

# **Roman Catholic Diocese of Burlington, Vermont, Inc.**

Financial Statements  
June 30, 2023 and 2022

## Contents

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## **Independent Auditor's Report**

To Reverend Monsignor John McDermott  
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), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 as of June 30, 2023 and 2022, 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 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, 2023 and 2022 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 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'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'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'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  
April 22, 2024

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statements of Financial Position  
June 30, 2023 and 2022**

	<b>2023</b>	2022
<b>Assets</b>		
Cash	\$ 1,003,547	\$ 863,941
Pledges receivable	171,085	122,734
Bequest and trust receivables	2,768,355	660,748
Parish receivables	586,823	546,511
Prepaid expenses and other current assets	63,160	52,528
Notes receivable - related parties	723,435	568,435
Marketable securities	703,524	1,738,315
Beneficial interests	16,567,203	16,265,163
Assets held as trustee	982,801	954,104
Property and equipment	2,930,864	3,012,190
Prepaid pension plan costs	4,174,003	2,849,332
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 30,674,800</b>	<b>\$ 27,634,001</b>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 318,310	\$ 355,625
Accrued liabilities and reserves	2,117,987	1,385,824
Due to related parties	491,635	539,285
Funds held for others	1,212,472	1,028,727
Long-term debt	370,866	386,978
Accrued postretirement benefit plan costs	1,463,923	1,492,544
<b>Total liabilities</b>	<hr/> <b>5,975,193</b>	<hr/> 5,188,983
Net assets:		
Without donor restrictions	9,726,107	10,729,488
With donor restrictions	14,973,500	11,715,530
<b>Total net assets</b>	<hr/> <b>24,699,607</b>	<hr/> 22,445,018
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 30,674,800</b>	<b>\$ 27,634,001</b>
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**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statements of Activities  
Years Ended June 30, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Support:						
Bishop's Annual Appeal	\$ 2,279,654	\$ 171,085	\$ 2,450,739	\$ 1,968,112	\$ 122,734	\$ 2,090,846
Gifts and bequests	1,274,281	2,511,541	3,785,822	235,236	150,971	386,207
Program revenues:						
Diocesan assessments	1,381,171	-	1,381,171	1,523,484	-	1,523,484
Premiums charged to parishes and other affiliates for insurance program	1,524,371	-	1,524,371	1,455,474	-	1,455,474
Imputed rental and administrative services charged to affiliated organization	1,386,398	-	1,386,398	1,377,475	-	1,377,475
Diocesan Administrative services	403,662	-	403,662	409,518	-	409,518
Other fees	196,233	-	196,233	224,377	-	224,377
Allocation of investments designated to support operations	616,730	230,718	847,448	776,508	233,161	1,009,669
Other revenue	98,545	-	98,545	102,499	-	102,499
Reclassifications of net assets released from restrictions	743,847	(743,847)	-	509,914	(509,914)	-
<b>Total revenues</b>	<b>9,904,892</b>	<b>2,169,497</b>	<b>12,074,389</b>	<b>8,582,597</b>	<b>(3,048)</b>	<b>8,579,549</b>
Expenses:						
Program services:						
General program	5,813,570	-	5,813,570	4,752,924	-	4,752,924
Priests' Benefit Fund	920,044	-	920,044	759,687	-	759,687
Diocesan insurance	2,515,137	-	2,515,137	2,498,306	-	2,498,306
<b>Total program services</b>	<b>9,248,751</b>	<b>-</b>	<b>9,248,751</b>	<b>8,010,917</b>	<b>-</b>	<b>8,010,917</b>
Supporting services:						
General and administrative	2,803,514	-	2,803,514	1,958,980	-	1,958,980
Development	585,613	-	585,613	593,966	-	593,966
<b>Total supporting services</b>	<b>3,389,127</b>	<b>-</b>	<b>3,389,127</b>	<b>2,552,946</b>	<b>-</b>	<b>2,552,946</b>
<b>Total expenses</b>	<b>12,637,878</b>	<b>-</b>	<b>12,637,878</b>	<b>10,563,863</b>	<b>-</b>	<b>10,563,863</b>
<b>Increase (decrease) in net assets from operations (forward)</b>	<b>\$ (2,732,986)</b>	<b>\$ 2,169,497</b>	<b>\$ (563,489)</b>	<b>\$ (1,981,266)</b>	<b>\$ (3,048)</b>	<b>\$ (1,984,314)</b>

(continued)

