

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2021 AND 2020

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

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## Independent Auditor's Report

To the Board of Directors of  
Catholic Charities, Diocese of Norwich, Inc.  
Norwich, Connecticut

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Diocese of Norwich, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Organization has suffered recurring significant reductions in program revenue and support from the Diocese, has a net deficiency in net assets, and is assessing the impact of the financial position of their mortgage note payable guarantor. Management's evaluation of the events and conditions and management's plans to mitigate those matters also are described in Note 1. Our opinion is not modified with respect to that matter.

Certified Public Accountants  
Glastonbury, Connecticut  
December 7, 2021

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 223,490	\$ 87,968
Accounts receivable	-	27,856
Accrued interest receivable	4,246	3,638
Pledges receivable	55,221	89,867
Prepaid expenses	1,370	1,370
TOTAL CURRENT ASSETS	<u>284,327</u>	<u>210,699</u>
PROPERTY AND EQUIPMENT, net	866,140	924,601
OTHER ASSETS:		
Investments	916,589	858,807
Beneficial interest in perpetual trust	416,037	349,281
	<u>1,332,626</u>	<u>1,208,088</u>
	<u>\$ 2,483,093</u>	<u>\$ 2,343,388</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,564	\$ 44,474
Accrued wages	13,182	23,444
Accrued compensated balances	16,378	20,494
Deferred revenue	-	2,700
Current portion of long-term debt	50,184	35,468
TOTAL CURRENT LIABILITIES	<u>82,308</u>	<u>126,580</u>
LONG-TERM LIABILITIES:		
long-term debt, net	226,948	196,450
Due to related party	2,469,490	2,362,284
	<u>2,696,438</u>	<u>2,558,734</u>
TOTAL LIABILITIES	2,778,746	2,685,314
NET ASSETS (DEFICIT):		
Without donor restrictions	(1,955,368)	(1,685,203)
With donor restrictions	1,659,715	1,343,277
TOTAL NET ASSETS (DEFICIT)	<u>(295,653)</u>	<u>(341,926)</u>
	<u>\$ 2,483,093</u>	<u>\$ 2,343,388</u>

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 132,920	\$ 206,086	\$ 339,006
Foundations	292,134	-	292,134
Norwich Diocese	200,000	-	200,000
Net realized and unrealized gains on investments	2,634	124,271	126,905
United Way	24,285	62,279	86,564
Change in value of perpetual trust	-	66,756	66,756
Gifts in kind	65,941	-	65,941
Special events	38,250	-	38,250
Investment income	1,383	18,390	19,773
Bequests	1,500	-	1,500
Program service billings	1,303	-	1,303
Released from restrictions	161,344	(161,344)	-
Total revenue and support	<u>921,694</u>	<u>316,438</u>	<u>1,238,132</u>
FUNCTIONAL EXPENSES:			
Program services	961,110	-	961,110
Administration and general	184,076	-	184,076
Fundraising	131,673	-	131,673
Total functional expenses	<u>1,276,859</u>	<u>-</u>	<u>1,276,859</u>
Change in net assets (deficit) from operations	(355,165)	316,438	(38,727)
Forgiveness of long-term debt	85,000	-	85,000
Change in net assets (deficit)	(270,165)	316,438	46,273
NET ASSETS (DEFICIT):			
Beginning of year	<u>(1,685,203)</u>	<u>1,343,277</u>	<u>(341,926)</u>
End of year	<u>\$ (1,955,368)</u>	<u>\$ 1,659,715</u>	<u>\$ (295,653)</u>

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>			
Program service billings	\$ 702,630	\$ -	\$ 702,630
Less: charitable care	<u>(152,476)</u>	<u>-</u>	<u>(152,476)</u>
Program service fees, net	550,154	-	550,154
Norwich Diocese	409,296	-	409,296
Contributions	173,687	106,311	279,998
Foundations	158,599	-	158,599
United Way	91,347	59,890	151,237
Gifts in kind	49,176	-	49,176
Special events	47,873	-	47,873
Bequests	4,623	-	4,623
Investment income	11,260	21,267	32,527
Net realized and unrealized gain on investments	11,884	30,692	42,576
Change in value of perpetual trust	-	(1,765)	(1,765)
Released from restrictions	<u>380,846</u>	<u>(380,846)</u>	<u>-</u>
Total revenue and support	1,888,745	(164,451)	1,724,294
<b>FUNCTIONAL EXPENSES:</b>			
Program services	1,721,112	-	1,721,112
Administration and general	215,311	-	215,311
Fundraising	<u>172,230</u>	<u>-</u>	<u>172,230</u>
Total functional expenses	<u>2,108,653</u>	<u>-</u>	<u>2,108,653</u>
Change in net assets (deficit)	(219,908)	(164,451)	(384,359)
<b>NET ASSETS (DEFICIT):</b>			
Beginning of year	<u>(1,465,295)</u>	<u>1,507,728</u>	<u>42,433</u>
End of year	<u>\$ (1,685,203)</u>	<u>\$ 1,343,277</u>	<u>\$ ( 341,926)</u>

