926
VCCF (b)	10,999,070	8,866,397
Less: accrued distributions	<u>(300,000)</u>	<u>(250,000)</u>
Total	<u><u>\$ 19,737,931</u></u>	<u><u>\$ 15,863,448</u></u>

Investments consist of funds for which there are no unfunded commitments, which redemption value is computed daily, and for which there is no notification period required prior to redemption. Categories of investments and related investment strategies consist of the following:

- (a) These funds seek to preserve capital and liquidity by investing primarily in cash, repurchase agreements and U.S. Treasury instruments that are collateralized by U.S. government securities.
- (b) These funds invest in equity securities of companies in a variety of industries and fixed income securities including government and corporate bonds.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
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**G) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 4,065,504	\$ 4,065,504
Land and land improvements	516,829	516,829
Equipment	253,521	219,471
Vehicles	<u>190,726</u>	<u>190,726</u>
	5,026,580	4,992,530
Less: accumulated depreciation and amortization	<u>1,855,541</u>	<u>1,684,203</u>
	<u>\$ 3,171,039</u>	<u>\$ 3,308,327</u>

**H) LONG-TERM DEBT**

Long-term debt consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
TD Bank, N.A. -		
Payable in monthly installments of \$2,656, including interest at 4.12%. Three months of payments were suspended beginning May 2020, with accrued interest over this time paid in three equal installments during 2021. Due August 2024 with a balloon payment approximating \$355,000. Secured by cash, marketable securities, and property and equipment.	\$ 402,349	\$ 418,778
Term loan pursuant to the Paycheck Protection Program administered by the US Small Business Administration (SBA) and due May 2022 including interest at 1%. During 2021, the loan was paid in full by the SBA and the RCDB, Inc., was formally forgiven of all obligations to its lender; accordingly, a gain of \$654,360 was recognized within "Other gains (losses)" in the 2021 statement of activities.	<u>-</u>	<u>654,360</u>
	<u>\$ 402,349</u>	<u>\$ 1,073,138</u>

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**H) LONG-TERM DEBT (continued)**

Principal payments are due as follows:

Years ending June 30,	Amount
2022	\$ 15,233
2023	15,882
2024	16,517
2025	354,717
	<u>\$ 402,349</u>

**I) FUNDS HELD FOR OTHERS – CHARITABLE REMAINDER UNITRUST**

During 2021, the RCDB, Inc., received amounts from a third party related to a charitable remainder unitrust (CRUT) for which it has been appointed as trustee. The CRUT requires annual distributions of 5% of the net fair market value of the trust estate valued as of the first day of each calendar year paid quarterly, to be made to the donor annually until his death. Upon death of the donor, the unitrust period will terminate and the remaining trust estate will be distributed to a beneficiary, which is currently the RCDB, Inc., to be placed into a charitable endowment fund established for the full benefit of Rice Memorial High School. The beneficiary may be changed by the donor during the term of the trust. Therefore, the RCDB, Inc., has recognized a liability for the initial contribution to the trust during 2021, and the total fair value of the trust assets as of June 30, 2021 is included in “funds held for others”. Amounts related to the CRUT included in marketable securities and funds held for others were \$1,119,894 at June 30, 2021.

**J) RETIREMENT AND POSTRETIREMENT PLANS**

**Employees of the RCDB, Inc.,**

The RCDB, Inc., maintains a qualified salary savings plan (the Diocesan Plan) that covers employees who are, at a minimum, 20½ years of age and have two years of service. The Diocesan Plan provides a matching contribution of 3 - 7% of each employee’s eligible compensation, based upon years of service. Employer and employee contributions are fully vested at the time of contribution. Contributions charged to activities were approximately \$58,000 in 2021 and \$62,000 in 2020.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**J) RETIREMENT AND POSTRETIREMENT PLANS (continued)**

**Priests' Retirement and Postretirement Plans under Priests' Benefit Fund of the RCDB, Inc.**

***Funded status:***

The following is the funded status of the pension benefit and postretirement health benefit plans for the priests and the pension cost for the RCDB, Inc., as of June 30:

