

Roman Catholic Diocese of Burlington, Vermont, Inc.

Financial Statements
June 30, 2022 and 2021

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Roman Catholic Diocese of Burlington, Vermont, Inc. (RCDB, Inc.), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of RCDB, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

RCDB, Inc. has not included certain activities or operating divisions, such as the Diocesan schools, the Diocesan cemetery, and The Catholic Center (see Note 2), and has not consolidated its wholly controlled subsidiary, Vermont Catholic Charities, Inc., into these financial statements, which are required to be consolidated under accounting principles generally accepted in the United States of America. The effects on the financial statements as of and for the years ended June 30, 2022 and 2021 have not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 RCDB, Inc. 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 qualified 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 RCDB, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 RCDB, Inc.'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 RCDB, Inc.'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.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont
February 25, 2023

Roman Catholic Diocese of Burlington, Vermont, Inc.

**Statements of Financial Position
June 30, 2022 and 2021**

	2022	2021
Assets		
Cash	\$ 863,941	\$ 944,088
Pledges receivable	122,734	147,144
Bequest and trust receivables	660,748	526,903
Parish receivables	546,511	675,708
Prepaid expenses and other current assets	52,528	232,797
Notes receivable - related parties	568,435	928,299
Marketable securities	1,738,315	2,050,768
Assets held as trustee	954,104	1,119,894
Beneficial interests	16,265,163	19,737,931
Property and equipment	3,012,190	3,171,039
Prepaid pension plan costs	2,849,332	3,238,778
Total assets	\$ 27,634,001	\$ 32,773,349
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 355,625	\$ 192,477
Accrued liabilities and reserves	1,385,824	435,119
Due to affiliated organizations	539,285	779,625
Funds held for others	1,028,727	1,172,763
Long-term debt	386,978	402,349
Accrued postretirement benefit plan costs	1,492,544	2,291,685
Total liabilities	5,188,983	5,274,018
Net assets:		
Without donor restrictions	10,729,488	13,236,549
With donor restrictions	11,715,530	14,262,782
Total net assets	22,445,018	27,499,331
Total liabilities and net assets	\$ 27,634,001	\$ 32,773,349

Roman Catholic Diocese of Burlington, Vermont, Inc.

Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Support:						
Bishop's Annual Appeal	\$ 1,968,112	\$ 122,734	\$ 2,090,846	\$ 1,757,178	\$ 147,144	\$ 1,904,322
Gifts and bequests	235,236	150,971	386,207	258,698	134,499	393,197
Program revenues:						
Diocesan assessments	1,523,484	-	1,523,484	1,470,415	-	1,470,415
Premiums charged to parishes and other affiliates for insurance program	1,455,474	-	1,455,474	1,466,170	-	1,466,170
Imputed rental and administrative services charged to affiliated organization	1,377,475	-	1,377,475	1,502,427	-	1,502,427
Diocesan Administrative services	409,518	-	409,518	376,124	-	376,124
Other fees	224,377	-	224,377	156,037	-	156,037
Allocation of investments designated to support operations	776,508	233,161	1,009,669	587,272	281,501	868,773
Other revenue	102,499	-	102,499	151,851	-	151,851
Reclassifications of net assets released from restrictions	509,914	(509,914)	-	459,494	(459,494)	-
Total revenues	8,582,597	(3,048)	8,579,549	8,185,666	103,650	8,289,316
Expenses:						
Program services:						
General program	4,752,924	-	4,752,924	4,801,071	-	4,801,071
Priests' Benefit Fund	759,687	-	759,687	800,169	-	800,169
Diocesan insurance	2,498,306	-	2,498,306	1,345,348	-	1,345,348
Total program services	8,010,917	-	8,010,917	6,946,588	-	6,946,588
Supporting services:						
General and administrative	1,958,980	-	1,958,980	1,512,853	-	1,512,853
Development	593,966	-	593,966	596,719	-	596,719
Total supporting services	2,552,946	-	2,552,946	2,109,572	-	2,109,572
Total expenses	10,563,863	-	10,563,863	9,056,160	-	9,056,160
Increase (decrease) in net assets from operations (forward)	\$ (1,981,266)	\$ (3,048)	\$ (1,984,314)	\$ (870,494)	\$ 103,650	\$ (766,844)

(continued)