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services			Administration and General	Fundraising	Total
	Intensive Case Management	Behavioral Health	Total			
	\$	\$	\$			
<b>SALARIES AND RELATED EXPENSES:</b>						
Salaries	261,180	15,091	276,271	104,119	65,499	445,889
Employee benefits	90,053	6,746	96,799	25,213	336	122,348
Payroll taxes	22,984	1,207	24,191	8,330	5,240	37,761
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>374,217</b>	<b>23,044</b>	<b>397,261</b>	<b>137,662</b>	<b>71,075</b>	<b>605,998</b>
<b>OTHER EXPENSES</b>						
Direct relief emergency services	260,294	-	260,294	-	-	260,294
Occupancy	62,026	-	62,026	915	350	63,291
Insurance	28,250	13,753	42,003	5,087	3,103	50,193
Building repair and maintenance	26,033	-	26,033	5,918	2,148	34,099
Equipment rental and maintenance	23,022	-	23,022	5,384	2,760	31,166
Utilities	19,889	-	19,889	7,106	2,663	29,658
Professional fees	21,975	-	21,975	3,778	1,982	27,735
Supplies and office expense	7,706	187	7,893	1,446	12,300	21,639
Outside labor	9,262	-	9,262	-	9,263	18,525
Telephone and internet	14,597	-	14,597	2,653	1,002	18,252
Program expense	13,147	350	13,497	-	-	13,497
Special events	-	-	-	-	10,426	10,426
Interest expense	5,386	-	5,386	3,586	1,342	10,314
Other	4,731	60	4,791	881	1,115	6,787
Dues and licenses	2,116	-	2,116	203	3,213	5,532
Postage	1,243	-	1,243	671	3,277	5,191
Bad debt	-	4,008	4,008	-	-	4,008
Advertising	102	-	102	26	1,007	1,135
Transportation	983	-	983	46	-	1,029
<b>TOTAL OTHER EXPENSES</b>	<b>500,762</b>	<b>18,358</b>	<b>519,120</b>	<b>37,700</b>	<b>55,951</b>	<b>612,771</b>
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>874,979</b>	<b>41,402</b>	<b>916,381</b>	<b>175,362</b>	<b>127,026</b>	<b>1,218,769</b>
Depreciation	44,729	-	44,729	8,714	4,647	58,090
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 919,708</b>	<b>\$ 41,402</b>	<b>\$ 961,110</b>	<b>\$ 184,076</b>	<b>\$ 131,673</b>	<b>\$ 1,276,859</b>

See notes to financial statements.



CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Intensive Case Management	Program Services				Total	Administration and General	Fundraising	Total
		TANF	Behavioral Health	VOCA	Parenting Education Program				
<b>SALARIES AND RELATED EXPENSES:</b>	\$ 167,403	\$ 38,550	\$ 446,632	\$ 34,470	\$ 21,487	\$ 708,542	\$ 151,531	\$ 960,677	
Salaries	43,383	16,696	119,298	7,821	4,772	191,970	26,299	221,129	
Employee benefits	11,836	3,156	44,976	3,156	2,367	65,491	8,680	78,905	
Payroll taxes									
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>222,622</b>	<b>58,402</b>	<b>610,906</b>	<b>45,447</b>	<b>28,626</b>	<b>966,003</b>	<b>186,510</b>	<b>1,260,711</b>	
<b>OTHER EXPENSES</b>	<b>235,202</b>	<b>5,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,892</b>	<b>-</b>	<b>240,892</b>	
Direct relief emergency services	993	-	108,340	-	1,215	110,548	-	113,059	
Clinician fees	13,851	3,510	44,470	1,406	1,099	64,336	343	64,893	
Occupancy	8,770	1,512	30,336	1,380	1,134	43,132	3,686	57,431	
Equipment rental and maintenance	12,257	2,048	26,004	1,441	1,113	42,863	4,300	49,509	
Program expense	5,794	4,368	23,190	4,004	4,733	42,089	-	42,089	
Utilities	6,984	1,999	23,706	2,155	667	35,511	2,074	38,881	
Insurance	9,316	3,666	16,901	1,351	376	31,610	1,539	34,010	
Professional fees	5,984	978	18,784	978	974	27,698	2,844	32,288	
Building repair and maintenance	2,640	203	4,956	272	440	8,511	2,581	21,948	
Supplies and office expense	4,881	2,153	9,208	1,191	208	17,641	1,637	20,001	
Telephone and internet	-	-	-	-	-	-	-	19,450	
Special events	12,004	70	1,582	19	58	13,733	318	17,168	
Transportation	1,220	-	8,429	587	250	10,486	1,199	12,376	
Interest expense	1,089	227	3,720	162	189	5,387	1,034	8,664	
Other	2,543	3,467	807	745	55	7,617	169	7,786	
Postage	243	110	1,423	83	51	1,910	631	5,850	
Dues and licenses	1,370	-	260	-	-	1,630	-	1,630	
Advertising	224	-	590	-	-	814	36	996	
Employee background check	-	-	949	-	-	949	-	949	
Conferences and conventions	-	-	40	-	-	65	-	618	
Bad debt	25	-	-	-	-	-	90	-	
<b>TOTAL OTHER EXPENSES</b>	<b>325,390</b>	<b>30,001</b>	<b>323,695</b>	<b>15,774</b>	<b>12,562</b>	<b>707,422</b>	<b>22,481</b>	<b>790,488</b>	
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>548,012</b>	<b>88,403</b>	<b>934,601</b>	<b>61,221</b>	<b>41,188</b>	<b>1,673,425</b>	<b>208,991</b>	<b>2,051,199</b>	
Depreciation	8,618	2,298	32,749	2,298	1,724	47,687	6,320	57,454	
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 556,630</b>	<b>\$ 90,701</b>	<b>\$ 967,350</b>	<b>\$ 63,519</b>	<b>\$ 42,912</b>	<b>\$ 1,721,112</b>	<b>\$ 215,311</b>	<b>\$ 2,108,653</b>	

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets (deficit)	\$ 46,273	\$ (384,359)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:		
Depreciation	58,090	57,454
Net realized and unrealized gain on investments	(126,905)	(42,576)
Loss on disposals of property and equipment	371	-
Change in value of perpetual trust	(66,756)	1,765
Forgiveness of long-term debt	(85,000)	-
(Increase) decrease in assets:		
Accounts receivable	27,856	40,744
Accrued interest receivable	(608)	1,065
Pledges receivable	34,646	34,824
Prepaid expenses	-	54,625
Increase (decrease) in liabilities:		
Accounts payable	(41,910)	23,632
Accrued wages	(10,262)	(4,477)
Accrued compensated balances	(4,116)	(26,274)
Deferred revenue	(2,700)	2,000
NET CASH USED IN OPERATING ACTIVITIES	(171,021)	(241,577)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	207,519	411,679
Purchases of investments	(138,396)	(277,295)
Purchases of property and equipment	-	(28,146)
NET CASH PROVIDED BY INVESTING ACTIVITIES	69,123	106,238
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(34,786)	(32,921)
Proceeds from long-term debt	165,000	-
Advances from related party	107,206	209,014
NET CASH PROVIDED BY FINANCING ACTIVITIES	237,420	176,093
<b>NET INCREASE CASH AND CASH EQUIVALENTS</b>	135,522	40,754
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	87,968	47,214
End of year	\$ 223,490	\$ 87,968
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 10,314	\$ 12,376

See notes to the financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Catholic Charities, Diocese of Norwich, Inc. (the Organization) is a nonprofit organization which was organized by the Roman Catholic Diocese of Norwich (Norwich Diocese) to provide compassionate, high-quality counseling, education, research, advocacy and social services, and to engage in general organized charitable work for the physical, mental and moral welfare of all persons. Social services provided by the Organization include intensive case management, family support services, pregnancy services, behavioral health services and housing assistance. These services are provided with special attention to the poor and disadvantaged.

Going Concern:

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As indicated in the accompanying financial statements, the Organization has suffered recurring significant reductions in program revenue and support from the Diocese, has a net deficiency in net assets and is assessing the impact of the financial position of their mortgage note payable guarantor who is currently in bankruptcy which may also impact annual funding (see Note 15). Together, these factors create substantial doubt about the Organization's ability to continue as a going concern.

Management of the Organization has evaluated these conditions and has prepared a strategic plan that provides a path to reduce expenses by reducing employee hours and office space. The plan encompasses growing revenues and support by expanding their intensive case management program to generate more program revenues and liquidating an investment trust to provide liquidity. In addition, Management and the Board of Trustees are exploring additional strategic alternatives. Management's strategic plan has alleviated doubt about the entity's ability to continue as a going concern.