	2021	Pension Benefit Plan	Postretirement Benefit Plan	Total
Accumulated benefit obligation		\$ 10,150,731	\$ 2,799,030	\$ 12,949,761
Funded status:				
Benefit obligation		\$ 10,150,731	\$ 2,799,030	\$ 12,949,761
Fair value of plan assets		(13,389,509)	(507,345)	(13,896,854)
Accrued (prepaid) benefit cost		\$ (3,238,778)	\$ 2,291,685	\$ (947,093)
	2020			
Accumulated benefit obligation		\$ 9,617,016	\$ 3,007,354	\$ 12,624,370
Funded status:				
Benefit obligation		\$ 9,617,016	\$ 3,007,354	\$ 12,624,370
Fair value of plan assets		(11,462,266)	(391,740)	(11,854,006)
Accrued (prepaid) benefit cost		\$ (1,845,250)	\$ 2,615,614	\$ 770,364

Amounts recognized in the statements of financial position are as follows at June 30:

	Pension Benefit Plan		Postretirement Benefit Plan	
	2021	2020	2021	2020
Accrued (prepaid) benefit cost	\$ (3,238,778)	\$ (1,845,250)	\$ 2,291,685	\$ 2,615,614
Accumulated related charges other than net periodic benefit costs included in net assets without donor restrictions				
Unrecognized net actuarial loss (gain)	\$ 1,287,727	\$ 3,483,282	\$ (373,170)	\$ (97,432)
Unrecognized prior service cost	2,165,381	1,231,114	-	-
	\$ 3,453,108	\$ 4,714,396	\$ (373,170)	\$ (97,432)

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**J) RETIREMENT AND POSTRETIREMENT PLANS (continued)**

**Priests' Retirement and Postretirement Plans under Priests' Benefit Fund of the RCDB, Inc., (continued)**

***Cash flows:***

Contributions and benefit payments made during the years ended June 30:

	Pension Benefit Plan		Postretirement Benefit Plan	
	2021	2020	2021	2020
Employer contributions to the Plan	\$ 139,745	\$ 997,737	\$ 174,937	\$ 178,805
Benefits paid	\$ 648,250	\$ 613,400	\$ 99,937	\$ 103,805

The RCDB, Inc., expects to contribute approximately \$225,000 to the pension benefit plan and \$333,000 to the postretirement benefit plan in 2022.

Benefits expected to be paid by the Plans during the ensuing five years are approximately as follows for the years ending June 30:

	Pension Benefit Plan	Postretirement Benefit Plan	Total
2022	\$ 746,500	\$ 127,700	\$ 874,200
2023	705,200	126,200	831,400
2024	686,500	127,900	814,400
2025	667,200	129,300	796,500
2026	625,000	126,600	751,600
	<u>\$ 3,430,400</u>	<u>\$ 637,700</u>	<u>\$ 4,068,100</u>

***Statements of Activities:***

During 2020, the pension benefit plan trust received contributions of approximately \$773,000 from third parties, which is included in employer contributions and reduced the RCDB, Inc.'s obligation to the pension benefit plan. Accordingly, the RCDB, Inc., recognized the effect of the reduction of the liability as a component of "pension related changes other than net periodic pension costs" in 2020.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**J) RETIREMENT AND POSTRETIREMENT PLANS (continued)**

**Priests' Retirement and Postretirement Plans under Priests' Benefit Fund of the RCDB, Inc.,  
(continued)**

***Statements of Activities (continued):***

Amounts recognized in the statements of activities related to the retirement and postretirement plans are as follows during the years ended June 30:

	Pension Benefit Plan		Postretirement Benefit Plan	
	2021	2020	2021	2020
Service cost	\$ 166,332	\$ 144,090	\$ 87,595	\$ 68,604
Pension plan charges (benefit) other than than service costs:				
Interest cost	209,038	257,070	73,501	81,559
Expected return on plan assets	(776,185)	(714,763)	(34,350)	(18,966)
Other	280,437	232,725	-	(23,436)
	<u>(286,710)</u>	<u>(224,968)</u>	<u>39,151</u>	<u>39,157</u>
Pension related changes other than net periodic pension cost:				
Net actuarial loss (gain) arising during the year	(1,261,288)	1,427,617	(275,738)	612,337
Other contributions	-	(772,737)	-	-
	<u>(1,261,288)</u>	<u>654,880</u>	<u>(275,738)</u>	<u>612,337</u>
Net decrease (increase) in net assets without donor restrictions related to pension benefit and post retirement benefit plans	<u>\$ (1,381,666)</u>	<u>\$ 574,002</u>	<u>\$ (148,992)</u>	<u>\$ 720,098</u>

The estimated net loss that will be amortized from accumulated related charges other than net periodic benefit cost in 2022 is approximately \$206,400.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**J) RETIREMENT AND POSTRETIREMENT PLANS (continued)**

***Significant assumptions:***

Weighted-average assumptions used to determine the net periodic benefit cost consisted of the following as of and for the years ended June 30:

	Pension Benefit Plan		Postretirement Benefit Plan	
	2021	2020	2021	2020
Monthly stipend without a pastoral assignment	\$ 1,950	\$ 1,700	N/A	N/A
Monthly stipend with a pastoral assignment	\$ 1,850	\$ 1,600	N/A	N/A
Discount rate	2.50%	2.25%	2.70%	2.50%
Expected rate of return on plan assets	5.60%	7.00%	5.60%	7.00%

In 2021, there were significant changes in assumptions related to the pension benefit plan due to a plan amendment that increased future monthly benefits for all participants by \$250 as well as the additional provision of a \$2,500 death benefit. These changes resulted in an increase in the pension benefit plan liability of approximately \$1,100,000.

In 2020, there were two significant changes in assumptions including the change in the discount rate and participant experience related to actual experience compared to actuarial assumptions used to calculate the pension benefit plan-related liability as of the end of the year. These changes resulted in an increase in the pension benefit plan liability of approximately \$1,057,000 and \$659,000, respectively.

***Additional information related to the Pension Benefit and Postretirement Benefit Plans – Investments:***

The Plans' investment policies include various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. Target allocation ranges are consistent with actual allocations at Plan year end. The overall strategy is to maintain an investment portfolio that diversifies risk through prudent asset allocation parameters, achieves asset returns that meet or exceed the Plans' actuarial assumptions, and achieves asset returns that are competitive with like organizations employing similar investment strategies. The investment policy is periodically reviewed by the RCDB, Inc., and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that complies at all times with applicable government regulations.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**J) RETIREMENT AND POSTRETIREMENT PLANS (continued)**

***Additional information related to the Pension Benefit and Postretirement Benefit Plans – Investments (continued):***

The RCDB, Inc.'s overall strategy to fund the plans is to invest in high-grade securities and other assets to diversify risk. In general, the RCDB, Inc.'s goal is to maintain the following allocation ranges as compared to the actual allocation at June 30, 2021 and 2020:

	<u>Goal</u>	<u>2021</u>	<u>2020</u>
Cash	0%	4%	3%
Equity securities	60%	64%	60%
Debt securities	40%	32%	37%

The following table presents the plans' investment securities measured at fair value on a recurring basis by level within the fair value measurement valuation hierarchy as of June 30:

	<u>2021</u>	<u>2020</u>
Level 1:		
Cash	\$ 532,229	\$ 388,788
Equity securities	<u>8,870,268</u>	<u>7,071,014</u>
	<u>9,402,497</u>	<u>7,459,802</u>
Level 2:		
Fixed income securities	<u>4,494,357</u>	<u>4,394,204</u>
Total	<u><u>\$ 13,896,854</u></u>	<u><u>\$ 11,854,006</u></u>

***Additional information related to the Postretirement Benefit Plan –Health care benefits:***

For measurement purposes, rates of increase in the cost of covered health care benefits assumed for the year ended 2021 and thereafter were 3.6% for medical care benefits and 3.0% for other benefits.

