

Consolidated Financial Statements and
Supplemental Information Together
with Report of Independent Certified
Public Accountants

**The Bridgeport Roman Catholic Diocesan
Corporation and Affiliates**

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Most Reverend Frank J. Caggiano
Bishop of The Roman Catholic Diocese of Bridgeport

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The Bridgeport Roman Catholic Diocesan Corporation and Affiliates (collectively, the "Diocese"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese's preparation and fair presentation of the consolidated 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 Diocese'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Bridgeport Roman Catholic Diocesan Corporation and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position as of June 30, 2021 and 2020 and the consolidating schedules of activities and consolidating schedules of program functional expenses for the years ended June 30, 2021 and 2020 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Stamford, Connecticut
December 30, 2021

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 32,653,365	\$ 25,181,538
Restricted cash	464,742	194,073
Property held for sale	177,012	7,336,612
Cemeteries and other accounts receivables, net	2,027,379	1,499,287
Escrow receivable	1,400,000	-
Due from related Diocesan entities, net	2,987,128	3,565,023
Prepaid expenses and other assets	258,248	459,713
Contributions receivable, net	1,478,797	1,609,618
Insurance recoveries receivable	311,563	274,891
Notes receivable, net	10,681,014	1,749,681
Investments, at fair value	12,408,275	9,308,266
Investments - other	1,376,460	-
Cemetery inventory	3,291,425	2,163,085
Beneficial interest in trust held by others	537,950	439,435
Beneficial interest in assets held by Foundations in Faith, Inc.	13,123,093	10,027,420
Property, buildings and equipment, net	33,110,278	33,928,296
Total assets	\$ 116,286,729	\$ 97,736,938
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,678,298	\$ 2,128,325
Special collections payable	464,742	194,073
Self-insurance claims and deductible amounts payable	3,919,763	4,418,835
Deferred revenue and refundable advances	1,947,343	2,737,341
Deferred revenue - ground lease	1,042,860	-
Deferred revenue - life use fees	1,439,284	1,692,204
Due to related Diocesan entities	1,689,449	812,943
Notes payable	2,652,200	6,142,200
Conditional asset retirement obligations	5,740,744	5,702,387
Priest pension and other postretirement benefit obligations, net	14,261,767	19,349,593
Total liabilities	35,836,450	43,177,901
Contingencies		
Net assets		
Without donor restrictions	63,746,441	41,492,873
With donor restrictions	16,703,838	13,066,164
Total net assets	80,450,279	54,559,037
Total liabilities and net assets	\$ 116,286,729	\$ 97,736,938

The accompanying notes are an integral part of these consolidated financial statements.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and other changes			
Annual Catholic Appeal	\$ 7,568,399	\$ 734,600	\$ 8,302,999
Contributions and bequests	2,191,773	766,765	2,958,538
Cathedraticum from parishes	6,512,734	-	6,512,734
Employee benefit and insurance programs	17,355,999	-	17,355,999
Cemeteries operations	10,676,184	-	10,676,184
Elderly housing and other rental income	2,178,726	-	2,178,726
Professional services	799,720	-	799,720
Advertising	219,940	-	219,940
Other operating revenues	580,087	-	580,087
Net assets released from restrictions	891,493	(891,493)	-
	<u>48,975,055</u>	<u>609,872</u>	<u>49,584,927</u>
Expenses			
Programs	10,624,684	-	10,624,684
Employee benefits and insurance	20,557,715	-	20,557,715
Cemeteries operations	5,354,068	-	5,354,068
Elderly housing and Diocesan LLC properties operations	896,260	-	896,260
Management and general	5,197,612	-	5,197,612
Stewardship and development	959,022	-	959,022
	<u>43,589,361</u>	<u>-</u>	<u>43,589,361</u>
Income from operations before depreciation and accretion	5,385,694	609,872	5,995,566
Depreciation and accretion	(1,981,851)	-	(1,981,851)
Income from operations before nonoperating activities	3,403,843	609,872	4,013,715
Nonoperating activities			
Gain on sale of assets	11,191,182	-	11,191,182
Priest pension-related activity other than net periodic benefit cost	5,815,901	-	5,815,901
Change in value of beneficial interest in Foundations in Faith and third-party trust	-	3,194,188	3,194,188
Investment income, net	2,725,116	27,745	2,752,861
Income from estimate change related to CARO	630,392	-	630,392
Bad debt (expense) and recoveries, net	656,686	-	656,686
Contributions to lay pension	(2,749,250)	-	(2,749,250)
Support to Diocesan schools	(893,043)	-	(893,043)
Miscellaneous non-operating income	25,241	5,869	31,110
Miscellaneous non-operating expenses	(128,960)	-	(128,960)
Net assets released from restrictions	200,000	(200,000)	-
	<u>20,877,108</u>	<u>3,637,674</u>	<u>24,514,782</u>
CHANGE IN NET ASSETS			
Net assets - beginning of year, as previously stated	41,492,873	13,066,164	54,559,037
Effective adoption of accounting standard	1,376,460	-	1,376,460
Net assets - beginning of year, as adjusted	<u>42,869,333</u>	<u>13,066,164</u>	<u>55,935,497</u>
Net assets - end of year	<u>\$ 63,746,441</u>	<u>\$ 16,703,838</u>	<u>\$ 80,450,279</u>

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

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and other changes			
Annual Catholic Appeal	\$ 6,703,352	\$ 787,612	\$ 7,490,964
Contributions and bequests	2,232,955	73,692	2,306,647
Cathedraticum from parishes	6,587,993	-	6,587,993
Employee benefit and insurance programs	17,485,323	-	17,485,323
Cemeteries operations	8,106,767	-	8,106,767
Elderly housing and other rental income	1,949,985	-	1,949,985
Professional services	591,968	-	591,968
Advertising	240,374	-	240,374
Other operating revenues	676,138	-	676,138
Net assets released from restrictions	3,157,813	(3,157,813)	-
	<hr/>	<hr/>	<hr/>
Total revenues, support and other changes	47,732,668	(2,296,509)	45,436,159
Expenses			
Programs	12,335,692	-	12,335,692
Employee benefits and insurance	20,363,193	-	20,363,193
Cemeteries operations	4,584,930	-	4,584,930
Elderly housing and Diocesan LLC properties operations	507,567	-	507,567
Management and general	5,021,077	-	5,021,077
Stewardship and development	887,320	-	887,320
	<hr/>	<hr/>	<hr/>
Total expenses	43,699,779	-	43,699,779
Income (loss) from operations before depreciation and accretion	4,032,889	(2,296,509)	1,736,380
Depreciation and accretion	(1,900,240)	-	(1,900,240)
	<hr/>	<hr/>	<hr/>
Income (loss) from operations before nonoperating activities	2,132,649	(2,296,509)	(163,860)
Nonoperating activities			
Priest pension-related activity other than net periodic benefit cost	3,197,446		3,197,446
Change in value of beneficial interest in Foundations in Faith and third-party trust	-	(21,071)	(21,071)
Investment income, net	308,211	11,167	319,378
Bad debt (expense) and recoveries, net	256,468	60,000	316,468
Contributions to lay pension	(250,000)	-	(250,000)
Support to Diocesan schools	(756,499)	-	(756,499)
Contributions from dissolved related entities	157,122	-	157,122
Independent accountability report	(484,569)	-	(484,569)
Miscellaneous non-operating income	27,697	10,562	38,259
Miscellaneous non-operating expenses	(429,789)	-	(429,789)
Net assets released from restrictions	734,513	(734,513)	-
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	4,893,249	(2,970,364)	1,922,885
Net assets - beginning of year	36,599,624	16,036,528	52,636,152
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 41,492,873	\$ 13,066,164	\$ 54,559,037