Method of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, revenues are recognized when earned and expenses are charged when incurred.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities to two classes of net assets, as follows:

*Net Assets Without Donor Restrictions* – These net assets generally result from revenue generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial Statement Presentation (continued):

*Net Assets with Donor Restrictions* – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated asset, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted (see Note 8).

Use of Estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Support and Revenue:

In 2021, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), and additional ASU's issued to clarify the guidance in ASU 2014-09 (collectively, the new revenue standard). The Organization adopted the new revenue standard utilizing the modified retrospective transition method. The adoption of the new revenue standard did not have a material impact on previously reported amounts or amounts recognized for the year ended June 30, 2021.

The Organization derives and recognizes revenue as follows:

*Program Services* – The Organization charges fees for program services provided throughout the year. As a result, these transactions are considered to be exchange transactions and revenue is recognized on the date the service is provided. Payments received in advance are recorded as deferred revenue.

*Contributions* – The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period made or received. Contributions include contributions from the Norwich Diocese, United Way, foundations and the general public. Contributions received are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended June 30, 2021 and 2020. Contributions are not within the scope of the new revenue standard.

*Contributed Services* – Contributed services relating to fundraising efforts and assistance programs have been recognized as revenue and support in the amount of \$65,941 and \$49,176, respectively, for the years ended June 30, 2021 and 2020. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and special events. No amounts have been recorded in the financial statements for these donated volunteer services as no specialized skills are required. Nevertheless, a substantial number of volunteers have donated significant amounts of time in the operations and fundraising efforts of the Organization.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recognition of Support and Revenue (continued):

*Special Events* – The Organization hosts fundraising special events throughout the year whereby the Organization receives revenue through contributions, sponsorships and ticket sales. Management has determined that sponsorships are voluntary, nonreciprocal transfers; therefore sponsorships are recognized when received or committed. Special events ticket sales contain only one performance obligation and revenue is recognized when the performance obligation is satisfied (upon event taking place). Special events contributions and sponsorships are not within the scope of the new revenue standard. Revenues received for future events are deferred until the date of the event.

Cash and Cash Equivalents:

The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances related to program services. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes all balances are collectible at June 30, 2021 and 2020, therefore no allowance has been established.

Pledges Receivable:

Pledges receivable represent unconditional promises to give. A contribution in the form of an unconditional promise to give is recognized as revenue by the Organization in the period in which the promise is received. Material pledges receivable that are expected to be collected in future years, if any, are recorded at the present value of estimated future cash flows. When necessary, an allowance for pledges receivable is recorded based on management's evaluation of potential uncollectible unconditional promises at year-end. All pledges receivable at June 30, 2021 and 2020 are expected to be fully collectible in the near term and therefore no allowance or discount for present value has been recorded.

Investments:

Investments are measured at fair value in the statement of financial position. Investment income or expense, including gains and losses (both realized and unrealized) on investments, interest and dividends, are included in the statement of activities as increases or decreases in assets without donor restrictions unless donor or relevant law directs otherwise. Any losses that are donor restricted for an endowment fund first reduce net assets with donor restrictions; any remaining losses reduce net assets without donor restrictions. Subsequent gains are recorded as increases in net assets without donor restrictions until the total amount of gains offsets the amount of the losses previously recorded as decreases in net assets without donor restrictions.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment:

Expenditures for office equipment and furniture and the fair value of donated assets are capitalized on the statement of financial position. Depreciation is computed over the estimated useful lives of the assets, ranging from three to forty years using the straight-line method. Maintenance and repairs are charged to expense as incurred. For assets sold or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

Impairment of Long-Lived Assets:

The Organization recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There were no impairment losses recognized for the years ended June 30, 2021 and 2020.

Income Tax:

The Organization is a Connecticut not-for-profit corporation exempt from state and federal income tax under Section 501(c)(3) of the United States of America Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. The Organization files an informational return in the U.S. Federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2018.

Fair Value of Financial Instruments:

The Organization has a number of financial instruments and none are held for trading purposes. The Organization estimates that the fair value of all financial instruments as of June 30, 2021 and 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange (See Note 13).

Endowment:

The Organization follows FASB Accounting Standards Codification (ASC) 958-205 which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). A key component of ASC 958-205 is a requirement to classify the portion of investment return from donor-restricted endowment funds as net assets with donor restrictions (see Note 9).

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Leases:

Leases which meet certain criteria are classified as capital leases, and corresponding assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases that do not meet such criteria are classified as operating leases and related rental fees are charged to expense as incurred.