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statements of Activities (continued)  
Years Ended June 30, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Increase (decrease) in net assets from operations (forwarded)</b>	<b>\$ (2,732,986)</b>	<b>\$ 2,169,497</b>	<b>\$ (563,489)</b>	<b>\$ (1,981,266)</b>	<b>\$ (3,048)</b>	<b>\$ (1,984,314)</b>
Other gains (losses):						
Investment gain (loss), net of amounts designated to support operations	311,667	1,031,318	1,342,985	(1,040,172)	(2,640,719)	(3,680,891)
Contributions to capital campaign	-	57,155	57,155	-	96,515	96,515
<b>Total other gains (losses)</b>	<b>311,667</b>	<b>1,088,473</b>	<b>1,400,140</b>	<b>(1,040,172)</b>	<b>(2,544,204)</b>	<b>(3,584,376)</b>
<b>Increase (decrease) in net assets before pension-related changes other than pension service cost</b>	<b>(2,421,319)</b>	<b>3,257,970</b>	<b>836,651</b>	<b>(3,021,438)</b>	<b>(2,547,252)</b>	<b>(5,568,690)</b>
Retirement and postretirement plan benefits (costs) other than service costs	(18,129)	-	(18,129)	227,691	-	227,691
Pension-related changes other than net periodic pension cost	1,436,067	-	1,436,067	286,686	-	286,686
<b>Increase (decrease) in net assets</b>	<b>(1,003,381)</b>	<b>3,257,970</b>	<b>2,254,589</b>	<b>(2,507,061)</b>	<b>(2,547,252)</b>	<b>(5,054,313)</b>
Net assets, beginning of year	10,729,488	11,715,530	22,445,018	13,236,549	14,262,782	27,499,331
Net assets, end of year	<b>\$ 9,726,107</b>	<b>\$ 14,973,500</b>	<b>\$ 24,699,607</b>	<b>\$ 10,729,488</b>	<b>\$ 11,715,530</b>	<b>\$ 22,445,018</b>

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2023**

	Program Expenses				Supporting Expenses			Total Expenses
	General Program	Priests' Benefit Fund	Diocesan Insurance	Total	General and Administrative	Development	Total	
Operating expenses:								
Salaries and wages	\$ 1,182,310	\$ 55,790	\$ 151,047	\$ 1,389,147	\$ 579,280	\$ 334,161	\$ 913,441	\$ 2,302,588
Employee benefits	301,198	22,677	29,965	353,840	178,946	89,191	268,137	621,977
<b>Total personnel</b>	<b>1,483,508</b>	<b>78,467</b>	<b>181,012</b>	<b>1,742,987</b>	<b>758,226</b>	<b>423,352</b>	<b>1,181,578</b>	<b>2,924,565</b>
Buildings and grounds	126,583	1,772	3,987	132,342	17,755	8,163	25,918	158,260
Contracted services	49,780	-	-	49,780	155,263	1,366	156,629	206,409
Insurance premiums and settlements	-	-	2,290,190	2,290,190	32,874	-	32,874	2,323,064
Interest	-	-	-	-	19,082	-	19,082	19,082
Legal and related	375	-	-	375	691,390	-	691,390	691,765
Other	224,385	13	29	224,427	728,265	92,192	820,457	1,044,884
Priest benefits	-	805,280	-	805,280	-	-	-	805,280
Professional and technical	43,753	19,609	36,635	99,997	206,061	19,338	225,399	325,396
Seminary education	591,731	-	-	591,731	-	-	-	591,731
Social services and other subsidies	3,116,807	-	-	3,116,807	62,970	800	63,770	3,180,577
Supplies and postage	86,646	13,643	449	100,738	72,694	34,598	107,292	208,030
	<b>5,723,568</b>	<b>918,784</b>	<b>2,512,302</b>	<b>9,154,654</b>	<b>2,744,580</b>	<b>579,809</b>	<b>3,324,389</b>	<b>12,479,043</b>
Depreciation	90,002	1,260	2,835	94,097	58,934	5,804	64,738	158,835
<b>Total</b>	<b>\$ 5,813,570</b>	<b>\$ 920,044</b>	<b>\$ 2,515,137</b>	<b>\$ 9,248,751</b>	<b>\$ 2,803,514</b>	<b>\$ 585,613</b>	<b>\$ 3,389,127</b>	<b>\$ 12,637,878</b>



**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
<b>Total personnel</b>	<b>1,330,343</b>	<b>49,147</b>	<b>176,138</b>	<b>1,555,628</b>	<b>806,502</b>	<b>463,285</b>	<b>1,269,787</b>	<b>2,825,415</b>
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	90,869	-	2,862	93,731	67,753	5,860	73,613	167,344
<b>Total</b>	<b>\$ 4,752,924</b>	<b>\$ 759,687</b>	<b>\$ 2,498,306</b>	<b>\$ 8,010,917</b>	<b>\$ 1,958,980</b>	<b>\$ 593,966</b>	<b>\$ 2,552,946</b>	<b>\$ 10,563,863</b>

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statements of Cash Flows  
Years Ended June 30, 2023 and 2022**