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

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	<u>Programs</u>	<u>Employee Benefits and Insurance</u>	<u>Cemeteries Operations</u>	<u>Elderly Housing and Diocesan LLC Properties Operations</u>	<u>Management and General</u>	<u>Stewardship and Development</u>	<u>Total</u>
Personnel costs - lay	\$ 2,875,063	\$ -	\$ 2,327,965	\$ -	\$ 2,914,533	\$ 482,765	\$ 8,600,326
Personnel costs - religious	2,227,118	-	-	-	27,565	-	2,254,683
Total personnel costs	5,102,181	-	2,327,965	-	2,942,098	482,765	10,855,009
Insurance	52,354	20,382,644	-	-	26,987	-	20,461,985
Grants and contributions	3,348,871	-	-	-	-	-	3,348,871
Professional fees	600,669	169,992	525,613	-	793,601	32,467	2,122,342
Occupancy	560,371	-	341,918	-	784,695	1,489	1,688,473
Operations	-	-	1,969,908	896,260	-	-	2,866,168
Office	26,633	5,079	116,511	-	381,564	141,520	671,307
Dues, fees and memberships	505,494	-	1,511	-	70,045	385	577,435
Printing	190,844	-	-	-	265	181,494	372,603
Travel and seminars	67,466	-	10,656	-	9,228	1,048	88,398
Interest	-	-	-	-	157,256	-	157,256
Miscellaneous	42,492	-	15,953	-	24,954	105	83,504
Postage	127,309	-	44,033	-	6,919	117,749	296,010
Total expenses before depreciation and accretion	10,624,684	20,557,715	5,354,068	896,260	5,197,612	959,022	43,589,361
Depreciation and accretion	641,004	-	228,945	569,501	457,911	84,490	1,981,851
Total expenses	<u>\$ 11,265,688</u>	<u>\$ 20,557,715</u>	<u>\$ 5,583,013</u>	<u>\$ 1,465,761</u>	<u>\$ 5,655,523</u>	<u>\$ 1,043,512</u>	<u>\$ 45,571,212</u>

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

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Programs	Employee Benefits and Insurance	Cemeteries Operations	Elderly Housing and Diocesan LLC Properties Operations	Management and General	Stewardship and Development	Total
Personnel costs - lay	\$ 3,371,744	\$ -	\$ 2,221,619	\$ -	\$ 2,986,198	\$ 313,866	\$ 8,893,427
Personnel costs - religious	1,988,092	-	-	-	35,103	-	2,023,195
Total personnel costs	5,359,836	-	2,221,619	-	3,021,301	313,866	10,916,622
Insurance	74,500	19,981,187	-	-	40,272	-	20,095,959
Grants and contributions	4,655,831	-	-	-	-	-	4,655,831
Professional fees	517,883	374,702	447,812	-	613,519	87,257	2,041,173
Occupancy	591,391	-	303,509	-	703,307	1,293	1,599,500
Operations	-	-	1,390,502	507,567	-	-	1,898,069
Office	28,420	7,304	53,765	-	365,983	119,165	574,637
Dues, fees and memberships	514,903	-	2,057	-	48,553	848	566,361
Printing	228,172	-	-	-	1,514	220,760	450,446
Travel and seminars	157,990	-	22,224	-	24,311	1,641	206,166
Interest	-	-	-	-	147,146	-	147,146
Miscellaneous	57,854	-	97,683	-	47,919	207	203,663
Postage	148,912	-	45,759	-	7,252	142,283	344,206
Total expenses before depreciation and accretion	12,335,692	20,363,193	4,584,930	507,567	5,021,077	887,320	43,699,779
Depreciation and accretion	759,533	-	241,450	314,921	496,581	87,755	1,900,240
Total expenses	<u>\$ 13,095,225</u>	<u>\$ 20,363,193</u>	<u>\$ 4,826,380</u>	<u>\$ 822,488</u>	<u>\$ 5,517,658</u>	<u>\$ 975,075</u>	<u>\$ 45,600,019</u>

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

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 24,514,782	\$ 1,922,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and accretion	1,981,851	1,900,240
Gain related to a change in estimate from CARO	(630,392)	-
Gain on sale of assets	(11,191,182)	-
Change in fair value of beneficial interests	(3,194,189)	21,071
Loss on termination of capital projects	-	260,876
Bad debt recovery, net	(656,686)	(316,468)
In-kind donations of securities	(195,086)	(260,676)
Net appreciation in fair value of investments	(2,375,219)	(85,827)
(Increase) decrease in assets:		
Cemeteries and other accounts receivable, net	(865,373)	(155,385)
Due from related Diocesan entities, net	1,546,949	3,431,041
Prepaid expenses and other assets	201,465	116,678
Contributions receivable, net	155,734	2,141,449
Insurance recoveries receivable	(36,672)	46,356
Cemetery inventory	(982,585)	165,909
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	549,973	(558,587)
Special collections payable	270,669	(64,702)
Self-insurance claims and deductible amounts payable	(499,072)	513,657
Deferred revenue and refundable advances	(789,998)	897,228
Deferred revenue - ground lease	1,042,860	-
Deferred revenue - life use fees	(252,920)	(350,282)
Due to related Diocesan entities	876,506	(2,054,477)
Priest pension and other postretirement benefit obligations	(5,087,826)	(2,089,548)
	<u>4,383,589</u>	<u>5,481,438</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(838,658)	(1,881,972)
Proceeds from sales of investments	308,955	86,046
Purchases of property and equipment	(1,228,598)	(947,186)
Net proceeds from sales of property	8,357,208	-
Repayment received on note receivable	250,000	-
	<u>6,848,907</u>	<u>(2,743,112)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from notes payable	10,000	7,421,663
Principal payments on notes payable	(3,500,000)	(4,779,463)
	<u>(3,490,000)</u>	<u>2,642,200</u>
Net cash (used in) provided by financing activities		
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	7,742,496	5,380,526
Cash, cash equivalents and restricted cash - beginning of year	<u>25,375,611</u>	<u>19,995,085</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 33,118,107</u>	<u>\$ 25,375,611</u>
Supplementary Information:		
Cash paid for interest on indebtedness	<u>\$ 157,256</u>	<u>\$ 147,146</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION

The Bridgeport Roman Catholic Diocesan Corporation (the "Diocese") is a Connecticut not-for-profit, religious non-stock corporation formed in 1953 serving more than 460,000 registered Catholics in Fairfield County. The Diocese's principal programs provide for pastoral, religious personnel services, care and support for retired clergy (including Queen of Clergy), Catholic education and faith formation, educational administration and curriculum, pastoral and human services focused on prison ministry and pastoral care of the aged, vocations and seminarian education, parish finance and other support services to parishes and individuals within the Fairfield county area.

The Diocese relies principally on contributions received through the Annual Catholic Appeal and fundraising efforts to support the mission related services the Diocese provides. Cathedralium from parishes together with residual Catholic cemeteries revenues support the administration and general activities of the Diocese. In addition, the Diocese sponsors self-insured medical and dental care, workers' compensation programs, property, casualty, liability and other insurance programs, and Priest pension and postretirement benefit plans for the Diocese and other Diocesan entities and their employees. The other Diocesan entities are responsible for their respective portions of the cost of these programs.