Functional Allocation of Expenses:

The financial statements present expenses by function and natural classification. Expenses directly attributable to a specific function of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the basis of periodic time and expense studies.

Reclassifications:

Certain amounts as of June 30, 2020 have been reclassified to conform to the June 30, 2021 presentation. The reclassifications have no material effect on the financial statements.

NOTE 2 – CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue from Contracts with Customers:

The following table disaggregates the Organization's support and revenue for the year ending June 30:

	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Satisfied at a point in time:		
Special events	\$ 30,088	\$ 36,841
Program service billings, net	1,303	550,154
	<u>31,391</u>	<u>586,995</u>
Other support and revenue:		
Contributions	339,006	279,998
Foundations	292,134	158,599
Norwich Diocese	200,000	409,296
Net realized and unrealized gains on investments	126,905	42,576
United Way	86,564	151,237
Change in value of perpetual trust	66,756	(1,765)
Gifts in kind	65,941	49,176
Investment income	19,773	32,527
Special events	8,162	11,032
Bequests	1,500	4,623
	<u>1,206,741</u>	<u>1,137,299</u>
	<u>\$ 1,238,132</u>	<u>\$ 1,724,294</u>

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – CONTRACTS WITH CUSTOMERS (Continued):

Contract Balances:

Accounts receivable and deferred revenue balances from contracts with customers were as follows as of June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivables	\$ -	\$ 27,856	\$ 68,600
Deferred revenue	\$ -	\$ 2,700	\$ 700

NOTE 3 – RELATED PARTY TRANSACTIONS:

The President of the Organization is also the Bishop of the Norwich Diocese. The Norwich Diocese allocated a subsidy of \$200,000 and \$409,296 during the fiscal years ended June 30, 2021 and 2020 respectively, for the Organization to provide charitable service throughout the Norwich Diocese consistent with the motto of the Bishop of Norwich, "Above All Charity".

As of June 30, 2021 and 2020, the Organization owed the Norwich Diocese \$2,469,490 and \$2,362,284 respectively, for health and liability insurance, which is the accumulation of such insurance costs over the last several years.

NOTE 4 – CONCENTRATION OF CREDIT RISK:

Concentrations of Contributions:

The Norwich Diocese provided approximately 16% and 24% of the Organization's revenue and support for the years ended June 30, 2021 and 2020, respectively. Also, the amount due to the Norwich Diocese increased by \$107,206 and \$209,014 during 2021 and 2020, respectively. Loss of this support would have a significant impact on the Organization's operations (see Notes 1 and 15).

Concentration of Credit Risk Due to Geographical Location:

The Organization receives a substantial amount of its revenue from businesses and individuals located in Eastern Connecticut. Collection of this revenue is therefore affected by local economic conditions.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Organization maintains its cash and cash equivalents at several financial institutions in New London County, Connecticut and with high-quality investment firms. At various times during the years ended June 30, 2021 and 2020, deposit balances may have exceeded the Federal Deposit Insurance Corporation (FDIC) limits. However, the Organization has not experienced any losses in this area and management believes its cash deposits are not subject to significant credit risk. There were no uninsured balances as of June 30, 2021 and 2020.



CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	2021	2020
Building and improvements	\$ 1,749,316	\$ 1,749,316
Furniture and equipment	43,458	118,845
Vehicle	21,886	21,886
Land	15,750	15,750
	1,830,410	1,905,797
Less: accumulated depreciation	(964,270)	(981,196)
	\$ 866,140	\$ 924,601

NOTE 6 – INVESTMENTS:

The Organization's investments are carried at fair market value and consist of the following at June 30:

	2021	Building Fund	Geary Fund	Grimes Fund	Total
Fixed income securities:					
Bonds	\$ -	\$ 352,263	\$ 54,331	\$ 406,594	
Preferred stock	-	54,200	-	54,200	
Mutual funds	-	21,524	-	21,524	
Equities:					
Mutual funds	30,167	364,705	39,399	434,271	
	\$ 30,167	\$ 792,692	\$ 93,730	\$ 916,589	
	2020	Building Fund	Geary Fund	Grimes Fund	Total
Fixed income securities:					
Bonds	\$ -	\$ 304,484	\$ 79,672	\$ 384,156	
Preferred stock	-	76,780	-	76,780	
Mutual funds	-	19,840	-	19,840	
Equities:					
Mutual funds	24,605	322,552	30,874	378,031	
	\$ 24,605	\$ 723,656	\$ 110,546	\$ 858,807	

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 – INVESTMENTS (Continued):

Fair value and unrealized appreciation are summarized as follows at June 30:

	<u>2021</u>	Cost	Fair Value	Unrealized Appreciation
Building fund		\$ 20,193	\$ 30,167	\$ 9,974
Grimes fund		76,354	93,730	17,376
Geary fund		612,967	792,692	179,725
		\$ 709,514	\$ 916,589	\$ 207,075
	<u>2020</u>	Cost	Fair Value	Unrealized Appreciation
Building fund		\$ 18,989	\$ 24,605	\$ 5,616
Grimes fund		101,669	110,546	8,877
Geary fund		512,125	723,656	211,531
		\$ 632,783	\$ 858,807	\$ 226,024

Investment return is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 19,773	\$ 24,674
Net unrealized gain on investments	162,408	16,137
Net realized gain on sale of investments	31,253	32,527
	\$ 213,434	\$ 73,338

NOTE 7 – LONG-TERM DEBT:

During the year ended June 30, 2021, the Organization was granted loans of \$85,000 and \$80,000 from Dime Bank, pursuant to the Paycheck Protection Program (the PPP) under the Consolidated Appropriations Act 2021 (the Act) and Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which were passed into law in December 2020 and March 2020, respectively. The loans will mature in February 2026 and July 2025, respectively, bear interest at a rate of 1% per annum and are payable monthly commencing in October 2022 and June 2022, respectively. The loans may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred between the date of funding and August 2021 and September 2020, respectively. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 – LONG-TERM DEBT (Continued):

In March 2021, the Organization recognized the extinguishment of PPP funds under the CARES Act in an amount of \$85,000 within the statement of activities upon being legally released from the loan.

In August 2021, the Organization received full forgiveness of the remaining \$80,000 PPP funds under the Act in and as such will recognize the extinguishment of these PPP funds during the year ended June 30, 2022.

The Organization has a mortgage note payable to Dime Bank in the original amount of \$596,000 dated May 12, 2006 with a maturity date of May 2026. Under this mortgage note, interest is adjusted every three years. At June 30, 2021 and 2020, the interest rate was 2.75% and 4.88%, respectively. The current monthly payment required under this mortgage note is \$3,778, including principal and interest. The note is secured by a mortgage lien on property located at 331 Main Street, Norwich CT and also guaranteed by the Norwich Diocese.

Long-term debt is summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Mortgage note payable	\$ 197,132	\$ 231,918
PPP loan	80,000	-
Less current portion of long-term debt	<u>(50,184)</u>	<u>(35,468)</u>
	<u>\$ 226,948</u>	<u>\$ 196,450</u>

Future maturities of long-term debt are as follows for each of the years following June 30, 2021:

<u>Years</u>	<u>Principal Payments</u>
2022	\$ 50,184
2023	57,137
2024	59,267
2025	61,496
2026	<u>49,047</u>
	<u>\$ 277,131</u>

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Endowment funds	\$ 690,519	\$ 690,519
Beneficial interest in trust	416,037	349,281
Cumulative endowment earnings	311,824	188,703
United Way of Southeastern Connecticut	49,868	55,760
Special assistance to clients	191,467	59,014
	<u>\$ 1,659,715</u>	<u>\$ 1,343,277</u>

Net assets were released from restrictions by incurring expenses satisfying the following purposes or by appropriation:

	<u>2021</u>	<u>2020</u>
Appropriation of earnings from endowment funds	\$ 19,540	\$ 110,490
Satisfaction of time restrictions	68,171	128,822
Satisfaction of purpose restrictions	73,633	141,534
	<u>\$ 161,344</u>	<u>\$ 380,846</u>

The Organization has a beneficial interest in a perpetual trust. The trust agreement indicates the Organization has an irrevocable right to receive the income earned on the trust assets in perpetuity. The Organization will never receive the assets of the trust, as such the trust is classified as net assets with donor restrictions. The trust is recorded at fair value as determined by the trustee. During the years ended June 30, 2021 and 2020, distributions of \$18,563 and \$18,633, respectively, were received from the trust and recorded as unrestricted investment income. The change in fair value in excess of the distribution of \$66,756 and \$(1,765) for the years ended June 30, 2021 and 2020, respectively, is recorded in net assets with donor restrictions as change in value of perpetual trust.

NOTE 9 – ENDOWMENT FUNDS:

Endowment funds consist of donations that were permanently restricted by the donor, the income from which is available to support the Organization. The funds are currently being held by Janney Montgomery Scott.