The accompanying notes are an integral part of these statements.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Statements of Activities (continued)
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Increase (decrease) in net assets from operations (forwarded)	\$ (1,981,266)	\$ (3,048)	\$ (1,984,314)	\$ (870,494)	\$ 103,650	\$ (766,844)
Other gains (losses):						
Investment gain (loss), net of amounts designated to support operations	(1,076,172)	(767,106)	(1,843,278)	1,126,550	578,460	1,705,010
Increase (decrease) in value of beneficial interests	36,000	(1,873,613)	(1,837,613)	36,000	1,754,569	1,790,569
Contributions to capital campaign	-	96,515	96,515	656,552	600,121	1,256,673
Development expense - capital campaign	-	-	-	(191,500)	-	(191,500)
Paycheck Protection Program loan forgiveness	-	-	-	654,360	-	654,360
Total other gains (losses)	(1,040,172)	(2,544,204)	(3,584,376)	2,281,962	2,933,150	5,215,112
Increase (decrease) in net assets before pension-related changes other than pension service cost	(3,021,438)	(2,547,252)	(5,568,690)	1,411,468	3,036,800	4,448,268
Retirement and postretirement plan benefits other than service costs	227,691	-	227,691	247,559	-	247,559
Pension-related changes other than net periodic pension cost	286,686	-	286,686	1,537,026	-	1,537,026
Increase (decrease) in net assets	(2,507,061)	(2,547,252)	(5,054,313)	3,196,053	3,036,800	6,232,853
Net assets, beginning of year	13,236,549	14,262,782	27,499,331	10,040,496	11,225,982	21,266,478
Net assets, end of year	\$ 10,729,488	\$ 11,715,530	\$ 22,445,018	\$ 13,236,549	\$ 14,262,782	\$ 27,499,331

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, 2022**

	Program Expenses				Supporting Expenses			Total Expenses
	General Program	Priests' Benefit Fund	Diocesan Insurance	Total	General and Administrative	Development	Total	
Operating expenses:								
Salaries and wages	\$ 1,070,488	\$ 38,214	\$ 148,733	\$ 1,257,435	\$ 623,445	\$ 379,045	\$ 1,002,490	\$ 2,259,925
Employee benefits	259,855	10,933	27,405	298,193	183,057	84,240	267,297	565,490
Total personnel	1,330,343	49,147	176,138	1,555,628	806,502	463,285	1,269,787	2,825,415
Buildings and grounds	115,211	-	3,629	118,840	52,746	7,430	60,176	179,016
Contracted services	58,363	-	2,738	61,101	109,813	497	110,310	171,411
Insurance premiums and settlements	-	-	2,267,567	2,267,567	33,157	-	33,157	2,300,724
Interest	-	-	-	-	16,501	-	16,501	16,501
Legal and related	-	-	-	-	410,735	-	410,735	410,735
Other	264,165	1,214	6,300	271,679	251,496	83,982	335,478	607,157
Priest benefits	-	688,940	-	688,940	-	-	-	688,940
Professional and technical	43,201	13,000	38,160	94,361	127,432	8,779	136,211	230,572
Seminary education	491,863	-	-	491,863	-	-	-	491,863
Social services and other subsidies	2,266,357	-	-	2,266,357	6,228	800	7,028	2,273,385
Supplies and postage	92,552	7,386	912	100,850	76,617	23,333	99,950	200,800
	4,662,055	759,687	2,495,444	7,917,186	1,891,227	588,106	2,479,333	10,396,519
Depreciation and amortization	90,869	-	2,862	93,731	67,753	5,860	73,613	167,344
Total	\$ 4,752,924	\$ 759,687	\$ 2,498,306	\$ 8,010,917	\$ 1,958,980	\$ 593,966	\$ 2,552,946	\$ 10,563,863

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			Total Expenses
	General Program	Priests' Benefit Fund	Diocesan Insurance	Total	General and Administrative	Development	Total	
Operating expenses:								
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 premiums and settlements	-	-	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 expenses	4,801,071	800,169	1,345,348	6,946,588	1,512,853	596,719	2,109,572	9,056,160
Nonoperating expenses:								
Professional and technical	-	-	-	-	-	191,500	191,500	191,500
Total	\$ 4,801,071	\$ 800,169	\$ 1,345,348	\$ 6,946,588	\$ 1,512,853	\$ 788,219	\$ 2,301,072	\$ 9,247,660

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (5,054,313)	\$ 6,232,853
Noncash items included in increase (decrease) in net assets:		
Depreciation and amortization	167,344	171,337
Net realized and unrealized loss (gain) on marketable securities and beneficial interests	1,300,595	(2,242,146)
Bad debt expense (recoveries)	(35,531)	53,108
Contributions and other changes in value of beneficial interests	1,740,833	(2,391,843)
Pension-related changes other than net periodic pension costs	(286,686)	(1,537,026)
In-kind payments received on note receivable - related party	2,359	22,640
Forgiveness of Paycheck Protection Program loan	-	(654,360)
Forgiveness of note receivable - related party	-	95,000
Change in operating assets and liabilities:		
Receivables	55,293	98,807
Prepaid expenses and other current assets	180,269	(74,816)
Distributions from beneficial interests	567,668	487,155
Accounts payable and accrued liabilities and reserves	1,113,853	(1,094,628)
Due to affiliated organizations	(168,595)	(324,316)
Funds held for others	21,754	7,404
Pension and postretirement benefit plan costs	(123,009)	(180,431)
	4,536,147	(7,564,115)
Net cash used in operating activities	(518,166)	(1,331,262)
Cash flows from investing activities:		
Capital acquisitions	(8,495)	(34,049)
Principal receipts on notes receivable - related parties	357,505	330,000
Advances to related parties on notes receivable	-	(25,751)
Proceeds from sale of marketable securities	608,857	1,047,400
Purchases of marketable securities	(504,477)	(559,345)
Net cash provided by investing activities	453,390	758,255
Subtotal (forward)	\$ (64,776)	\$ (573,007)

(continued)

Roman Catholic Diocese of Burlington, Vermont, Inc.