Additionally, the Diocese operates elderly housing facilities (Teresian Towers and Carmel Ridge Estates), life use and rental properties for elderly residents and pastoral care services for residents at nursing homes, formerly owned by Diocesan related entities. In addition, the Diocese directly operates fifteen Catholic cemeteries and publishes the Fairfield County Catholic, a monthly publication available to all Catholics in the Roman Catholic Diocese of Bridgeport.

The Diocese has established several single member limited liability companies ("LLC's"), wholly owned by the Diocese to acquire, hold, maintain or improve real property and improvements. These properties consist of the original land, buildings and certain property additions of a high school and parish properties that have been closed or separated from an original parish. These LLC's are St. Joseph High School Properties LLC, Holy Rosary LLC, St. Raphael LLC and Our Lady of Good Counsel LLC (collectively, "Diocesan LLC Properties"). The consolidated financial statements reflect the financial activities of these entities (see subsequent events).

The following related Diocesan entities throughout Fairfield County, Connecticut are separately incorporated and independently controlled and/or managed on a day-to-day basis and their activities are not included in the accompanying consolidated financial statements.

- 76 parishes, four quasi-parishes and one shrine
- 19 elementary schools and five high schools
- St. John Fisher Seminary, Inc.
- Bridgeport Diocesan Schools Corporation
- Catholic School Properties Fairfield County, Inc.
- Foundations in Faith, Inc.
- Foundations in Education, Inc.
- Foundations in Charity, Inc.
- We Stand with Christ Inc.
- Cardinal Shehan Center and the McGivney Community Center, after school programs for children
- St. Catherine Center for Special Needs, Inc., which provides educational and pastoral services for people with developmental disabilities including autism
- Catholic Charities of Fairfield County, Inc. ("Catholic Charities")
- Inner-City Foundation for Charity and Education, Inc.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The consolidated 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"). All significant intercompany balances and transactions have been eliminated in consolidation.

Classifications of Net Assets

The Diocese reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consist of resources available for the general support of the Diocese's operations, which may be used at the discretion of management and the Bishop of the Roman Catholic Diocese of Bridgeport.

Net Assets With Donor Restrictions - net assets subject to the following donor-imposed stipulations:

- Some donor restrictions are temporary in nature that either expire with the passage of time or can be fulfilled by the actions of the Diocese pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.
- Other donor restrictions consist of funds that are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity and the income be used for specific or general purposes.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days from the date of purchase, except for money market accounts held with investment brokers, which are considered to be held for long-term investment purposes.

Restricted Cash and Special Collections Payable

Restricted cash and special collections payable represent funds received from parishes throughout the Diocese for special offertory collections on designated days for the benefit of other non-Diocesan Catholic entities at the direction of the U.S. Conference of Catholic Bishops, which are being held until future payment.

Investments

Investments in equity and debt securities with readily determinable fair values are recorded at fair value determined on the basis of quoted market values as of the reporting date. Investments in non-exchange traded alternative investments are recorded at the fair value of the Diocese's unit value in these funds as reported by the respective external investment managers. All investments are managed by outside investment advisors subject to the review, approval, and control of the Diocese. Such valuations involve assumptions and methods that are reviewed by the Diocese for reasonableness.

Purchases and sales of securities are recorded on the trade-date basis. Dividends and interest are recognized as earned. Realized and unrealized gains include the Diocese's gains and losses on investments purchased and sold as well as held during the year.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Fair Value Measurements

The Diocese follows guidance which establishes a framework for measuring fair value, and expands disclosures about fair value measurements and provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the reporting entity. The Diocese considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Diocese's perceived risk of that instrument.

The Diocese's policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Investments - Other

Investments in and advances in entities in which the Diocese has a substantial ownership interest, considered to be approximately 20% to 50%, or for which the Diocese exercises significant influence but not control over policy decisions, are accounted for by the equity method. This method is not an indicator of the fair value of the investment, rather it is the initial cost adjusted for the Diocese's share of earnings and losses of the investee, any additional investments, return of capital and distributions.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Amounts Due from Related Diocesan Entities

Amounts due from related Diocesan entities relate primarily to amounts due for employee benefits, insurance premiums, pension premiums, Cathedraticum from parishes and advances made to parishes, educational institutions, and other Diocesan affiliated organizations that are in financial need. Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on consideration of the type of receivable, responsible party, the known financial condition of the respective parish or Diocesan affiliated organization, historical collection patterns and comparative aging. These estimates are reviewed periodically and if the financial condition of the responsible party changes significantly, the Diocese will re-evaluate the recoverability of any amounts due from that organization. The Diocese writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

Cemetery Inventory

Cemetery inventory, which represents the cost of each unsold space, is stated at the lower of cost (computed based on the allocation of total costs incurred in the construction of the mausoleums) or market. As sales are recognized, inventory is reduced by the cost of the space sold. As of June 30, 2021, there is \$1,322,291 of work-in-progress related to the construction of a mausoleum included within cemetery inventory.

Beneficial Interest in Trust Held by Others

The Diocese has been named as a beneficiary of a perpetual trust held by a third party. Perpetual trusts are initially recorded as permanently restricted support at fair value, based on the Diocese's beneficial interest in the fair value of the underlying trust assets at the time of gift. Subsequent changes in the trust's fair value are reported as changes in value in beneficial interests on the consolidated statements of activities. At June 30, 2021 and 2020, the balance of the Diocese's beneficial interest in a perpetual trust is \$537,950 and \$439,435, respectively, and is classified as Level 3 within the fair value hierarchy. The income received from the trust is designated for the benefit of seminarian education and recorded as part of investment income with donor restrictions.

The table below sets forth a summary of changes in fair value of the Diocese's Level 3 beneficial interest in trust held by others for the years ended June 30:

	2021	2020
Balance, beginning of year	\$ 439,435	\$ 459,339
Distributions	(20,000)	(19,500)
Change in fair value of beneficial interest in trust	118,515	(404)
Balance, end of year	<u>\$ 537,950</u>	<u>\$ 439,435</u>

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Property, Buildings and Equipment

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed \$2,500 and with useful lives greater than five years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Vehicles, computers and other equipment	5 - 12 years
Buildings and related improvements	30 - 40 years
Land improvements	30 years

Repairs and maintenance are charged to expense as incurred. Property acquired under capital lease arrangements is capitalized and amortized over the useful life of the related asset or the lease term, whichever is shorter.

Deferred Revenue and Refundable Advances

Funds that are received from related entities in advance for medical insurance premiums for future periods and certain cemetery revenues where the related performance obligation has not yet been completed as of year-end are reflected within deferred revenue and refundable advances on the consolidated statements of financial position and are subsequently reflected in the consolidated statements of activities during the period in which they apply and are earned. As of June 30, 2021 and 2020, \$373,467 and \$0, respectively, are within deferred revenue and refundable advances pertaining to cemetery revenues are also included in cemeteries and other accounts receivable, net.

Amounts of grants and contracts that are received but unearned are reflected within deferred revenue and refundable advances on the consolidated statements of financial position and are subsequently reflected in the consolidated statements of activities during the period to which they apply as funds are expended or earned.