The Board of Directors of the Organization have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 – ENDOWMENT FUNDS (Continued):

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the perpetually restricted endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. the purpose of the Organization and the donor-restricted endowment fund
3. general economic conditions
4. the possible effect of inflation and deflation
5. the expected total return from income and appreciation in value
6. other resources of the Organization,
7. the investment policies of the Organization

The following table summarizes changes in endowment net assets for the years ended June 30, 2021 and 2020:

	<u>Cumulative Endowment Earnings</u>	<u>Perpetual Restriction</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 247,234	\$ 690,519	\$ 937,753
Investment income, net	51,959	-	51,959
Amounts appropriated for programs	<u>(110,490)</u>	<u>-</u>	<u>(110,490)</u>
Endowment net assets, June 30, 2020	\$ 188,703	\$ 690,519	\$ 879,222
Investment income, net	142,661	-	142,661
Amounts appropriated for programs	<u>(19,540)</u>	<u>-</u>	<u>(19,540)</u>
Endowment net assets, June 30, 2021	<u>\$ 311,824</u>	<u>\$ 690,519</u>	<u>\$ 1,002,343</u>

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, investments restricted for specific designation, beneficial interest in trust, and perpetual endowments and accumulated earnings net of appropriations within one year. The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 223,490	\$ 87,968
Accounts receivable	-	27,856
Accrued interest receivable	4,246	3,638
Pledges receivable	55,221	89,867
Investments	916,589	858,807
Financial assets, at year-end	<u>1,199,546</u>	<u>1,068,136</u>
Less those unavailable for general expenditure within one year, due to:		
Endowment funds	(690,519)	(690,519)
Net assets restricted for specific designation	(553,159)	(303,477)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (44,132)</u>	<u>\$ 74,140</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 – EMPLOYEE RETIREMENT PLANS:

Multiple Employer Plan:

The Organization participates in the Christian Brothers Employee Retirement Plan, a multiple employer plan, administered by the Norwich Diocese. For the years ended June 30, 2021 and 2020 the plan was funded by the Organization at 8.42% of each eligible employee's gross salary. Each employee is vested after 4 years and 9 months of continuous service and may retire at age 55. Normal retirement age is 65. Employer contributions for the years ended June 30, 2021 and 2020 were \$26,188 and \$52,494, respectively. The risks of participating in multiple employer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of the plan's termination or the Organization's withdrawal from the plan, the Organization may be liable for a portion of the plan's unfunded vested benefits. The Organization does not anticipate withdrawal from the plan, nor is the Organization aware of any expected plan termination. The Organization's contributions to the plan were less than 5% of the plan's total contributions. As of June 30, 2021 the plan was funded by greater than 80%.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 – EMPLOYEE RETIREMENT PLANS (Continued):

Tax-Deferred Annuity Plan:

The Organization also maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization. Employees have the option to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization is not obligated to make any matching contributions to this Plan.

NOTE 12 – OPERATING LEASES:

The Organization has a month-to-month lease agreement for the purpose of renting office space to operate their New London programs effective since 2016. The monthly payment is \$2,800. Rent expense for this lease was \$33,600 for both the years ended June 30, 2021 and 2020. The lease also requires the Organization to pay 50% of the utility expense and maintain certain insurance.

The Organization has a month-to-month lease for offices in Middletown, Connecticut for their Portland programs. Rent expense for this lease was \$18,000 for both the years ended June 30, 2021 and 2020.

The Organization had an operating lease agreement for an office copier dated December 2015 with a term of 60 months. Under the lease the Organization makes monthly payments of \$548 plus additional charges. Total expense under this agreement was \$1,097 and \$6,580 for the years ended June 30, 2021 and 2020, respectively.

The Organization has an operating lease agreement for an office copier dated September 2020 with a term of 60 months. Under the lease the Organization makes monthly payments of \$221 plus additional charges. Total expense under this agreement was \$2,303 for the years ended June 30, 2021. Future minimum lease expense under this lease is expected to be \$2,652 per year through the years ended June 30, 2024 and \$442 for the year ended June 30, 2025.

The Organization has an operating lease agreement for an office copier dated January 2016 with a term of 60 months. The monthly payment varies each month based on the usage. Total expense under this agreement was \$517 and \$854 for the years ended June 30, 2021 and 2020, respectively.

The Organization has a one year maintenance agreement for the service of an elevator in its Norwich location dated April 2021. Under the agreement, the Organization makes minimum quarterly payments of \$1,502 plus additional charges for service calls. Total expense under this agreement was \$5,880 and \$5,699 for the years ended June 30, 2021 and 2020, respectively.