Statements of Cash Flows (continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Subtotal (forwarded)	\$ (64,776)	\$ (573,007)
Cash flows from financing activities:		
Principal payments on long-term debt	(15,371)	(16,429)
Net cash used in financing activities	(15,371)	(16,429)
Net decrease in cash	(80,147)	(589,436)
Cash, beginning of year	944,088	1,533,524
Cash, end of year	\$ 863,941	\$ 944,088
Supplementary disclosures of cash flows information:		
Cash paid during the year for:		
Interest	\$ 16,501	22,307

During 2021, 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 7).

During 2021, RCDB, Inc. received contributions of investments for the benefit of a related party (a liability) totaling approximately \$390,000 (see Note 13).

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 1. Operations

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.

Roman Catholic Diocese of Burlington, Vermont, Inc. (RCDB, Inc.) is a civil corporation ancillary to the canonical structure of the Diocese. 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. 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, RCDB, Inc. is exempt from income taxation.

Note 2. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies follows:

Scope of financial statements: The accompanying financial statements include the assets, liabilities and financial activities of all administrative offices, program offices and departments of RCDB, Inc. However, accounts of certain activities or operating divisions of RCDB, Inc., such as Diocesan schools, the Diocesan cemetery, and The Catholic Center, have been excluded. Furthermore, Vermont Catholic Charities, Inc. (VCC), a separate affiliated corporation for which RCDB, Inc. is the parent corporation, has also been excluded. This entity operates separately and distinctly from RCDB, Inc., maintains separate accounts and carries on its own services and programs in accordance with the mission of the Diocese and the Universal Roman Catholic Church. These exclusions are a departure from accounting principles generally accepted in the United States of America (U.S. GAAP).

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

These financial statements include the following activities:

General program: General program includes all accounts and activities of RCDB, Inc. related to meeting the general and specific operating requirements of RCDB, Inc., including chancery, program ministries, and the *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: RCDB, Inc. sponsors a noncontributory, non-Employee Retirement Income Security Act of 1974 (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 20 years of service to the Diocese, and meet certain criteria, as defined in the plans. RCDB, Inc.'s policy is to fund plan costs as determined by the plans' actuaries and satisfy the minimum funding standards as required by ERISA.

RCDB, Inc. accounts for its defined benefit pension and postretirement plans by recognizing the fully funded status of defined benefits as an asset or a liability. In addition, gains or losses and prior service costs or credits that are not yet included as components of expense are recognized as pension-related changes other than net periodic pension cost. The measurement of defined benefit plan assets and obligations occurs as of the statement of financial position dates.

Diocesan insurance: 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.

Reclassifications: The statement of financial position for 2021 reflects the reclassification of \$1,119,894 of amounts formerly reported as marketable securities to assets held as trustee.

Basis of accounting and presentation: RCDB, Inc.'s financial statements have been prepared in accordance with U.S. GAAP, which require 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 RCDB, Inc. These net assets may be used at the discretion of management and the Diocesan Administrative Board (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 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.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 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 12). 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 within 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, RCDB, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenues: The Diocese provides services to parishes and parishioners. Revenues are generally recognized in the period services are provided.

Diocesan assessments: Diocesan assessments include assessments to parishes for the general support of the Diocesan operations and Catholic schools. Assessments are based upon collections of contributions by parishes. Revenue is recognized by RCDB, Inc. in the period the parishes receive their respective contributions.

Insurance premiums: The Diocese charges participating related parties a fixed amount per month to support the Diocesan insurance program. Revenues are recognized on a monthly basis as billings are made.

Imputed rental income: RCDB, Inc. recognizes the fair value of facilities provided to related parties as rental income in the period of use.

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 RCDB, Inc.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Allowance for doubtful collection of receivables: Pledges, bequests, trusts and notes receivable are stated at the amount RCDB, Inc. expects to collect. The allowances for doubtful accounts are RCDB, Inc.'s best estimates of the amount of probable credit losses in RCDB, Inc.'s existing receivable; however, changes in circumstances relating to receivables may result in a requirement for additional allowances in the future. RCDB, Inc. determines each allowance based on historical write-off experience, current trends in collections and, for larger accounts, the ability to pay outstanding balances. RCDB, Inc. regularly reviews its allowances for doubtful accounts and maintains 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.

Pledges receivable are reported net of an allowance for doubtful accounts of \$15,650 and \$15,090 at June 30, 2022 and 2021, respectively. Parish receivables are reported net of an allowance for doubtful accounts of \$60,320 and \$95,851 at June 30, 2022 and 2021, respectively.

Assets held as trustee and funds held for others: Resources from donors that are directed toward other specified beneficiaries are recorded as liabilities for funds held for others in the accompanying statements of financial position.

Fair value measurements: The Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, RCDB, Inc. performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. As of June 30, 2022 and 2021, RCDB, Inc. did not have any significant Level 3 assets or liabilities.

For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

The following are descriptions of the valuation methodologies used for instruments measured at fair value:

Marketable securities: The fair value of marketable 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.