Deferred Revenue - Life Use Fees and Rental Income

The Diocese operates certain homes for life use and rental properties for elderly residents (Teresian Towers and Carmel Ridge Estates) in which a resident enters into a residency agreement requiring the payment of a one-time life use fee and a monthly service fee. These fees are exclusively for the costs of occupancy of the residential unit for life and no portion of the fee is allocated for medical care or services for the resident. The life use fee is refundable at a rate of 10% per annum from the date the resident is entitled to occupancy under the agreement to the date the unit is vacated by the resident. Teresian Towers also provides other senior living options that operate under operating lease agreements that do not require payment of a life use fee and are recorded as rental income in the period earned.

Life use fees paid by the resident upon executing a residency agreement are recorded as deferred revenue and amortized into rental income based on the longer of the actuarially determined remaining estimated life of the respective resident or the remaining refundable term under the executed contract. Monthly service fees include resident maintenance fees and are recognized as part of rental income in the month in which they are earned.

Due to Related Diocesan Entities

Amounts received from the Annual Catholic Appeal and other contributions earmarked for support of related entities are recorded as due to related diocesan entities on the consolidated statements of financial position.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Conditional Asset Retirement Obligations

The Diocese has conditional asset retirement obligations (“CARO”) for asbestos materials and underground storage tanks associated with buildings it owns. Those obligations are defined as legal obligations associated with the eventual retirement of tangible long-lived assets in which the timing and/or the method of settlement is conditional on a future event that may or may not be within the control of the Diocese. The present value of those obligations and the resulting accretion expense, together with the related asset retirement cost capitalized, accumulated depreciation and depreciation expense, are recognized in the consolidated financial statements. As of June 30, 2021 and 2020, the CARO liability totaled \$5,740,744 and \$5,702,387, respectively. For the years ended June 30, 2021 and 2020, accretion of interest related to these obligations totaled \$668,749 and \$310,177, respectively. Additionally, as of June 30, 2021, and 2020, included in buildings and improvements are capitalized CARO at a cost of \$179,825 and \$264,499 and accumulated depreciation of \$172,986 and \$234,920, respectively. During fiscal year 2021 a review of future CARO obligations resulted in a change in the estimate of \$630,392. This amount is reflected as nonoperating income in the consolidated statement of activities.

Revenue Recognition

The Diocese adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), on July 1, 2020. In accordance with ASC 606, the Diocese recognizes revenue when control of the promised goods or services are transferred to the Diocese’s customers in an amount that reflects the consideration the Diocese expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Diocese has identified employee benefit and insurance programs, cemeteries operations and elderly housing and other rental income as the primary revenue categories subject to the adoption of ASC 606.

Payments received in advance of the Diocese satisfying its performance obligations are recorded within deferred revenue and refundable advances in the consolidated statements of financial position. The changes in deferred revenue were caused by normal timing differences between the satisfaction of performance obligations and customer payments. The Diocese’s contracts with customers generally contain terms that are less than one year. Accordingly, The Diocese elected the practical expedients under ASC 606 to not assess whether a contract has a significant financing component or disclose the information regarding the remaining performance obligations for contracts with customers.

The results of adopting ASC 606 did not have a material impact on the changes in net assets, cash flows, business processes, controls or systems of the Diocese. The adoption of ASC 606 on the Diocese’s equity method investment did however, result in their recognition of a cumulative effect adjustment to its opening net assets and the corresponding statement of financial position accounts related to the change in revenue recognition for the sale of real estate. As a result, the Diocese recognized its share of the cumulative effect adjustment as an adjustment to its net assets and investments – other in the consolidated statement of financial position as of July 1, 2020.

Contributions

The Diocese recognizes revenues from contributions and grants in accordance with guidance requiring the Diocese to evaluate whether (1) transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are expected to be received after one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor. Contributions are written off when determined to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet this criteria for recognition.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when the Diocese has an irrevocable right to the bequest and the proceeds are measurable.

Annual Catholic Appeal

The Annual Catholic Appeal provides support for Diocesan mission related programs and program support for certain related entities. Appeal goals are established annually for parishes as well as solicitations to parishioners. The Annual Catholic Appeal is conducted on a calendar year basis. Contributions are recorded in the period received.

Cathedraticum

Annually, a Cathedraticum assessment is determined for each parish, which is based on certain revenues of the parish. The Cathedraticum assessment helps to support the Diocesan ministries and necessary administrative services that directly benefit the Diocesan parishes. Assessments are billed monthly during the fiscal year. Revenue related to the Cathedraticum assessments are recorded when billed.

Elderly Housing

Elderly housing and other rental income is recognized over the period the related performance obligations are satisfied.

Employee Benefit and Insurance Programs

Premiums for employee benefits, property, liability and workers compensation insurance are billed by the Diocese on a monthly basis to parishes, schools and other entities related to the Diocese and are recognized as revenue in the period for which the coverage pertains.

Cemeteries Revenues

The Catholic cemeteries of the Diocese sell rights to interment and entombment on retail installment agreements generally of not more than one-year's duration, without interest. The amounts received are normally refundable to the buyer, subject to a processing fee, until all amounts due have been received. These amounts are recognized when the contract is executed. Other specific revenues generated from sales from construction of mausoleums or private estates and cemetery merchandise are deferred until the construction is completed or merchandise is delivered.

A portion of revenue from sales is invested, at an amount determined by management and, together with the investment income therefrom, is available for perpetual care and maintenance of cemetery properties.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

The value of the investments in this discretionary account totaled \$6,852,387 and \$4,725,382 as of June 30, 2021 and 2020.

In addition, owners of private property improvements (private mausoleums, estate walls, etc.) at the cemeteries provided additional funds at the time of purchase that are required to be held by the Diocese in a separate investment account and invested in perpetuity. Investment income therefrom, is available for care and maintenance for those specific property improvements. The value of the investments for owners of private property improvements totaled \$3,016,877 and \$2,258,637 as of June 30, 2021 and 2020.

Cemeteries and other accounts receivable are shown net of an allowance of \$425,561 and \$86,856 as of June 30, 2021 and 2020, respectively. These receivables are all due within one year.

Functional Expense Allocation

Expenses are charged directly to Diocesan program services, management and general, and stewardship and development based on specific identification, to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios, as determined by management, amongst the programs and supporting services benefited. Those expenses include personnel costs, insurance, professional fees, occupancy, operations, office and depreciation. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Diocese.

Operating Measure

The Diocese classifies its consolidated statements of activities into operating and nonoperating activities. Operating activities principally include all income and expenses related to carrying out the Diocese's mission, including interest and dividends from Diocesan operations and rental income. Nonoperating activities include interest and dividends not included in operating activities, realized and unrealized return (losses) on investments, change in value of beneficial interest, insurance proceeds, recovery of bad debt, gain or loss on disposition of assets, contributions from dissolved related entities, pension activity other than net periodic benefit cost, support to certain diocesan schools and other activities considered to be of a more unusual or nonrecurring nature, if any.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the consolidated financial statements relate to the determination of depreciation and accretion expense, the reported fair value of certain financial instruments, the actuarial assumptions used to determine the reserves for self-insurance, liability for Priest pension and other postretirement benefits, deferred revenue associated with residence life use fees, provision for operating accruals, and the collectability of amounts due from related Diocesan entities, contributions receivable, notes receivable and cemetery installment contracts. Actual results could differ from those estimates.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Concentration of Market and Credit Risks

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. The Diocese maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Diocese's cash accounts are placed with high-credit quality financial institutions, and the Diocese's investment portfolio is diversified with several investment managers in a variety of asset classes. The Diocese regularly evaluates its depository arrangements and investments, including performance thereof.