	<b>2023</b>	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,254,589	\$ (5,054,313)
Noncash items included in increase (decrease) in net assets:		
Depreciation	158,835	167,344
Bad debt expense (recoveries)	3,136	(35,531)
Net realized and unrealized loss (gain) on marketable securities	(58,781)	136,328
Contributions to, and other changes in value of, beneficial interests	(2,173,935)	2,905,100
Pension-related changes other than net periodic pension costs	(1,436,067)	(286,686)
In-kind payments received on note receivable - related party	-	2,359
Changes in operating assets and liabilities:		
Receivables	(2,207,898)	55,293
Prepaid expenses and other current assets	(10,632)	180,269
Distributions from beneficial interests	1,871,895	567,668
Accounts payable and accrued liabilities and reserves	694,848	1,113,853
Due to related parties	(62,180)	(168,595)
Funds held for others	155,048	21,754
Pension and postretirement benefit plan costs	82,775	(123,009)
Contributions restricted for long-term purposes	(57,155)	-
<b>Net cash used in operating activities</b>	<b>(785,522)</b>	<b>(518,166)</b>
Cash flows from investing activities:		
Capital acquisitions	(77,509)	(8,495)
Principal receipts on notes receivable - related parties	-	357,505
Advances to related parties on notes receivable	(155,000)	-
Proceeds from sale of marketable securities	1,357,000	608,857
Purchases of marketable securities	(240,406)	(504,477)
<b>Net cash provided by investing activities</b>	<b>884,085</b>	<b>453,390</b>
<b>Subtotal (forward)</b>	<b>\$ 98,563</b>	<b>\$ (64,776)</b>

(continued)

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Statements of Cash Flows (continued)**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	2022
<b>Subtotal (forwarded)</b>	<b>\$ 98,563</b>	\$ (64,776)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<b>57,155</b>	-
Principal payments on long-term debt	<b>(16,112)</b>	(15,371)
<b>Net cash provided by (used in) financing activities</b>	<b>41,043</b>	(15,371)
<b>Net increase (decrease) in cash</b>	<b>139,606</b>	(80,147)
Cash, beginning of year	<b>863,941</b>	944,088
Cash, end of year	<b>\$ 1,003,547</b>	\$ 863,941
Supplementary disclosure of cash flows information:		
Cash paid during the year for:		
Interest	<b>\$ 15,760</b>	\$ 16,501

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### 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) 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 consists of administrative offices, certain program offices conducted at the Diocesan level, the Diocesan cemetery, Diocesan schools, and The Catholic Center at the University of Vermont (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 is exempt from income taxation.

#### Note 2. Summary of Significant Accounting Policies

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

**Basis of accounting and presentation:** RCDB’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require RCDB 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. 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 the 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 or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (continued)

**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. However, accounts of certain activities or operating divisions of RCDB, 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 is the parent corporation, has also been excluded. VCC operates separately and distinctly from RCDB, 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 GAAP.

These financial statements include the following activities:

**General program:** General program includes all accounts and activities of RCDB related to meeting the general and specific operating requirements of RCDB, 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 provides benefits to active and retired Roman Catholic priests who have been incardinated in the Diocese. Expenses of the Priests' Benefit Fund include expenses related to active priests and expenses related to the Employee Retirement Income Security Act of 1974 (ERISA) retirement and postretirement benefit plans described hereafter. RCDB sponsors a noncontributory, non-ERISA qualified defined benefit retirement plan and related trust as well as 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's policy is to fund plan costs as determined by the plans' actuaries and satisfy the minimum funding standards as required by ERISA.

**Diocesan insurance:** RCDB 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.

**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 in the period the parishes receive their respective contributions.

**Insurance premiums:** The Diocese charges participating related parties a fixed amount annually to support the Diocesan insurance program. Revenues are recognized in the period services are provided.

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

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### 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 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 the satisfaction of the time or purpose restrictions. 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 reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

**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.

**Allowance for doubtful collection of receivables:** Pledges, bequests, trusts and notes receivable are stated at the amount RCDB expects to collect. The allowances for doubtful accounts are RCDB's best estimates of the amount of probable credit losses in RCDB's existing receivables; however, changes in circumstances relating to receivables may result in a requirement for additional allowances in the future. RCDB determines each allowance based on historical write-off experience, current trends in collections and, for larger accounts, the ability to pay outstanding balances. RCDB 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 \$10,777 and \$15,650 at June 30, 2023 and 2022, respectively. Parish receivables are reported net of an allowance for doubtful accounts of \$63,456 and \$60,320 at June 30, 2023 and 2022, respectively.

**Bequest and trust receivables:** Bequests receivable reflect three bequests for which RCDB is the unconditional beneficiary. One of the bequests represents the assets of a trust, of which, as of the date of this report, only the cash assets of the trust have been valued; a value has not been estimated for certain real estate included in the trust.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (continued)

**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.

Funds held for others consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Asset held in trust for Rice Memorial High School (Rice) (Note 9) \$	<b>982,801</b>	\$ 954,104
Priests' Benefit Fund Pension Trust	<b>159,795</b>	-
Other	<b>69,876</b>	74,623
<b>Total funds held for others</b>	<b><u>\$ 1,212,472</u></b>	<b><u>\$ 1,028,727</u></b>

**Fair value measurements:** The Financial Accounting Standards Board's authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands the 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.

For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. 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:** RCDB has beneficial interests in trusts and Vermont Catholic Community Foundation (VCCF).