Assets held as trustee: The fair value of assets held as trustee is the market value based on quoted market prices, when available, or market prices provided by recognized brokers.

Beneficial interests: The fair value of the beneficial interests in trusts is 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 NAV: Certain investments are valued based on the NAV of units within a fund of assets. The NAV is used as a practical expedient to estimate 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 the reported NAV per unit, with no advance notification requirement.

Beneficial interests: In accordance with ASC Topic 958, *Not-for-Profit Entities*, RCDB, Inc. records its beneficial interests in trusts in which it is named or has 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 RCDB, Inc.'s share of the change in fair value of the underlying assets of the trusts are recorded as a gain (loss) due to the change in value of beneficial interests.

RCDB, Inc. records its beneficial interest in VCCF at the NAV 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 RCDB, Inc.'s share of the change in fair value of VCCF's investments are recorded as investment income (loss).

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Property and equipment: RCDB, Inc. records property and equipment at cost, except for assets transferred from other affiliates it wholly controls, which are recorded at their historical cost to the transferor. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable and amortizable assets to operations over their estimated service lives.

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. If required, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

Endowment: RCDB, Inc.'s 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 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 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, 2022 or 2021.

Interpretation of relevant law: RCDB, Inc. follows the state of Vermont's Uniform Prudent Management of Institutional Funds Act (UPMIFA). The 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, RCDB, Inc. classifies 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.

In accordance with UPMIFA, RCDB, Inc. considers 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.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 RCDB, Inc. to retain as a fund of perpetual duration. In accordance with U.S. GAAP, 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 Board.

At June 30, 2022, RCDB, Inc. had a donor-restricted endowment fund with a deficiency of \$53,403. There were no such deficiencies as of June 30, 2021.

Return objectives and risk parameters: 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-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Standard & Poor's 500 index while assuming a moderate level of investment risk. RCDB, Inc. expects its 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, 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). 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: 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, RCDB, Inc. considered the long-term expected return on its endowments. Accordingly, over the long term, RCDB, Inc. expects the current spending policy to allow its endowments to grow at an average of 2% annually.

Measure of operations: The statements of activities report all changes in net assets, including changes in net assets from supporting activities (operating) and other (nonoperating) activities. Nonoperating 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.

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.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

In 2020, RCDB, Inc. launched a capital campaign (see Note 14). RCDB, Inc. incurred fundraising expenses of approximately \$192,000 in 2021 related to managing the planning and fundraising efforts of the campaign. These professional and technical expenses are presented separately as nonoperating supporting expenses (development) in the statement of functional expenses and in other gains (losses) in the statement of activities.

Income taxes: RCDB, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the 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 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.

Use of estimates: In preparing financial statements in accordance with U.S. GAAP, 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.

Recently issued accounting pronouncement: RCDB, Inc. is currently evaluating the impact of adopting the following pronouncement on its financial position and results of operations:

Defined benefit pension plan disclosures: In August 2018, the FASB issued Accounting Standards Update (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.

Evaluation of subsequent events: In preparing these financial statements, RCDB, Inc. has evaluated events and transactions for potential recognition or disclosure through February 25, 2023, the date the financial statements were available to be issued.

Note 3. Risks and Uncertainties

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

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.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 4. Availability and Liquidity

The following reflects RCDB, Inc.'s financial assets that are estimated to be available to meet general expenditure needs within one year as of June 30, 2022 and 2021. This includes amounts pledged by donors for general operating use and excludes notes receivable - related parties, beneficial interests, and marketable securities.

	2022	2021
Total financial assets considered current assets	\$ 2,193,934	\$ 2,293,843
Cash required to satisfy donor restrictions	(10,000)	(10,000)
Anticipated distributions from marketable securities and beneficial interests based upon 5% spending policy	872,055	837,670
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,055,989</u>	<u>\$ 3,121,513</u>

RCDB, Inc. relies upon contribution revenues to fund operations and conduct vigorous fundraising activities to achieve fundraising goals. 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.

Note 5. Notes Receivable - Related Parties

Rice Memorial High School (Rice): During 2020, RCDB, Inc. made a series of cash advances to Rice, which was formalized into a note receivable on July 1, 2020. The agreement allowed for in-kind payments toward the principal balance by Rice, 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. In-kind payments totaling approximately \$2,400 during 2022 and \$22,600 during 2021 reduced the principal balance of the note receivable. RCDB, Inc. forgave \$95,000 of the note balance in 2021, which is included in social services and other subsidies in the statement of functional expenses. In addition, Rice made cash payments on the note of approximately \$358,000 during 2022 and \$330,000 during 2021. The balance of the note was \$0 and \$359,865 at June 30, 2022 and 2021, respectively.