Income Taxes

The Diocese recognizes an individual tax position in its consolidated financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Diocese has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2021 and 2020, management has determined that the Diocese has no material uncertain tax positions that would require recognition or disclosure in its consolidated financial statements.

In an annually updated ruling, the Internal Revenue Service ("IRS") has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed in "The Official Catholic Directory" and therefore is exempt from income tax. Accordingly, the accompanying consolidated financial statements reflect no provision for income taxes.

Liquidity and Availability

The Diocese's working capital and cash flows have cyclical variations during the year attributable to the cash receipts for contributions from the Annual Catholic Appeal, Cathedraticum assessment paid by parishes, cemetery operations allocations, rental income and other program fees as well as billings for medical, self-insurance and other fees to related entities.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Total financial assets available to meet cash needs for general expenditures for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	\$ 32,653,365	\$ 25,181,538
Cemeteries and other accounts receivable, net, due within one year	2,027,379	1,499,287
Escrow receivable, due within one year	1,400,000	-
Due from related Diocesan entities, net	2,987,128	3,565,023
Contributions receivable, net, due within one year	1,459,621	1,378,511
Insurance recoveries receivable	311,563	274,891
Notes receivable, net, amounts collectible within one year	250,000	250,000
Investments, at fair value	12,408,275	9,308,266
Financial assets as of fiscal year end	53,497,331	41,457,516
Less amounts unavailable for general expenditures due to:		
Designated for cemetery care and maintenance	(9,869,264)	(6,984,019)
Subject to grantor time and purpose restrictions	(3,042,795)	(2,599,309)
Financial assets as of fiscal year end available to meet needs for general expenditures	\$ 40,585,272	\$ 31,874,188

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. These reclassifications have no effect on previously reported change in net assets.

NOTE 3 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consist of the following unconditional promises to give at June 30:

	2021	2020
Amounts expected to be collected in:		
Less than one year	\$ 1,559,621	\$ 1,571,911
One to four years	22,500	240,300
	1,582,121	1,812,211
Less:		
Discount to net present value	(3,324)	(9,193)
Provision for doubtful accounts	(100,000)	(193,400)
	\$ 1,478,797	\$ 1,609,618

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 4 - NOTES RECEIVABLE, NET

During March 2021, the Diocese received a non-interest bearing note for \$10,072,500 from a buyer who purchased a Diocesan school property (see sale of property). Under the terms of the agreement a balloon payment for the balance of the note is due during March 2026. The note is secured by the property sold. The outstanding balance on this note receivable as of June 30, 2021 totaled \$9,181,333, net of a discount for present value of \$891,167 (discount rate of 1.87%).

During January 2012, the Diocese received a non-interest bearing note receivable from a parish totaling \$434,569 for outstanding obligations. The note is secured by real property and is due and payable during January 2032. The outstanding balance on this note receivable is \$93,478 and \$343,478 as of June 30, 2021 and 2020.

During June 2018, the Diocese received a non-interest bearing note receivable from a parish totaling \$100,000 for capital improvement needs. This note is secured by real property, payable on demand and unsecured. The outstanding balance on this note receivable is \$100,000 as of June 30, 2021 and 2020. As of June 30, 2021, this note has been totally reserved for.

During fiscal 2017, the Diocese converted \$1,747,965 of amounts due from a related Diocesan corporation, which pertain to receivables due from suppressed parishes, to a non-interest bearing note receivable that is secured by the borrower's real property and rental income. This note receivable is due on demand and the outstanding balance as of June 30, 2021 and 2020 totaled \$1,406,203, net of a discount for present value of \$341,761 (discount rate of 3.31%).

NOTE 5 - DUE FROM RELATED DIOCESAN ENTITIES, NET

Due from related Diocesan entities, net, consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Parishes	\$ 8,039,153	\$ 7,748,097
Schools	7,079,269	7,772,011
Other	589,119	1,370,698
	<u>15,707,541</u>	<u>16,890,806</u>
Less: provision for doubtful accounts	<u>(12,720,413)</u>	<u>(13,325,783)</u>
	<u>\$ 2,987,128</u>	<u>\$ 3,565,023</u>

A significant portion of amounts due from related Diocesan entities has accumulated over several years and relates to financial transactions with related Diocesan entities. Such transactions include billings for Cathedralium, employee benefits, insurance premiums, pension premiums as well as advances made to such entities that are in financial need.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 6 - INVESTMENTS, AT FAIR VALUE

As of June 30, 2021, investments, at fair value, by fair value hierarchy level, consist of the following:

<u>Description</u>	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 242,987	\$ -	\$ 242,987
Common stocks	495,594	-	495,594
Equity mutual funds	7,745,091	-	7,745,091
Bond mutual funds	3,373,114	-	3,373,114
Catholic Umbrella Pool	-	551,489	551,489
	<u>\$ 11,856,786</u>	<u>\$ 551,489</u>	<u>\$ 12,408,275</u>
Total investments, at fair value			

As of June 30, 2020, investments, at fair value, by fair value hierarchy level, consist of the following:

<u>Description</u>	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 283,066	\$ -	\$ 283,066
Common stocks	389,155	-	389,155
Equity mutual funds	5,499,527	-	5,499,527
Bond mutual funds	2,700,573	-	2,700,573
Catholic Umbrella Pool	-	435,945	435,945
	<u>\$ 8,872,321</u>	<u>\$ 435,945</u>	<u>\$ 9,308,266</u>
Total investments, at fair value			

The following table summarizes the changes in the Diocese's Level 3 investments for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 435,945	\$ 395,649
Change in value	<u>115,544</u>	<u>40,296</u>
Balance, end of year	<u>\$ 551,489</u>	<u>\$ 435,945</u>

NOTE 7 - INVESTMENT - OTHER

Investment - other consists of the Diocese's limited partner equity interest (79.2%) in a partnership, which the Diocese was not determined to control. The partnership was established to own and operate an independent living facility for the elderly located within Stamford, Connecticut, however the property was sold prior to fiscal 2021. The partnership is expected to be terminated in fiscal 2022 with the Diocese receiving a distribution of its investment. The Diocese's capital balance as of June 30, 2021 totaled \$1,376,460, which includes the Diocese's share of earnings and losses, any additional investments, return of capital and distributions

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 8 - PROPERTY, BUILDINGS AND EQUIPMENT, NET

Property, buildings and equipment, net, consist of the following at June 30:

	2021	2020
Furniture and fixtures	\$ 3,001,691	\$ 2,916,795
Vehicles, computers and other equipment	4,413,933	4,218,529
Buildings and improvements	61,683,551	55,934,438
	69,099,175	63,069,762
Less: accumulated depreciation	(54,460,704)	(47,612,338)
	14,638,471	15,457,424
Construction in progress	71,759	156,256
Land improvements	2,220,272	1,849,337
Land	16,179,776	16,465,279
Property, buildings and equipment, net	\$ 33,110,278	\$ 33,928,296
Property held for sale	\$ 177,012	\$ 7,336,612

Certain land and buildings owned by the Diocese, with a net book value of \$10,735,411 and \$11,140,823 at June 30, 2021 and 2020, respectively, are made available to Diocesan high schools, elementary schools and the middle school for their use, free of rent. In addition, land and buildings owned by the Diocese with a net book value of \$462,537 and \$569,483 at June 30, 2021 and 2020, respectively, are leased to Sacred Heart University through April 30, 2080, with Sacred Heart University paying for all utilities, maintenance and repairs, and insurance, in exchange for tuition credits, which totaled approximately \$357,000 and \$331,000 for 2021 and 2020, respectively. The tuition credits are utilized by teachers in Diocesan schools seeking advanced degrees and by Diocesan seminarians seeking undergraduate degrees or individual courses.