A one-percentage-point change in the assumed rates of increase in health care costs would have the following effects relative to the amounts included above:

	<u>Increase</u>	<u>Decrease</u>
Effect on total of service and interest cost components	\$ 48,681	\$ (34,444)
Effect on accumulated postretirement benefit obligation	\$ 498,108	\$ (389,010)

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**K) NET ASSETS**

Net assets with donor restrictions consist of the following at June 30:

<i><b>Endowment funds:</b></i>	<u>2021</u>	<u>2020</u>
Amounts required to be maintained in perpetuity:		
Seminary education (Nolin-Mooney fund)	\$ 1,052,604	\$ 1,052,564
Charity, care of the poor and support of vocations (Buckley fund)	542,501	541,909
Priests' Benefit Fund (Buckley fund)	541,909	541,909
Roman Catholic schools and charities of the City of Burlington, Vermont (Turk fund)	478,637	478,637
Faith Formation Fund - <i>Christ Our Hope</i> Campaign	629,835	29,714
Other	10,000	10,000
Boucher trust for general purposes of the Diocese	772,845	663,260
Fearons trust for seminary education and for the benefit of priests	<u>7,656,938</u>	<u>6,084,561</u>
	<u>11,685,269</u>	<u>9,402,554</u>
Accumulated investment earnings, subject to donor restrictions or spending policy, and appropriation for the following purposes:		
Seminary education (Nolin-Mooney fund)	733,043	449,715
Charity, care of the poor and support of vocations (Buckley fund)	407,713	270,742
Priests' Benefit Fund (Buckley fund)	408,285	270,820
Roman Catholic schools and charities of the City of Burlington, Vermont (Turk fund)	334,418	220,256
Faith Formation Fund - <i>Christ Our Hope</i> Campaign	6,751	-
Other	<u>6,736</u>	<u>3,737</u>
	<u>1,896,946</u>	<u>1,215,270</u>
Total of endowment funds with donor restrictions	<u>13,582,215</u>	<u>10,617,824</u>
<i><b>Restricted by donors as to time:</b></i>		
Bishop's Annual Appeal - pledges received to be used during the succeeding fiscal year	<u>147,144</u>	<u>161,782</u>
<i><b>Restricted by donors for the following purposes:</b></i>		
Vermont Catholic Education Endowment Fund	61,390	52,759
Christmas Fund, poor and needy parishes	82,704	49,778
Archival preservation (Goss Trust)	309,038	249,230
Priest Benefit Fund - collection for senior priests	52,709	68,554
Other	<u>27,582</u>	<u>26,055</u>
	<u>533,423</u>	<u>446,376</u>
	<u>\$ 14,262,782</u>	<u>\$ 11,225,982</u>

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**K) NET ASSETS (continued)**

Changes in endowment fund – related net assets were as follows:

July 1, 2019	\$ 10,682,074
Change in value of beneficial interests	(61,074)
Net investment return	162,748
Appropriations	(195,638)
Contributions	<u>29,714</u>
June 30, 2020	10,617,824
Contributions	600,713
Change in value of beneficial interests	1,682,002
Net investment return	848,546
Appropriations	<u>(166,870)</u>
June 30, 2021	<u><u>\$ 13,582,215</u></u>

**L) RELATED PARTY TRANSACTIONS**

***Vermont Catholic Charities, Inc.***

RCDB, Inc., provides cash and in-kind contributions to Vermont Catholic Charities, Inc. in support of its programs. The fair values of these contributions are charged to activities and included in general program expense. In-kind contributions include the rent-free use of facilities owned by the RCDB, Inc., and the provision of certain administrative services. These subsidies were comprised of the following during the years ended June 30:

	<u>2021</u>	<u>2020</u>
In-kind subsidies:		
Rent-free use of facilities for residential care homes	\$ 1,350,000	\$ 1,350,000
Rent-free use of facilities for administration and counseling	32,880	32,880
Administrative services	<u>119,547</u>	<u>121,192</u>
Total in-kind subsidies	1,502,427	1,504,072
Cash subsidies for use in general operations	200,004	200,005
Allocation of administrative facilities costs	<u>59,958</u>	<u>62,702</u>
	<u><u>\$ 1,762,389</u></u>	<u><u>\$ 1,766,779</u></u>

Amounts due from (to) Vermont Catholic Charities, Inc., included in “Due to affiliated organization, net” were approximately (\$56,000) and \$126,000 at June 30, 2021 and 2020, respectively.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**L) RELATED PARTY TRANSACTIONS (continued)**

***Rice Memorial High School***

During 2021 and 2020, the RCDB, Inc., received amounts from a third party related to a charitable endowment fund established for the benefit of Rice Memorial High School (Rice). Initial contributions of investments to the endowment totaled approximately \$390,000 in 2021 and \$145,000 in 2020. Amounts will be distributed to Rice in annual installments of \$10,000 through 2023; thereafter, the RCDB, Inc., will determine annually the percentage of the fund to distribute to Rice. Distributions will provide scholarships to students of Rice, which will be awarded by Rice's School Board. Amounts related to the charitable endowment fund included in marketable securities, bequest and due to affiliated organizations were \$634,122 each at June 30, 2021. Amounts related to the charitable endowment fund included in marketable securities, bequest and trust receivables, and due to affiliated organizations were \$151,729, \$385,525 and \$537,254 at June 30, 2020, respectively.

In addition, the RCDB, Inc., also provided Rice an additional subsidy of \$1,263,631 through forgiveness of related party debt in 2020 (see Note D).

***Other***

The RCDB, Inc., provided cash and in-kind contributions to Diocesan schools totaling \$546,405 in 2021 and \$581,092 in 2020 and to other related parties totaling \$142,201 in 2021 and \$172,480 in 2020. The fair values of these operating contributions are charged to activities and included in general program expenses.

The RCDB, Inc., also provides accounting services to related parties. Revenue from this service totaled approximately \$303,000 in 2021 and \$287,000 in 2020 and is included in other revenue in the statements of activities.

There were additional amounts due to other affiliates of the RCDB, Inc. of approximately \$169,000 and \$210,000 at June 30, 2021 and 2020, respectively.

**M) CAPITAL CAMPAIGN**

During 2021 and 2020, the RCDB, Inc., launched its *Christ Our Hope: Building a Vibrant Church* capital campaign drive (the campaign). The campaign's primary goal is to raise a total of \$10,000,000 for various purposes aligned with the RCDB, Inc.'s goals to strengthen and secure the future of the Roman Catholic Church in Vermont. The funds, net of fundraising expenses, will be allocated to the following beneficiaries: 60% to Diocesan parishes to fund parish activities and priorities, 20% to fund an endowment fund, the investment earnings of which will be for the benefit of RCDB, Inc., to support Diocesan Catholic schools, youth ministry and evangelization, and 20% to fund an endowment fund for the benefit of Vermont Catholic Charities, Inc., the investment earnings of which are to be distributed to VCC to provide support for those experiencing poverty. Pursuant to an agreement with RCDB, Inc., the campaign activities, including contributions, are managed by the Vermont Catholic Community Foundation and, unless specifically altered in writing, are allocated to the beneficiaries based on aforementioned percentages, net of an allocation of fundraising expenses.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**M) CAPITAL CAMPAIGN (continued)**

The RCDB, Inc., recognized revenues related to its portion of the campaign, excluding recoveries of fundraising expenses as hereafter described, totaling \$769,708 in 2021 and \$49,419 in 2020. Campaign funds held by VCCF include the following at June 30:

	<u>2021</u>	<u>2020</u>
Prepaid expenses and other current assets	\$107,236	\$ 19,705
Beneficial interest	\$636,586	\$ 29,714

In conjunction with the campaign, the RCDB, Inc., entered into an agreement with an unrelated party for assistance with campaign's fundraising and administration efforts. Expenses incurred through this party and related to the campaign totaled approximately \$192,000 in 2021 and \$542,000 in 2020.