St. Joseph Co-Cathedral Parish Charitable Trust: During 2020, RCDB, Inc. also made a series of cash advances to St. Joseph Co-Cathedral Parish Charitable Trust totaling \$568,434, which were formalized into a note receivable on August 10, 2020. The note is noninterest-bearing and has no formal repayment schedule; repayment is dependent upon the sale of a property that is within the control of the Bishop of the Diocese. No advances or payments were made on the note in 2022 or 2021.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 6. Marketable Securities

The following tables present investment securities measured at fair value on a recurring basis, by level within the fair value measurement valuation hierarchy, as of June 30:

2022				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Government bonds	\$ -	\$ 240,557	\$ -	\$ 240,557
Corporate bonds	-	580,385	-	580,385
Total fixed income	-	820,942	-	820,942
Common stocks	856,796	-	-	856,796
Other investments	-	-	29,883	29,883
	<u>\$ 856,796</u>	<u>\$ 820,942</u>	<u>\$ 29,883</u>	<u>1,707,621</u>
Investments measured at NAV:				
Money market funds				<u>30,694</u>
Total marketable securities				<u>\$ 1,738,315</u>
2021				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Government bonds	\$ -	\$ 293,402	\$ -	\$ 293,402
Corporate bonds	-	566,291	-	566,291
Total fixed income	-	859,693	-	859,693
Common stocks	1,083,015	-	-	1,083,015
Other investments	-	33,284	29,883	63,167
	<u>\$ 1,083,015</u>	<u>\$ 892,977</u>	<u>\$ 29,883</u>	<u>2,005,875</u>
Investments measured at NAV:				
Money market funds				<u>44,893</u>
Total marketable securities				<u>\$ 2,050,768</u>

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.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 6. Marketable Securities (continued)

The following tables summarize 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:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net realized and unrealized losses	\$ (324,316)	\$ (534,279)	\$ (858,595)
Investment management fees	(4,105)	-	(4,105)
Interest and dividend income	28,757	334	29,091
Total investment loss	(299,664)	(533,945)	(833,609)
Amount designated for operations	776,508	233,161	1,009,669
Net other investment loss	\$ (1,076,172)	\$ (767,106)	\$ (1,843,278)
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net realized and unrealized gains	\$ 1,682,511	\$ 859,635	\$ 2,542,146
Investment management fees	(4,924)	-	(4,924)
Interest and dividend income	36,235	326	36,561
Total investment gain	1,713,822	859,961	2,573,783
Amount designated for operations	587,272	281,501	868,773
Net other investment gain	\$ 1,126,550	\$ 578,460	\$ 1,705,010

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 7. Assets Held as Trustee

During 2021, RCDB, Inc. received amounts from a third party related to a charitable remainder unitrust (CRUT) for which it has been appointed trustee. The CRUT requires distributions of 5% of the net fair market value of the trust estate, valued as of the first day of each calendar year, to be paid quarterly to the donor annually until his death. Upon the death of the donor, the unitrust period will terminate and the remaining trust estate will be distributed to a beneficiary, which is currently RCDB, Inc. to be placed into a charitable endowment fund established for the full benefit of Rice. The beneficiary may be changed by the donor during the term of the trust. Therefore, 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, 2022 and 2021 is reported as assets held as trustee. Liabilities related to the CRUT included in assets held as trustee and funds held for others were \$954,104 and \$1,119,894 at June 30, 2022 and 2021, respectively, including a liability under a split-interest agreement calculated using actuarial methods, valued at approximately \$240,000 and \$332,000 at June 30, 2022 and 2021, respectively.

The following tables present assets held as trustee measured at fair value on a recurring basis, by level within the fair value measurement valuation hierarchy, as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Fixed income - corporate bonds	\$ -	\$ -	\$ 88,347	\$ 88,347
Common stocks	787,890	-	-	787,890
	<u>\$ 787,890</u>	<u>\$ -</u>	<u>\$ 88,347</u>	<u>876,237</u>
Investments measured at NAV:				
Money market funds				<u>77,867</u>
Total assets held as trustee				<u>\$ 954,104</u>
	2021			
	Level 1	Level 2	Level 3	Total
Fixed income - corporate bonds	\$ -	\$ 161,968	\$ -	\$ 161,968
Common stocks	943,124	-	-	943,124
	<u>\$ 943,124</u>	<u>\$ 161,968</u>	<u>\$ -</u>	<u>1,105,092</u>
Investments measured at NAV:				
Money market funds				<u>14,802</u>
Total assets held as trustee				<u>\$ 1,119,894</u>

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 8. Beneficial Interests

Trusts: The Diocese is the beneficiary of three trusts at June 30, 2022 and 2021, the net assets of which have been accounted for as net assets with donor restrictions. RCDB, Inc. carries the beneficial interests in trusts at fair value, net of distributions expected to be made to RCDB, Inc. as a reimbursement of expenses already incurred.

- One 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 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. 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 \$442,000 and \$300,000 at June 30, 2022 and 2021, respectively. Conditional trust distributions receivable of \$218,749 and \$226,904 are included in beneficial interests at June 30, 2022 and 2021, respectively, and were recorded as gifts and bequests revenue in 2022 and 2021. 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 \$5,947,078 and \$7,656,978 at June 30, 2022 and 2021, respectively. Gains (losses) on the change in the value of the beneficial interest were (\$1,267,901) in 2022 and \$1,872,417 in 2021.
- Another trust requires that the trustee retain the assets in perpetuity 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 \$634,056 and \$772,884 at June 30, 2022 and 2021, respectively.
- The remaining 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 \$273,313 and \$309,039 at June 30, 2022 and 2021, respectively.