During fiscal 2020, the Diocese began pursuing the sale of several properties. Accordingly, the net book value of these properties, along with the unsold excess land totaling \$7,336,612 has been reclassified as of June 30, 2020 from property, buildings and equipment to assets held for sale on the consolidated statement of financial position. Some of these properties were sold during fiscal 2021 (see sale of properties). As of June 30, 2021, two properties remain classified as property held for sale with a net book value of \$177,012.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS IN FAITH, INC.

Foundations in Faith, Inc a related Diocesan entity, is a Connecticut nonprofit, non-stock corporation formed in February 1996. Foundations in Faith was established to raise, manage and disburse funds raised by the Foundations in Faith Endowment Campaign of the Roman Catholic Diocese of Bridgeport. The campaign purposes were to create a permanent endowment to support Catholic education, vocation and seminary education, priests' residence and retirement fund and Diocesan ministries and programs that benefit Diocesan regional high schools, elementary schools and the Diocese. Foundations in Faith and the Diocese are considered to be financially interrelated under US GAAP as both entities are under common control of the Bishop of the Diocese of Bridgeport and the Diocese is the beneficiary of certain endowment funds held by Foundations in Faith. Accordingly, the Diocese records its respective interest in the assets of Foundations in Faith and the change in its interest using a method similar to the equity method of accounting. As of June 30, 2021 and 2020, the Diocese has recorded a beneficial interest in assets held by Foundations in Faith of \$13,123,093 and \$10,027,420, respectively, on the accompanying consolidated statements of financial position.

NOTE 10 - DUE TO RELATED DIOCESAN ENTITIES

Amounts due to related Diocesan entities consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Catholic Charities of Fairfield County, Inc.	\$ 436,879	\$ 186,981
Foundations in Education, Inc.	557,348	191,382
The Catholic Academy of Bridgeport Inc.	318,485	197,506
Other related entities	<u>376,737</u>	<u>237,074</u>
	<u>\$ 1,689,449</u>	<u>\$ 812,943</u>

NOTE 11 - INSURANCE PROGRAMS

The Diocese participates and maintains insurance programs for medical, dental, prescription drugs, property, liability, automobile, workers compensation and unemployment compensation (unemployment compensation only for those entities who elected to opt in). The participants of these programs also include the parishes, schools and other entities owned by or related to the Diocese. Premiums charged to the various participating entities and payments made on insurance claims are reported as revenues and expenses, respectively, within the employee benefit and insurance programs in the consolidated statement of activities. Insurance program costs are reflected in the consolidated statements of activities within their respective functional classification.

Medical, dental and prescription drug coverages are self-insured which claims are processed by a third-party provider. Property, liability, automobile, workers compensation and unemployment compensation (unemployment compensation only for those entities who elected to opt in) are fully insured. Both self-insurance and fully insured coverages are subject to certain deductibles and limits per respective policies.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 12 - NOTES PAYABLE

In October 2011, the Diocese obtained a \$15,000,000 loan from the Knights of Columbus that is secured by certain properties and other assets of the Diocese. Under the terms of the agreement, monthly payments of interest only (at 4.49% per annum) were payable through December 2017. Monthly payments of principal and interest would commence in January 2018 and continue through the maturity date on December 1, 2031. As of January 1, 2020 the interest rate was reduced to 4%. In January 2018, 2019 and 2020, the loan was amended to extend the interest only period through December 2018, 2019 and 2020. As of June 30, 2020, the outstanding balance under the loan totaled \$3,500,000. During fiscal 2021 this loan was paid in full and closed.

On September 28, 2018, the Diocese obtained a \$5.5 million construction loan to be utilized for the Imagine 2020 school remodeling and expansion project, of which up to \$5 million can be utilized for construction related costs and \$500,000 is reserved for interest expense. The loan had a total term of 10 years, with a four-year construction term followed by a six-year permanent term. Interest only payments were due during the construction term on outstanding balances followed by principal and interest during the permanent term. Interest was fixed at 4.4% for the initial five years adjusted thereafter for the remaining five years to the Federal Home Loan Bank of Boston Classic Rate plus 2.0%. On April 7, 2020 the Diocese borrowed \$4,779,463 from this loan which balance was paid in full on June 26, 2020. The loan was closed at this time.

On April 14, 2020, the Diocese received loan proceeds in the amount of \$2,642,200 under the Paycheck Protection Program ("PPP Loan"). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The Diocese believes this loan will be fully forgiven during the year ending June 30, 2022. The unforgiven portion of the PPP Loan, if any, is payable over five years at an interest rate of 1% with payments not required while forgiveness is pending. (See subsequent event).

On December 16, 2020 the Diocese obtained a construction loan totaling \$4.5 million, with a fixed interest rate of 3.25%, to be utilized for the construction of a mausoleum in Trumbull, Connecticut. The construction commenced in December 2020 with projected completion by the summer of 2021. The loan has a total term of 84 months with the initial 24 months pertaining to the construction phase, followed by 60 month permanent term. During the construction phase interest only payments are due, with the remaining permanent term requiring principal and interest payments. The Diocese was in compliance with the terms of the loan at June 30, 2021. As of June 30, 2021 the outstanding balance on this loan totaled \$10,000.

Scheduled payments due on notes payable (excluding the PPP Loan) at June 30, 2021 are as follows:

2022	\$	1,000
2023		2,000
2024		2,000
2025		2,000
2026		2,000
Thereafter		<u>1,000</u>
Total	\$	<u>10,000</u>

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 13 - LINE OF CREDIT

The Diocese maintains a revolving line of credit agreement with a bank with maximum borrowings of \$3 million. The credit agreement bears interest at the one-month LIBOR rate plus 1.50% (rate at June 30, 2021 was 6.5%) and contains various covenants. The Diocese was in compliance with the terms of the line of credit at June 30, 2021. This line of credit has not been utilized since obtaining and the outstanding balance at June 30, 2021 is \$0.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets at June 30:

	2021	2020
Subject to an expenditure for a specific purpose:		
Queen of Clergy priest expansion	\$ 267,220	\$ 260,274
Seminary capital improvements and other	273,197	134,564
Education grants	95,569	90,069
Diocesan programs	363,666	429,888
Newman Center - ministry programs	179,090	166,603
World Youth Day	40,832	40,832
Catholic Leadership Institute	147,260	50,000
Other	197,164	167,461
Total purpose restricted	1,563,998	1,339,691
Subject to the passage of time:		
Contributions receivable	1,478,797	1,259,618
Total time restricted	1,478,797	1,259,618
Perpetual in nature		
Beneficial interest in trust held by others	537,950	439,435
Beneficial interest in assets held by Foundations in Faith	13,123,093	10,027,420
Total perpetual in nature	13,661,043	10,466,855
Total net assets with donor restrictions	\$ 16,703,838	\$ 13,066,164

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30:

	2021	2020
Purpose restrictions	\$ 92,202	\$ 712,837
Time restrictions	999,291	3,179,489
Total net assets released from restrictions	\$ 1,091,493	\$ 3,892,326

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 15 - SALE OF PROPERTIES

During July 2020 cemetery operations sold a parcel of land with no recorded land value in Stratford, CT. This land was deemed unusable for cemetery development and sold for \$200,000, resulting in a gain of \$200,000. Additionally, older fully depreciated equipment was sold for a gain of \$2,100.