The campaign is designed such that RCDB, Inc., is responsible for all of the fundraising expenses and is reimbursed from collected and distributed campaign funds by parishes and VCC at an agreed-upon percentage of funds raised. Therefore, all campaign-related fundraising expenses are charged by RCDB, Inc., to capital campaign activities as incurred and reimbursements to RCDB, Inc., are recognized as capital campaign contribution revenues as campaign-related distributions to beneficiaries are made by VCCF. During 2021 and 2020, the Administrative Offices of the Diocese has recognized approximately \$487,000 and \$159,000 of contribution revenues related to recoveries of campaign-related fundraising expenses from other beneficiaries, of which approximately \$238,000 and \$139,000 are included in parish receivables at June 30, 2021 and 2020, respectively, and approximately \$79,000 and \$20,000 are included in due to affiliated organizations at June 30, 2021 and 2020, respectively.

**N) LITIGATION-RELATED LIABILITIES**

The RCDB, Inc., is a defendant in various lawsuits alleging priest misconduct occurring years ago. The RCDB, Inc., settled several lawsuits during 2020 and additional lawsuits that existed as of June 30, 2020 in July 2020. Accordingly, the RCDB, Inc., recognized a charge to operations of \$1,355,000 in 2020 and a liability at June 30, 2020 in the amount of \$1,010,000. Several additional lawsuits have been filed and claims made. The RCDB, Inc., has engaged legal counsel for representation that has advised that, at this stage of the proceedings, they are unable to provide an opinion as to the outcome of these additional lawsuits and the RCDB, Inc., intends to apply every reasonable defense of its position. Based upon prior experience in such matters, in which settlements in other such lawsuits having occurred, it is probable that a liability has been incurred related to the unsettled lawsuits existing as of June 30, 2021. Management cannot reasonably estimate the amount of the liability that may result due to the stage of the proceedings; accordingly, no reserve has been established for unsettled lawsuits at June 30, 2021 and 2020. However, the settlement of these additional lawsuits could have a material impact on the RCDB, Inc.'s financial position, results of operations and liquidity.

**ROMAN CATHOLIC DIOCESE OF BURLINGTON, VERMONT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**O) COMMITMENTS, OTHER CONTINGENT LIABILITIES AND SUBSEQUENT EVENT**

Management assesses its exposure to loss for the below obligations at each statement of financial position date and provides for accruals as deemed necessary. At June 30, 2021 and 2020, no accruals were necessary.

***TD Bank-related obligations***

In July 2014, the RCDB, Inc., issued a series of bonds payable (known as the Rice Memorial High School Issue, Series 2014) to provide for construction costs to be incurred to provide for improvements to the Rice Memorial High School (renovation project). The bonds are secured by a first priority mortgage on the Rice Memorial High School (Rice) real estate and other Rice accounts at TD Bank, N.A. The final maturity date is January 2026. The debt for this obligation, and all related transactions, is recorded in the financial statements of Rice, an operating division of the RCDB, Inc., and had an outstanding balance of \$4,253,372 and \$4,389,488 at June 30, 2021 and 2020, respectively. On October 29, 2021, the outstanding balance of bonds payable was paid in full in the amount of \$4,500,709, including a prepayment penalty of \$286,876, which will be charged to operations in 2022. The repayment of the funds was from additional funds raised subsequent to year-end by Rice.

All of the debt obligations with TD Bank, N.A. require the RCDB, Inc., to comply with certain financial covenants, as defined. The RCDB, Inc., is directly liable as the borrower for these obligations and, therefore, if an event of default were to occur and the collateral was not sufficient to pay the debt, other assets owned by the RCDB, Inc., would be required to settle the obligations.

***Other***

The RCDB, Inc., may be contingently liable as a co-maker on certain obligations for which parishes or other Catholic organizations have primary responsibility. The RCDB, Inc., can be required to perform on the guarantees only in the event of the non-payment of related debt by the original maker.