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (continued)

**Trusts:** RCDB records its beneficial interests in trusts in which it is named or has been legally determined to be a beneficiary at its proportionate share of the fair value of underlying net assets of the trusts. Thereafter, the fair value of the beneficial interests in trusts is RCDB'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. Distributions received from perpetual trusts are accounted for as gains on investments. Distributions from nonperpetual trusts are accounted for as reductions in the carrying value of the related trust. Changes in RCDB'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.

**Vermont Catholic Community Foundation:** RCDB records its beneficial interest in VCCF at the net asset value (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's share of the change in fair value of VCCF's investments are recorded as investment income (loss). The beneficial interests in VCCF are valued based on the 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.

**Property and equipment:** RCDB 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 is provided for in amounts sufficient to relate the cost of depreciable 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. Impairment review was not required in 2023 or 2022.



## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (continued)

**Endowment:** RCDB'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, 2023 or 2022.

**Interpretation of relevant law:** RCDB 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 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 considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions;
2. The possible effects 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 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 RCDB to maintain as a fund of perpetual duration. In accordance with 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, 2023 and 2022, RCDB's fund deficiencies were not significant.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (continued)

**Return objectives and risk parameters:** RCDB 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 expects its endowment funds, over time, to provide an average total net return of 4% to 5% in excess of the Consumer Price Index. 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 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 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 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 considered the long-term expected return on its endowments. Accordingly, over the long term, RCDB expects the current spending policy to allow its endowments to grow at an average of 2% annually.

**Defined benefit plans:** RCDB recognizes the net asset or liability position based on the fully funded status of its defined benefit retirement and postretirement plans. The service cost component of net periodic benefit cost is charged to operations, and the remaining portion is charged to net periodic benefit costs other than service costs. Prior service costs or credits that are not yet included as components of expense are recognized in changes other than net periodic benefit costs. The measurement of the defined benefit plans' assets and obligations occurs as of each statement of financial position date.

**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

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#### Note 2. Summary of Significant Accounting Policies (continued)

**Income taxes:** RCDB 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 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 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.

**Reclassifications:** The 2022 statement of cash flows reflects a reclassification of \$1,164,267 in losses on marketable securities to changes in beneficial interests in order to conform to changes in the presentation in 2023.

**Evaluation of subsequent events:** In preparing these financial statements, RCDB has evaluated events and transactions for potential recognition or disclosure through April 22, 2024, the date the financial statements were available to be issued.

#### Note 3. Risks and Uncertainties

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

RCDB 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

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#### Note 4. Availability and Liquidity

The following reflects RCDB's financial assets that are estimated to be available to meet general expenditure needs within one year as of June 30, 2023 and 2022. This includes amounts pledged by donors for general operating use and excludes notes receivable - related parties, beneficial interests, and marketable securities.

	<u>2023</u>	<u>2022</u>
Total financial assets considered current assets	\$ 4,529,800	\$ 2,193,900
Donor-restricted funds included in bequest and trust receivables	(1,150,700)	-
Cash required to satisfy donor restrictions	(10,000)	(10,000)
Anticipated distributions from marketable securities and beneficial interests based upon 5% spending policy	834,700	872,100
	<u>834,700</u>	<u>872,100</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 4,203,800</b>	<b>\$ 3,056,000</b>

RCDB relies upon contribution revenues to fund operations and conducts vigorous fundraising activities to achieve fundraising goals. RCDB 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

**St. Joseph Co-Cathedral Parish Charitable Trust:** RCDB has a note receivable from St. Joseph Co-Cathedral Parish Charitable Trust. 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. RCDB made note advances of \$75,000 in 2023 and \$0 in 2022. There were no payments on the note in 2023 or 2022. The balance of the note was approximately \$643,000 and \$568,000 at June 30, 2023 and 2022, respectively.

**Catholic Center at the University of Vermont:** During 2023, RCDB advanced an amount of \$80,000 to the Catholic Center at the University of Vermont. The note is noninterest-bearing and has no formal repayment schedule; repayment is expected to be made from annual distributions from a trust to which the Catholic Center is entitled.

**Other:** A note receivable from Rice was paid in full in the amount of \$358,000 during 2022.

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 6. Marketable Securities**

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

	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fixed income:				
Government bonds	\$ -	\$ 9,915	\$ -	\$ 9,915
Corporate bonds	-	205,143	-	205,143
<b>Total fixed income</b>	-	215,058	-	215,058
Common stocks	331,938	-	-	331,938
Other investments	-	-	86,371	86,371
	<b>\$ 331,938</b>	<b>\$ 215,058</b>	<b>\$ 86,371</b>	<b>633,367</b>
Investments measured at NAV:				
Money market funds				70,157
<b>Total marketable securities</b>				<b>\$ 703,524</b>