The Organization utilizes a facility in Willimantic, Connecticut which is owned by the Norwich Diocese. The Organization pays no rent for the use of this facility, but is responsible for the utility costs related to its occupancy. The estimated fair market rent for this facility is \$750 per month. As such, contributed facilities and corresponding rent expense in the amount of \$9,000 have been included in occupancy expense in the financial statements for each of the years ended June 30, 2021 and 2020. Future minimum contributed facilities expense under this lease is expected to be \$9,000 per year until termination.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 – OPERATING LEASES (Continued):

The Organization's expense for the above agreements totaled \$70,398 and \$73,733 for the years ended June 30, 2021 and 2020, respectively. Rent expense totaled \$60,600 for both of the years ended June 30, 2021 and 2020 and is included within occupancy in the accompanying statements of functional expenses. Equipment rental expense totaled \$3,918 and \$7,434 for the years ended June 30, 2021 and 2020 and is included within equipment rental and maintenance in the accompanying statements of functional expenses. Maintenance expense under these agreements totaled \$5,880 and \$5,699 for the years ended June 30, 2021 and 2020 and is included within building repairs and maintenance in the accompanying statements of functional expenses.

NOTE 13 – FAIR VALUE MEASUREMENTS:

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for identifying and measuring fair value and provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is expected to be applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained by independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels:

*Level 1* – measurements utilize unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access. These consist primarily of listed equity securities, exchange traded fixed income securities, derivatives and certain U.S. government treasury securities.

*Level 2* – measurements include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as swaps, forward contracts of options and most fixed income securities.

*Level 3* – measurements use unobservable inputs for assets or liabilities, are based on the best information available and might include the entity's own data. In some valuations, the inputs used may fall into different levels of the hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist mainly of assets and liabilities valued through an internal modeling process.



CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

The following section describes the valuation methodologies used by the Organization to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions. There have been no changes to valuation methodologies used at June 30, 2021 or 2020.

Generally, for all equity securities and, to the extent possible, for debt securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. For certain debt securities, fair value is estimated as the present value of future cash inflows, taking into account (1) the type of security, its terms, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

The Organization values the investments in the beneficial interest in trust based on the value of their interest in the portfolio held by the trust. A substantial portion of the underlying assets in the portfolio are measured at fair value using Level 1 and Level 2 inputs.

The following tables present information about the Organization's respective assets measured at fair value on a recurring basis, including the fair value measurements and the level of inputs used in determining those fair values as of June 30:

Description	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 455,795	\$ -	\$ -	\$ 455,795
Beneficial interest in perpetual trust	-	-	416,037	416,037
Municipal bonds	-	377,812	-	377,812
Corporate bonds	-	28,782	-	28,782
Preferred stock	54,200	-	-	54,200
	<u>\$ 509,995</u>	<u>\$ 406,594</u>	<u>\$ 416,037</u>	<u>\$ 1,332,626</u>

Description	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 397,871	\$ -	\$ -	\$ 397,871
Beneficial interest in perpetual trust	-	-	349,281	349,281
Municipal bonds	-	335,735	-	335,735
Corporate bonds	-	48,421	-	48,421
Preferred stock	76,780	-	-	76,780
	<u>\$ 474,651</u>	<u>\$ 384,156</u>	<u>\$ 349,281</u>	<u>\$ 1,208,088</u>

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued):

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the years ended June 30, 2021 and 2020, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value positions that the Organization has classified within the Level 3 category. As a result, unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value were as follows for the years ended June 30:

Balance, June 30, 2019	\$ 351,046
Net decrease in trust values	<u>(1,765)</u>
Balance, June 30, 2020	349,281
Net increase in trust values	<u>66,756</u>
Balance, June 30, 2021	<u>\$ 416,037</u>

NOTE 14 – RISKS AND UNCERTAINTIES:

In early March 2020, there was a global outbreak of COVID-19 that resulted in an economic downturn, changes in global supply and demand, and the temporary closure of non-essential businesses in many states. In connection with the outbreak, the Organization continues to monitor its potential impact, which may materially impact the Organization's finances and operations. Due to the uncertainties surrounding COVID-19, the full impact of the outbreak and the scope of any cumulative adverse impact on the Organization's finances and operations cannot be fully determined at this time and largely depends on the ongoing severity, duration and spread of COVID-19.

NOTE 15 – SUBSEQUENT EVENTS:

In July 2021, the Norwich Diocese announced that it was filing for Chapter 11 Bankruptcy. The Organization is in the process of assessing the impact that the bankruptcy will have on the related party payable and the mortgage note payable guaranteed by the Diocese (see Notes 3 and 7), and any future funding to be received from the Dioceses. At this time the Organization is not able to determine the impact of the bankruptcy filing, if any, but it could have a material impact on the financial position and results of operations of the Organization.

Management has evaluated subsequent events through December 7, 2021 the date which the financial statements were available for issue.