VCCF: 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 RCDB, Inc. from access to those assets, as defined. 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 VCCF were \$9,410,717 and \$10,999,070 at June 30, 2022 and 2021, respectively.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 8. Beneficial Interests (continued)

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

	2022	2021
Fair value determined by Level 1:		
Mutual funds - equity	\$ 5,450,013	\$ 6,710,440
Mutual fund - fixed income	959,798	1,074,062
Equities	566,553	707,954
	<u>6,976,364</u>	<u>8,492,456</u>
Investments measured at NAV:		
Money market funds (a)	320,082	546,405
VCCF (b)	9,410,717	10,999,070
Less accrued distributions	442,000	300,000
	<u>\$ 16,265,163</u>	<u>\$ 19,737,931</u>

Investments consist of funds for which there are no unfunded commitments, redemption value is computed daily, and 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.

Note 9. Property and Equipment

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

	2022	2021
Buildings and improvements	\$ 4,065,504	\$ 4,065,504
Land and land improvements	516,829	516,829
Equipment	262,016	253,521
Vehicles	190,726	190,726
	<u>5,035,075</u>	<u>5,026,580</u>
Less accumulated depreciation and amortization	2,022,885	1,855,541
	<u>\$ 3,012,190</u>	<u>\$ 3,171,039</u>

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 10. Long-Term Debt

Note payable - TD Bank, N.A.: RCDB, Inc. has a note payable to TD Bank, N.A., with an original balance of \$431,652, which is payable in monthly installments of \$2,656, including interest at 4.12%. Three months of payments were suspended beginning in May 2020, with accrued interest over this time paid in three equal installments during 2021. Outstanding principal balances on the note were \$386,978 and \$402,349 at June 30, 2022 and 2021, respectively. Principal payments due on the note are \$15,882 in 2023, \$16,517 in 2024 and a final balloon payment approximating \$355,000 due at maturity in August 2024. The note is secured by cash, marketable securities, and property and equipment.

Paycheck Protection Program loan - TD Bank, N.A.: In 2020, RCDB, Inc. received a \$654,360 term loan pursuant to the Paycheck Protection Program administered by the U.S. Small Business Administration and due in May 2022, including interest at 1%. During 2021, the loan and accrued interest were formally forgiven; accordingly, a gain of \$654,360 was recognized within other gains (losses) in the 2021 statement of activities.

Note 11. Retirement and Postretirement Plans

Employees of RCDB, Inc.: 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% to 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 \$76,000 in 2022 and \$58,000 in 2021.

Priests' retirement and postretirement plans under Priests' Benefit Fund of 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 RCDB, Inc. as of June 30:

	2022		
	Pension Benefit Plan	Postretirement Benefit Plan	Total
Accumulated benefit obligation	\$ 8,452,934	\$ 1,944,614	\$ 10,397,548
Funded status:			
Benefit obligation	\$ 8,452,934	\$ 1,944,614	\$ 10,397,548
Fair value of plan assets	(11,302,266)	(452,070)	(11,754,336)
Accrued (prepaid) benefit cost	\$ (2,849,332)	\$ 1,492,544	\$ (1,356,788)

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 11. Retirement and Postretirement Plans (continued)

	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)

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

	2022		2021	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Accrued (prepaid) benefit cost	\$ (2,849,332)	\$ 1,492,544	\$ (3,238,778)	\$ 2,291,685
Accumulated related charges other than net periodic benefit costs included in net assets without donor restrictions:				
Unrecognized net actuarial loss (gain)	\$ 2,010,365	\$ (1,171,142)	\$ 1,287,727	\$ (373,170)
Unrecognized prior service cost	1,954,027	-	2,165,381	-
	\$ 3,964,392	\$ (1,171,142)	\$ 3,453,108	\$ (373,170)

Cash flows: Contributions and benefit payments made during the years ended June 30 are as follows:

	2022		2021	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Employer contributions to the plan	\$ 135,000	\$ 110,823	\$ 139,745	\$ 174,937
Benefits paid	\$ 768,700	\$ 112,262	\$ 648,250	\$ 99,937

RCDB, Inc. expects to contribute approximately \$84,000 to the pension benefit plan and \$28,000 to the postretirement benefit plan in 2023.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 11. Retirement and Postretirement Plans (continued)

Benefits expected to be paid by the plans during the ensuing five years are approximately as follows at June 30, 2022:

	Pension Benefit Plan	Postretirement Benefit Plan	Total
Years ending June 30:			
2023	\$ 727,579	\$ 122,285	\$ 849,864
2024	707,359	124,108	831,467
2025	686,862	125,697	812,559
2026	643,600	123,444	767,044
2027	600,536	120,852	721,388
	<u>\$ 3,365,936</u>	<u>\$ 616,386</u>	<u>\$ 3,982,322</u>