During September 2020, the Diocese and St. Joseph High School Properties, LLC sold the original school building, land and other properties acquired to St. Joseph's High School, Inc. for \$2,500,000. This property, classified as assets held for sale as of June 30, 2020, had original buildings, land costs and expenses related to the sale totaling \$2,093,349, for a gain of \$406,651.

During December 2020, the Diocese sold a property in Bridgeport, CT for \$260,000. This property, classified as assets held for sale as of June 30, 2020, had original buildings, land costs and expenses related to the sale totaling \$139,381 for a gain of \$120,619.

During January 2021, Holy Rosary LLC sold an inactive school building in Bridgeport, CT for \$979,081. This property was fully depreciated with no recognized land value, for a gain totaling \$979,081.

During March 2021 the Diocese executed an asset sale agreement for school buildings and improvements located in Stamford, Connecticut to a religious organization who will utilize the facilities to operate a Catholic School. The total sale price is \$16,022,500 of which \$5,950,000 was received by the Diocese at closing, in which \$1,400,000 was placed into an escrow account until a lien on this property is released. The remaining non-interest-bearing note of \$10,072,500 is due in year five and was initially recorded at \$9,181,333, representing the present value of the future cash flows. This property, classified as assets held for sale as of June 30, 2020, had original buildings, land costs and expenses related to the sale totaling \$5,648,602 which resulted in a gain of \$9,482,731 during the year ended June 30, 2021.

In connection with the asset and sale agreement the Diocese also executed a land lease for the underlying property. The land lease has an initial term of 99 years at a cost of \$2,827,500, of which \$1,050,000 was received at closing and the remaining balance of \$1,620,235 is due during March 2026. The Diocese is recognizing revenue pertaining to the ground lease ratably over the 99-year term. Amounts received in advance of recognition are recorded as deferred revenue. As of June 30, 2021 the deferred revenue balance totaled \$1,042,860.

NOTE 16 - DEFINED BENEFIT PLANS

Bridgeport Diocesan Pension Plan (Lay Plan)

The Diocese participates in the Bridgeport Diocesan Pension Plan (the "Lay Plan"), a multiemployer, defined benefit plan sponsored by the Roman Catholic Diocese of Bridgeport. The Lay Plan covers lay employees of the Diocese and other Diocesan entities who worked at least 20 hours per week and met the eligibility requirements of three years of continuous service and 30 years of age on or before July 2, 2008. Effective July 31, 2010, pension benefits under the plan were frozen. No additional benefits will be earned by participants for services rendered after that date. Pension benefits are based on years of service and average compensation over a five-year period during the last ten years of employment prior to July 31, 2010.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Due to the nature of the Lay Plan, it is not practicable to determine the extent to which the assets of the Lay Plan cover the actuarially computed value of vested benefits for the Diocese on a standalone basis. In addition, because the Lay Plan is considered to be a multi-employer plan, it is only subject to certain minimum reporting requirements. Pension expense allocated to the Diocese for the Lay Plan for the years ended June 30, 2021 and 2020 amounted to approximately \$430,000 and \$424,000, respectively, and is expected to approximate \$705,000 for the year ending June 30, 2022. During the year ending June 30, 2021 an additional \$2,499,250 was contributed to the Lay Plan from proceeds received from the sale of property, to fund the accumulated benefit obligation. Additionally, cemetery operations contributed an additional \$250,000 to the Lay Plan for the years ended June 30, 2021 and 2020 to fund the accumulated benefit obligation.

The Lay Plan is considered a church plan and is therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

At June 30, 2021 and 2020, the date of the most recent valuation, the Lay Plan's projected benefit obligation exceeded the fair value of its assets by approximately \$80.6 million and \$99.8 million, respectively (unaudited).

Diocese of Bridgeport Retirement Plan for Priests

The Diocese of Bridgeport Retirement Plan for Priests ("Priest Plan") is a non-contributory, defined benefit plan qualified under IRS regulations. The Priest Plan covers incardinated Diocesan priests and non-incardinated priests who have a minimum of 15 years continuous service and funding with pension benefits provided at a uniform monthly amount that may be increased from time to time, with a current benefit of \$2,000 for all active and retired priests. Plan assets are held by a third-party trustee.

The following tables provide a reconciliation of the changes in the Priest Plan's funded status to the benefit obligation recorded in the consolidated statements of financial position at June 30, 2021 and 2020:

	2021	2020
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 26,786,003	\$ 24,488,419
Service cost	711,589	572,114
Interest cost	804,190	897,826
Actuarial (gain) loss	(1,107,772)	2,445,078
Benefits paid	(1,637,173)	(1,617,434)
Projected benefit obligation at end of year	\$ 25,556,837	\$ 26,786,003
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 17,581,245	\$ 17,223,618
Actual return on plan assets	4,879,394	1,405,592
Benefits paid	(1,637,173)	(1,617,434)
Plan sponsor contributions	659,851	569,469
Fair value of plan assets at end of year	\$ 21,483,317	\$ 17,581,245
Unfunded status (liability)	(4,073,520)	(9,204,758)
Accumulated benefit obligation	\$ 25,556,837	\$ 26,786,003

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Cumulative amounts recognized in changes in unrestricted net assets and not yet recognized in net periodic benefit cost consist of the following as of June 30:

	2021	2020
Net loss	\$ 2,028,232	\$ 7,163,351
Unrecognized prior service cost	1,037,115	1,162,070
	\$ 3,065,347	\$ 8,325,421

Net periodic benefit cost for the Priest Plan includes the following components during the years ended June 30:

	2021	2020
Service cost	\$ 711,589	\$ 572,114
Interest cost	804,190	897,826
Expected return on plan assets	(1,107,007)	(1,082,507)
Amortization of unrecognized prior service cost	124,955	124,955
Amortization of unrecognized net loss	254,960	151,344
	\$ 788,687	\$ 663,732

Amounts recognized in changes in unrestricted net assets consist of the following for the years ended June 30:

	2021	2020
Net (gain) loss	\$ (4,880,159)	\$ 2,121,993
Amortization of unrecognized net loss	(254,960)	(151,344)
Amortization of unrecognized prior service cost	(124,955)	(124,955)
	\$ (5,260,074)	\$ 1,845,694

Assumptions

Weighted-average assumptions used to determine the benefit obligation are as follows at June 30:

	2021	2020
Discount rate	3.10%	3.10%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost are as follows for the years ended June 30:

	2021	2020
Discount rate	3.10%	3.10%
Expected long-term return on plan assets	6.50%	6.50%

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Contributions

The Diocese expects to contribute approximately \$525,000 to the Priest Plan during the fiscal year ended June 30, 2022.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2022	\$ 1,683,000
2023	1,638,000
2024	1,589,000
2025	1,541,000
2026	1,522,000
2027 to 2031	7,205,000

Plan Assets

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk while also providing adequate liquidity to meet benefit payment requirements.