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fixed income:				
Government bonds	\$ -	\$ 240,557	\$ -	\$ 240,557
Corporate bonds	-	580,385	-	580,385
<b>Total fixed income</b>	-	820,942	-	820,942
Common stocks	856,796	-	-	856,796
Other investments	-	-	29,883	29,883
	<b>\$ 856,796</b>	<b>\$ 820,942</b>	<b>\$ 29,883</b>	<b>1,707,621</b>
Investments measured at NAV:				
Money market funds				30,694
<b>Total marketable securities</b>				<b>\$ 1,738,315</b>

RCDB designated a portion of the cumulative investment return for support of current operations; the remainder is retained to support operations of future years and 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

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#### Note 7. Beneficial Interests

**Trusts:** The Diocese is the beneficiary of three trusts at June 30, 2023 and 2022, the net assets of which have been accounted for as net assets with donor restrictions. RCDB carries the beneficial interests in trusts at fair value, net of distributions expected to be made to RCDB as a reimbursement of expenses already incurred. Trusts consist of the following:

- A perpetual charitable trust that 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. RCDB is guaranteed a minimum of 50% of all distributions from the trust to a maximum of 95%, conditionally dependent upon the level of spending for the education of seminarians for service in the state of Vermont. As a beneficiary, unconditional distributions received by RCDB reimburse RCDB for expenses incurred for the education of seminarians for service in the state of Vermont and the care of elderly priests within the Diocese. Furthermore, 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, reduce the fair value of investments. These distributions are recognized in bequest and trust receivables totaling \$302,428 and \$442,000 at June 30, 2023 and 2022, respectively. Conditional trust distributions receivable of \$272,185 and \$218,749 are included in beneficial interests at June 30, 2023 and 2022, respectively, and were recorded as gifts and bequests revenue in 2023 and 2022. RCDB carries the beneficial interest in the trust at 50% of the fair value of the underlying assets in the trust; RCDB's portion of the trust's value is \$6,666,329 and \$5,947,078 at June 30, 2023 and 2022, respectively. Gains (losses) on the change in the value of the beneficial interest were \$1,021,679 in 2023 and (\$1,267,901) in 2022.
- A perpetual trust that requires that the trustee retain the assets in perpetuity for purposes of investment, the distributions of which are available to support the general activities of the Diocese. The amounts held in this trust were \$667,852 and \$634,056 at June 30, 2023 and 2022, respectively.
- A nonperpetual trust that allows the Diocese to direct the trustee to distribute the assets for the purpose of archival preservation. The amounts held in this trust were \$298,094 and \$273,313 at June 30, 2023 and 2022, respectively.

**Vermont Catholic Community Foundation:** RCDB is the sole beneficiary of funds owned and managed by VCCF for the Diocese's benefit. Funds are established through contributions by third parties to benefit the Diocese and through transfers of RCDB assets into VCCF funds pursuant to agreements that limit RCDB from access to those assets, as defined. RCDB 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 \$8,934,929 and \$9,410,717 at June 30, 2023 and 2022, respectively.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 7. 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:

	<b>2023</b>	2022
Fair value determined by Level 1:		
Mutual funds - equity	<b>\$ 6,118,922</b>	\$ 5,450,013
Mutual fund - fixed income	<b>976,391</b>	959,798
Equities	<b>646,710</b>	566,553
	<b>7,742,023</b>	6,976,364
Investments measured at NAV:		
Money market funds (a)	<b>192,679</b>	320,082
VCCF (b)	<b>8,934,929</b>	9,410,717
Less accrued distributions	<b>(302,428)</b>	(442,000)
	<b>\$ 16,567,203</b>	\$ 16,265,163

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.

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 8. Investment Return**

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

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Marketable securities:			
Net realized and unrealized gains	\$ 58,781	\$ -	\$ 58,781
Investment management fees	(3,295)	-	(3,295)
Interest and dividend income	23,444	723	24,167
	<u>78,930</u>	<u>723</u>	<u>79,653</u>
Beneficial interests	849,467	1,261,313	2,110,780
<b>Total investment return</b>	<b>928,397</b>	<b>1,262,036</b>	<b>2,190,433</b>
Less amount designated for operations	<u>616,730</u>	<u>230,718</u>	<u>847,448</u>
<b>Net other investment return</b>	<b>\$ 311,667</b>	<b>\$ 1,031,318</b>	<b>\$ 1,342,985</b>
	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Marketable securities:			
Net realized and unrealized losses	\$ (134,470)	\$ (1,858)	\$ (136,328)
Investment management fees	(4,105)	-	(4,105)
Interest and dividend income	28,757	334	29,091
	<u>(109,818)</u>	<u>(1,524)</u>	<u>(111,342)</u>
Beneficial interests	(153,846)	(2,406,034)	(2,559,880)
<b>Total investment loss</b>	<b>(263,664)</b>	<b>(2,407,558)</b>	<b>(2,671,222)</b>
Less amount designated for operations	<u>776,508</u>	<u>233,161</u>	<u>1,009,669</u>
<b>Net other investment loss</b>	<b>\$ (1,040,172)</b>	<b>\$ (2,640,719)</b>	<b>\$ (3,680,891)</b>