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

	2022		2021	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Service cost	\$ 166,891	\$ 66,883	\$ 166,332	\$ 87,595
Pension plan charges (benefit) other than service costs:				
Interest cost	244,437	73,849	209,038	73,501
Expected return on plan assets	(726,252)	(26,139)	(776,185)	(34,350)
Other	211,354	(4,940)	280,437	-
	<u>(270,461)</u>	<u>42,770</u>	<u>(286,710)</u>	<u>39,151</u>
Pension-related charges other than net periodic pension cost:				
Net actuarial loss (gain) arising during the year	511,284	(797,970)	(1,261,288)	(275,738)
Net decrease (increase) in net assets without donor restrictions related to pension benefit and postretirement benefit plans	<u>\$ 407,714</u>	<u>\$ (688,317)</u>	<u>\$ (1,381,666)</u>	<u>\$ (148,992)</u>

The estimated net loss that will be amortized from accumulated related charges other than net periodic benefit cost in 2023 is approximately \$183,000.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 11. 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:

	2022		2021	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Monthly stipend without a pastoral assignment	\$ 1,950	N/A	\$ 1,950	N/A
Monthly stipend with a pastoral assignment	\$ 1,850	N/A	\$ 1,850	N/A
Monthly stipend for bishops	\$ 2,150	N/A	\$ 2,150	N/A
Discount rate	4.25%	4.50%	2.50%	2.70%
Expected rate of return on plan assets	5.60%	5.60%	5.60%	5.60%

In 2022, there was one significant change in assumptions consisting of an increase in the discount rate used to calculate the liability related to the pension benefit plan as of the end of the year, which resulted in a decrease in the pension benefit plan liability of approximately \$1,792,000.

In 2021, there were two 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 and 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.

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 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.

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

	Goal	2022	2021
Cash	0%	3%	4%
Equity securities	60%	56%	64%
Debt securities	40%	41%	32%

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 11. Retirement and Postretirement Plans (continued)

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:

	2022	2021
Level 1:		
Cash	\$ 374,004	\$ 532,229
Equity securities	6,602,352	8,870,268
	<u>6,976,356</u>	<u>9,402,497</u>
Level 2:		
Fixed-income securities	4,777,980	4,494,357
	<u>4,777,980</u>	<u>4,494,357</u>
Total	<u>\$ 11,754,336</u>	<u>\$ 13,896,854</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 ending 2023 and thereafter are approximately 3.9% 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:

	Increase	Decrease
Effect on total of service and interest cost components	\$ 37,987	\$ (27,733)
Effect on accumulated postretirement benefit obligation	\$ 277,645	\$ (223,170)

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 12. Net Assets

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

	2022	2021
Endowment funds:		
Amounts required to be maintained in perpetuity:		
Fearons Trust for seminary education and for the benefit of priests	\$ 5,947,078	\$ 7,656,938
Seminary education (Nolin-Mooney Fund)	1,052,563	1,052,604
Faith Formation Fund - <i>Christ Our Hope</i> campaign	726,350	629,835
Boucher Trust for general purposes of the Diocese	634,056	772,845
Charity, care of the poor and support of vocations (Buckley Fund)	542,501	542,501
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
Other	10,000	10,000
	9,933,094	11,685,269
Accumulated investment gain (loss), subject to donor restrictions or spending policy, and appropriation for the following purposes:		
Seminary education (Nolin-Mooney Fund)	459,291	733,043
Faith Formation Fund - <i>Christ Our Hope</i> campaign	(53,403)	6,751
Charity, care of the poor and support of vocations (Buckley Fund)	258,946	407,713
Priests' Benefit Fund (Buckley Fund)	259,527	408,285
Roman Catholic schools and charities of the City of Burlington, Vermont (Turk Fund)	205,947	334,418
Other	5,212	6,736
	1,135,520	1,896,946
Total endowment funds with donor restrictions	11,068,614	13,582,215
Restricted by donors as to time:		
Bishop's Annual Appeal - pledges received to be used during the succeeding fiscal year	122,734	147,144
Restricted by donors for the following purposes:		
Archival preservation (Goss Trust)	273,313	309,038
Christmas Fund, poor and needy parishes	108,865	82,704
Priests' Benefit Fund - collection for senior priests	60,160	52,709
Vermont Catholic Education Endowment Fund	51,751	61,390
Other	30,093	27,582
	524,182	533,423
	\$ 11,715,530	\$ 14,262,782

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 12. Net Assets (continued)

Changes in net assets related to endowment funds were as follows:

Balance, June 30, 2020	\$ 10,617,824
Contributions	600,713
Change in value of beneficial interests	1,682,002
Net investment return	848,546
Appropriations	(166,870)
Balance, June 30, 2021	13,582,215
Contributions	96,515
Change in value of beneficial interests	(1,848,690)
Net investment return	(527,332)
Appropriations	(234,094)
Balance, June 30, 2022	<u>\$ 11,068,614</u>

Note 13. Related-Party Transactions

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

	2022	2021
In-kind subsidies:		
Rent-free use of facilities for residential care homes	\$ 1,227,000	\$ 1,350,000
Rent-free use of facilities for administration and counseling	32,880	32,880
Administrative services	117,595	119,547
Total in-kind subsidies	1,377,475	1,502,427
Cash subsidies for use in general operations	220,004	200,004
Allocation of administrative facilities costs	63,845	59,958
	<u>\$ 1,661,324</u>	<u>\$ 1,762,389</u>

Amounts due to VCC, included in due to affiliated organizations, were approximately \$38,000 and \$56,000 at June 30, 2022 and 2021, respectively.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 13. Related-Party Transactions (continued)

Rice: During 2021, RCDB, Inc. received amounts from a third party to establish a charitable endowment fund for the benefit of Rice totaling approximately \$390,000. Distributions of \$10,000 annually will be made to Rice through 2023; thereafter, 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 and due to affiliated organizations, were \$562,377 and \$634,122 at June 30, 2022 and 2021, respectively.