**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 9. Assets Held as Trustee**

RCDB is trustee for assets related to a charitable remainder unitrust (CRUT). The CRUT requires distributions of 5% of the net fair 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 CRUT period will terminate and the remaining trust estate will be distributed to a beneficiary, which is currently RCDB, 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 has recognized a liability for the total fair value of the trust assets as of June 30, 2023 and 2022. Liabilities related to the CRUT, included in assets held as trustee and funds held for others, were \$982,801 and \$954,104 at June 30, 2023 and 2022, respectively, including a liability under a split-interest agreement calculated using actuarial methods, valued at approximately \$223,000 and \$240,000 at June 30, 2023 and 2022, 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:

	<b>2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Fixed income - corporate bonds	\$ -	\$ 129,268	\$ -	\$ 129,268
Common stocks	812,262	-	-	812,262
Other investments	-	-	9,990	9,990
	<u>\$ 812,262</u>	<u>\$ 129,268</u>	<u>\$ 9,990</u>	<u>951,520</u>
Investments measured at NAV:				
Money market funds				<u>31,281</u>
<b>Total assets held as trustee</b>				<u><b>\$ 982,801</b></u>

	<b>2022</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
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>
<b>Total assets held as trustee</b>				<u><b>\$ 954,104</b></u>

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 10. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 4,065,504	\$ 4,065,504
Land and land improvements	516,829	516,829
Equipment	297,412	262,016
Vehicles	190,726	190,726
Construction in progress	42,113	-
	<u>5,112,584</u>	<u>5,035,075</u>
Less accumulated depreciation	<u>2,181,720</u>	<u>2,022,885</u>
	<u>\$ 2,930,864</u>	<u>\$ 3,012,190</u>

#### Note 11. Long-Term Debt

RCDB 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%. Outstanding principal balances on the note were \$370,866 and \$386,978 at June 30, 2023 and 2022, respectively. Principal payments due on the note are \$16,517 in 2024 and a final balloon payment approximating \$354,000 is due at maturity in August 2024. The note is secured by cash, marketable securities, and property and equipment.

#### Note 12. Retirement and Postretirement Plans

**Employees of RCDB:** RCDB 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 \$76,800 in 2023 and \$76,000 in 2022.

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 12. Retirement and Postretirement Plans (continued)**

**Priests' retirement and postretirement plans under Priests' Benefit Fund of RCDB:**

**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 as of June 30:

	<b>2023</b>		
	<b>Pension Benefit Plan</b>	<b>Postretirement Benefit Plan</b>	<b>Total</b>
Accumulated benefit obligation	\$ 7,792,616	\$ 1,971,021	\$ 9,763,637
Funded status:			
Benefit obligation	\$ 7,792,616	\$ 1,971,021	\$ 9,763,637
Fair value of plan assets:			
Other contributions receivable	(159,795)	-	(159,795)
Fair value of plan investment securities	(11,806,824)	(507,098)	(12,313,922)
<b>Total fair value of plan assets</b>	<b>(11,966,619)</b>	<b>(507,098)</b>	<b>(12,473,717)</b>
<b>Accrued (prepaid) benefit cost</b>	<b>\$ (4,174,003)</b>	<b>\$ 1,463,923</b>	<b>\$ (2,710,080)</b>
	<b>2022</b>		
	<b>Pension Benefit Plan</b>	<b>Postretirement Benefit Plan</b>	<b>Total</b>
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)
<b>Accrued (prepaid) benefit cost</b>	<b>\$ (2,849,332)</b>	<b>\$ 1,492,544</b>	<b>\$ (1,356,788)</b>

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 12. Retirement and Postretirement Plans (continued)**

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

	2023		2022	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Accrued (prepaid) benefit cost	<b>\$ (4,174,003)</b>	<b>\$ 1,463,923</b>	\$ (2,849,332)	\$ 1,492,544
Accumulated related charges other than net periodic benefit costs included in net assets without donor restrictions:				
Contribution receivable from RCDB	\$ (159,795)	\$ -	\$ -	\$ -
Unrecognized net actuarial loss (gain)	896,911	(1,145,606)	2,010,365	(1,171,142)
Unrecognized prior service cost	1,765,673	-	1,954,027	-
	<b>\$ 2,502,789</b>	<b>\$ (1,145,606)</b>	\$ 3,964,392	\$ (1,171,142)

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

	2023		2022	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Employer contributions to the plan	\$ 84,196	\$ 111,566	\$ 135,000	\$ 110,823
Benefits paid	\$ 742,400	\$ 108,402	\$ 768,700	\$ 112,262

RCDB expects to contribute \$159,795 of funds held for the pension benefit fund trust to the pension benefit plan and the postretirement benefit plan in 2024.

Benefits expected to be paid by the plans during the ensuing five years are approximately as follows at June 30, 2023:

Years ending June 30:	Pension Benefit Plan	Postretirement Benefit Plan	Total
	2024	\$ 706,676	\$ 142,913
2025	696,373	148,234	844,607
2026	661,223	127,004	788,227
2027	624,840	126,263	751,103
2028	587,465	125,086	712,551
	<b>\$ 3,276,577</b>	<b>\$ 669,500</b>	<b>\$ 3,946,077</b>

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 12. Retirement and Postretirement Plans (continued)**

**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:

	2023		2022	
	Pension Benefit Plan	Postretirement Benefit Plan	Pension Benefit Plan	Postretirement Benefit Plan
Service cost	\$ 126,347	\$ 44,959	\$ 166,891	\$ 66,883
Pension plan charges (benefit) other than service cost:				
Interest cost	343,789	84,756	244,437	73,849
Expected return on plan assets	(614,699)	(22,678)	(726,252)	(26,139)
Other	232,671	(5,710)	211,354	(4,940)
	(38,239)	56,368	(270,461)	42,770
Pension-related charges other than net periodic pension cost:				
Net actuarial loss (gain) arising during the year	(1,301,808)	25,536	511,284	(797,970)
Contribution receivable from RCDB	(159,795)	-	-	-
	(1,461,603)	25,536	511,284	(797,970)
<b>Net decrease (increase) in net assets without donor restrictions related to pension benefit and postretirement benefit plans</b>	<b>\$ (1,373,495)</b>	<b>\$ 126,863</b>	<b>\$ 407,714</b>	<b>\$ (688,317)</b>

**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:

	2023		2022	
	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	4.75%	5.00%	4.25%	4.50%
Expected rate of return on plan assets	5.60%	5.60%	5.60%	5.60%

In 2023, there was one significant change in assumptions consisting of an increase in the discount rate used to calculate the prepaid asset related to the pension benefit plan as of the end of the year, which resulted in an increase in the pension benefit plan asset of approximately \$390,000.

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 12. Retirement and Postretirement Plans (continued)**

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

**Additional information related to the pension benefit and postretirement benefit plans - investments:**

The plans' investment policies include various guidelines and procedures designed to ensure that 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 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's overall strategy to fund the plans is to invest in high-grade securities and other assets to diversify risk. In general, RCDB's goal is to maintain the following allocation ranges as compared to the actual allocation at June 30:

	Goal	<b>2023</b>	2022
Cash	0%	<b>3%</b>	3%
Equity securities	60%	<b>60%</b>	56%
Debt securities	40%	<b>37%</b>	41%

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:

	<b>2023</b>	2022
Level 1:		
Cash	<b>\$ 361,780</b>	\$ 374,004
Equity securities	<b>7,453,595</b>	6,602,352
	<b>7,815,375</b>	6,976,356
Level 2:		
Fixed-income securities	<b>4,498,547</b>	4,777,980
<b>Total</b>	<b>\$ 12,313,922</b>	\$ 11,754,336

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

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**Note 12. Retirement and Postretirement Plans (continued)**

**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 2024 and thereafter are approximately 4.0% 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	\$ 27,261	\$ (20,664)
Effect on accumulated postretirement benefit obligation	\$ 279,252	\$ (224,212)

**Note 13. Net Assets**

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

	2023	2022
Endowment funds:		
Amounts required to be maintained in perpetuity:		
Fearons Trust for seminary education and for the benefit of priests	\$ 6,666,329	\$ 5,947,078
Seminary education (Nolin-Mooney Fund)	1,052,563	1,052,563
Faith Formation Fund - <i>Christ Our Hope</i> campaign	783,505	726,350
Boucher Trust for general purposes of the Diocese	667,852	634,056
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
<b>Subtotal (forward)</b>	<b>\$ 10,743,296</b>	<b>\$ 9,933,094</b>

(continued)

**Roman Catholic Diocese of Burlington, Vermont, Inc.**

**Notes to Financial Statements**

**Note 13. Net Assets (continued)**

	<u>2023</u>	<u>2022</u>
<b>Subtotal (forwarded)</b>	<b>\$ 10,743,296</b>	<b>\$ 9,933,094</b>
Endowment funds (continued):		
Accumulated investment gain (loss), subject to donor restrictions or spending policy, and appropriation for the following purposes:		
Seminary education (Nolin-Mooney Fund)	503,993	459,291
Faith Formation Fund	(20,219)	(53,403)
Charity, care of the poor and support of vocations (Buckley Fund)	300,323	258,946
Priests' Benefit Fund (Buckley Fund)	300,905	259,527
Roman Catholic schools and charities of the City of Burlington, Vermont (Turk Fund)	242,237	205,947
Other	5,935	5,212
	<u>1,333,174</u>	<u>1,135,520</u>
<b>Total endowment funds with donor restrictions</b>	<b>12,076,470</b>	<b>11,068,614</b>
Restricted by donors for the following purposes:		
Archival preservation (Goss Trust)	298,094	273,313
Christmas Fund, poor and needy parishes	135,026	108,865
Vermont Catholic Education Endowment Fund	54,411	51,751
Other	46,005	30,093
Priests' Benefit Fund - collection for senior priests	-	60,160
	<u>533,536</u>	<u>524,182</u>
<b>Total donor-restricted</b>	<b>12,610,006</b>	<b>11,592,796</b>
Restricted by donors as to time and for the following purposes:		
Bequests receivable - Priests' Benefit Fund	784,957	-
Bequest receivable - support of vocations	354,998	-
	<u>1,139,955</u>	<u>-</u>
Restricted by donors as to time:		
Bishop's Annual Appeal - pledges received to be used during the succeeding fiscal year	171,085	122,734
Bequest receivable - unrestricted as to purpose	1,052,454	-
	<u>1,223,539</u>	<u>122,734</u>
	<u><b>\$ 14,973,500</b></u>	<u><b>\$ 11,715,530</b></u>



## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### Note 13. Net Assets (continued)

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 11,068,614	\$ 13,582,215
Contributions	57,155	96,515
Change in value of beneficial interests	753,047	(1,848,690)
Net investment return (loss)	465,048	(527,332)
Appropriations	(267,394)	(234,094)
	<hr/>	<hr/>
Balance, end of year	<u>\$ 12,076,470</u>	<u>\$ 11,068,614</u>

#### Note 14. Related-Party Transactions

**Vermont Catholic Charities, Inc.:** RCDB 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 and the provision of certain administrative services. These subsidies were composed of the following during the years ended June 30:

	<u>2023</u>	<u>2022</u>
In-kind subsidies:		
Rent-free use of facilities for residential care homes	\$ 1,227,000	\$ 1,227,000
Rent-free use of facilities for administration and counseling	32,880	32,880
Administrative services	126,518	117,595
<b>Total in-kind subsidies</b>	<hr/> <b>1,386,398</b> <hr/>	<hr/> 1,377,475 <hr/>
Cash subsidies for use in general operations	200,000	220,000
Cash subsidies for capital improvements	200,000	-
<b>Total cash subsidies</b>	<hr/> <b>400,000</b> <hr/>	<hr/> 220,000 <hr/>
Allocation of administrative facilities costs	<hr/> <b>67,103</b> <hr/>	<hr/> 63,849 <hr/>
	<hr/> <b>\$ 1,853,501</b> <hr/>	<hr/> 1,661,324 <hr/>

Amounts due to VCC, included in due to related parties, were approximately \$13,000 and \$38,000 at June 30, 2023 and 2022, respectively.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### **Note 14. Related-Party Transactions (continued)**

**Rice:** During 2021, RCDB 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 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 related parties, were \$576,907 and \$562,377 at June 30, 2023 and 2022, respectively.

**Other:** RCDB provided cash and in-kind contributions to Diocesan schools totaling \$493,067 in 2023 and \$529,029 in 2022, and to other related parties totaling \$869,738 in 2023 and \$172,401 in 2022. The fair values of these operating contributions are charged to activities and included in general program expenses.

RCDB also provides accounting services that are billed to related parties. Revenue from these services totaled approximately \$335,000 in 2023 and \$322,000 in 2022.

There were additional amounts due from other related parties of RCDB of approximately \$98,000 and \$151,000 at June 30, 2023 and 2022, respectively.

#### **Note 15. Litigation-Related Liabilities**

RCDB is a defendant in various lawsuits alleging priest misconduct occurring years ago. RCDB has engaged legal counsel for representation and intends to apply every reasonable defense of its position. RCDB recognized expenses related to settlements totaling \$1,100,000 in 2023 and \$1,048,000 in 2022 and paid out settlements totaling \$892,500 in 2023 and \$155,000 in 2022. As of June 30, 2023 and 2022, RCDB recognized liabilities of \$1,100,000 and \$892,500, respectively, for settlements reached on cases through the date the financial statements were available to be issued that were in process at year-end. Legal counsel has advised that, at this stage of the proceedings, they and RCDB 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, 2023. 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 the remaining unsettled lawsuits at June 30, 2023 or 2022. However, the settlement of these additional lawsuits could have a material impact on RCDB's financial position, results of operations, and liquidity.

RCDB recognizes legal expenses related to these matters as services are provided. Legal expenses charged to operations totaled approximately \$691,000 in 2023 and \$411,000 in 2022. Legal fees incurred in 2024 through the date of this report were approximately \$206,000.

## Roman Catholic Diocese of Burlington, Vermont, Inc.

### Notes to Financial Statements

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#### **Note 15. Litigation-Related Liabilities (continued)**

RCDB may be contingently liable as a co-maker on certain obligations for which parishes or other Catholic organizations have primary responsibility. RCDB 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, 2023 and 2022, no accruals were necessary.

#### **Note 16. Subsequent Events**

**Flood damage:** In July 2023, locations in the state of Vermont experienced severe flooding affecting several properties within the Diocese. Under RCDB's self-insurance policy, it is responsible for a \$500,000 deductible for approximately \$1,682,000 in claims identified to date in connection with this event.

**Debt payoff:** In March 2024, RCDB paid the balance of its note payable to TD Bank, N.A. (see Note 11) in full.