Other: RCDB, Inc. provided cash and in-kind contributions to Diocesan schools totaling \$529,029 in 2022 and \$546,405 in 2021, and to other related parties totaling \$172,401 in 2022 and \$142,201 in 2021. The fair values of these operating contributions are charged to activities and included in general program expenses.

RCDB, Inc. also provides accounting services that are billed to related parties. Revenue from these services totaled approximately \$322,000 in 2022 and \$303,000 in 2021.

There were additional amounts due from (to) other affiliates of RCDB, Inc. of approximately \$151,000 and (\$169,000) at June 30, 2022 and 2021, respectively.

Note 14. Capital Campaign

During 2022 and 2021, RCDB, Inc. conducted its *Christ Our Hope: Building a Vibrant Church* capital campaign (the campaign). The campaign's primary goal is to raise a total of \$10,000,000 for various purposes aligned with RCDB, Inc.'s goals to strengthen and secure the future of the Roman Catholic Church in Vermont. Funds, net of fundraising expenses, raised prior to December 1, 2021 were allocated to beneficiaries as follows: 60% to Diocesan parishes to fund parish activities and priorities; 20% to fund an endowment fund, the investment income 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 VCC, the investment income of which is to be distributed to VCC to provide support for those experiencing poverty. Effective December 1, 2021, the allocation was adjusted to increase the parish allocation on all new gifts to 80% and decrease the endowment funds' allocations to 10% each. Pursuant to an agreement with RCDB, Inc., the campaign activities, including contributions, are managed by VCCF and, unless specifically altered in writing, are allocated to the beneficiaries based on the aforementioned percentages, net of an allocation of fundraising expenses.

RCDB, Inc. recognized contribution revenues related to its portion of the campaign, excluding recoveries of fundraising expenses as hereafter described, totaling \$96,515 in 2022 and \$769,708 in 2021. Campaign funds held by VCCF include the following at June 30:

	2022	2021
Prepaid expenses and other current assets	\$ 1,651	\$ 107,236
Beneficial interests	\$ 672,947	\$ 636,586

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 14. Capital Campaign (continued)

In conjunction with the campaign, RCDB, Inc. entered into an agreement with an unrelated party for assistance with the campaign's fundraising and administration efforts. Expenses incurred through this party and related to the campaign totaled \$191,500 in 2021.

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. There were no expense-reimbursement revenues recognized in 2022. RCDB, Inc. recognized approximately \$487,000 of contribution revenues during 2021 related to recoveries of campaign-related fundraising expenses from other beneficiaries, of which approximately \$238,000 was included in parish receivables at June 30, 2021, and approximately \$79,000 was included in due to affiliated organizations at June 30, 2021.

Note 15. Litigation-Related Liabilities

RCDB, Inc. is a defendant in various lawsuits alleging priest misconduct occurring years ago. RCDB, Inc. has engaged legal counsel for representation and intends to apply every reasonable defense of its position. In February 2023, RCDB, Inc. entered into a settlement for one case in the amount of \$800,000; accordingly, RCDB, Inc. charged this settlement to operations in 2022 and recognized a liability of \$800,000 at June 30, 2022. RCDB, Inc. recognized additional settlement expenses of approximately \$248,000 in 2022, of which \$92,500 was included in accounts payable at June 30, 2022. There were no settlements made in 2021. Legal counsel has advised that, at this stage of the proceedings, they and RCDB, Inc. are unable to provide an opinion as to the outcome of the remaining lawsuits; however, based upon prior experience in such matters, in which settlements in other such lawsuits have occurred, it is probable that additional liabilities have been incurred related to the unsettled lawsuits existing as of June 30, 2022. 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 remaining unsettled lawsuits at June 30, 2022 or 2021. However, the settlement of these additional lawsuits could have a material impact on RCDB, Inc.'s financial position, results of operations, and liquidity.

Note 16. Commitments and Other Contingent Liabilities

Obligations related to TD Bank, N.A.: In July 2014, 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 renovation improvements to Rice, which were paid in full during 2022. The bonds were secured by a first priority mortgage on the Rice real estate and other Rice accounts at TD Bank, N.A. The original maturity date was January 2026. The debt for this obligation and all related transactions is recorded in the financial statements of Rice, an operating division of RCDB, Inc., and had an outstanding balance of \$4,253,372 at June 30, 2021.

Roman Catholic Diocese of Burlington, Vermont, Inc.

Notes to Financial Statements

Note 16. Commitments and Other Contingent Liabilities (continued)

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

Management assesses its exposure to loss for these obligations at each statement of financial position date and provides for accruals as deemed necessary. At June 30, 2022 and 2021, no accruals were necessary.