The Diocese's long-term investment objective is to achieve the actuarial target return, maintain sufficient liquidity to meet the obligations of the plan, diversify the investments to reduce risk, and achieve investment results over the long term that compare favorably with those of other pension plans, professionally managed portfolios and appropriate benchmark indices. Consistent with this long-term objective, the composition of plan investments is managed within a range that targets the following allocations by asset type:

	Minimum	Target	Maximum
Asset class:			
Equities	45%	70%	80%
Fixed income	14	30	50
Cash equivalents	0	0	20

The Diocese's Investment Committee regularly reviews the plan assumptions, asset allocation and performance of the investments in the Priest Plan.

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

As of June 30, 2021 and 2020, the Diocese's Priest Plan assets that are classified as Level 1 within the fair value hierarchy consist of the following:

	2021	2020
Cash equivalents	\$ 451,369	\$ 572,756
Equity mutual funds	14,895,663	12,434,605
Bond mutual funds	6,136,285	4,573,884
Total	\$ 21,483,317	\$ 17,581,245

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

The Diocese's pension plan weighted-average asset allocations at June 30, by asset category are as follows:

	2021	2020
Equity mutual funds	69.00%	72.00%
Bond mutual funds	29.00	25.00
Cash equivalents	2.00	3.00
Total	100.00%	100.00%

Former Pension Plan for Priests

The Diocese also provides pension benefits to priests under a plan that was superseded by the Priest Plan who were retired before adoption of the Priest Plan and were not eligible to participate due to their advanced ages when the Priest Plan was adopted. The present value of the estimated obligation to these priests total \$51,522 and \$53,722, determined using a discount rate of 3.1% at June 30, 2021 and 2020, respectively, and is included in Priest pension and other postretirement benefit obligations in the accompanying consolidated statements of financial position. Pension payments were approximately \$24,000 and \$22,000 for the years ended June 30, 2021 and 2020, respectively. The obligation is unfunded. The actuarial loss together with interest on this obligation is recorded as a reduction of other pension expense for priests and totaled \$2,200 and \$2,410 for the years ended June 30, 2021 and 2020, respectively.

NOTE 17 - DEFINED CONTRIBUTION PLANS

The Diocese maintains a defined contribution 401(a) thrift plan covering all lay employees of the Diocese and other Diocesan entities working at least 30 hours per week who meet the eligibility requirements of one year of service and 21 years of age. Contributions are based on years of service to Diocesan entities at rates of 3% and 5% after the one-year eligibility period. The Diocese's contributions totaled approximately \$278,000 and \$295,000 for the years ended June 30, 2021 and 2020, respectively.

The Diocese also provides for a non-contributory 403(b) salary reduction plan for all employees who wish to participate. The Diocese does not make employer contributions to the 403(b) plan.

NOTE 18 - POSTRETIREMENT PRIESTS' MEDICAL AND DENTAL PLAN

The Diocese provides a postretirement medical and dental benefits plan for retired priests on an unfunded basis through insurance purchased annually from a third party. The following provides further information about the priests' postretirement medical and dental plan.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

The following table provides a reconciliation of the changes in the priests' postretirement medical and dental funded status to the benefit obligation recorded in the consolidated statements of financial position at June 30:

	2021	2020
Change in projected benefit obligation:		
Accumulated benefit obligation at beginning of year	\$ 10,091,113	\$ 14,118,208
Service cost	400,305	512,110
Interest cost	263,356	482,839
Actuarial gain	(324,130)	(4,693,938)
Benefits paid	(293,919)	(328,106)
Accumulated benefit obligation at end of year	\$ 10,136,725	\$ 10,091,113

Cumulative amounts recognized in changes in unrestricted net assets and not yet recognized in net periodic benefit cost consist of the following as of June 30:

	2021	2020
Net gain	\$ (3,142,095)	\$ (2,916,006)
Transition obligation	585,000	780,000
Prior service cost	1,671,954	1,806,691
	\$ (885,141)	\$ (329,315)

Net periodic benefit cost for the priest postretirement medical and dental plan includes the following components during the years ended June 30:

	2021	2020
Service cost	\$ 400,305	\$ 512,110
Interest cost	263,356	482,839
Amortization of actuarial (gain) loss	(98,041)	19,464
Amortization of transition obligation	195,000	195,000
Amortization of prior service cost	134,738	134,738
Net periodic benefit cost	\$ 895,358	\$ 1,344,151

Amounts recognized in changes in unrestricted net assets consist of the following for the years ended June 30:

	2021	2020
Actuarial gain	\$ (324,130)	\$ (4,693,938)
Amortization of actuarial gain (loss)	98,041	(19,464)
Amortization of transition obligation	(195,000)	(195,000)
Amortization of prior service cost	(134,738)	(134,738)
Pension-related activity other than net periodic benefit cost	\$ (555,827)	\$ (5,043,140)

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

The estimated net loss, transition obligation and prior service cost for the Diocese's priests' postretirement medical and dental plan that will be amortized into net periodic benefit cost over the next fiscal year are \$98,041, \$195,000 and \$134,738, respectively.

Assumptions

Weighted-average assumptions used to determine the benefit obligation are as follows at June 30:

	2021	2020
Discount rate	2.78%	2.65%
Health-care cost trend rate assumed for next year	7.50	7.00
Ultimate health-care cost trend rate	5.00	5.00
Year ultimate health-care cost trend rate is achieved	2026	2024

Weighted-average assumptions used to determine net periodic benefit cost are as follows for the years ended June 30:

	2021	2020
Discount rate	2.65%	3.48%
Health-care cost trend rate assumed for next year	7.50	7.00
Ultimate health-care cost trend rate	5.00	5.00

The effect of a 1% change in the health care cost trend rate is as follows as of and for the years ended June 30:

	2021	
	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 204,594	\$ (146,886)
Effect on accumulated benefit obligation	2,317,392	(1,757,684)

	2020	
	1% Increase	1% Decrease
Effect on net periodic benefit cost	\$ 286,165	\$ (207,468)
Effect on accumulated benefit obligation	2,374,043	(1,798,033)

Estimated Future Benefit Payments

The following benefit payments, which reflect future service, as appropriate, are expected to be paid as follows:

2022	\$ 344,456
2023	352,779
2024	355,021
2025	357,256
2026	363,406
2027 to 2030	1,868,481

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Contributions

Because the priests' postretirement medical and dental plan is unfunded, the future benefit payments also represent the expected contributions to the plan for that year.

NOTE 19 - CONTINGENCIES

The Diocese, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Diocese is not aware of any claims or contingencies which are not covered by insurance that would have a material adverse effect on the Diocese's consolidated financial statements.

The Diocese has unconditionally guaranteed, in the event of default, loans from banks to other Diocesan entities principally related to the construction of facilities. At June 30, 2021 and 2020, the aggregate balances outstanding on these loans, which the Diocese has guaranteed, approximated \$758,000 and \$4,554,000, respectively. Management is currently not aware of any defaults or circumstances that would require the Diocese to perform under such guarantees and as such, no loss provision has been recognized as of June 30, 2021 and 2020.

NOTE 20 - RISKS AND UNCERTAINTY

The recent COVID-19 outbreak has caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on Diocesan operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on Diocesan donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Diocesan financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 21 - SUBSEQUENT EVENTS

The Diocese evaluated its June 30, 2021 consolidated financial statements for subsequent events through December 30, 2021, the date the consolidated financial statements were available to be issued. The Diocese is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements, except the items noted below.

On July 1, 2021 cemeteries operations was established as a limited liability company, named Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC ("Catholic Cemeteries"). Catholic Cemeteries is wholly owned by its Member, the BRCDC, and its named Manager is the Bishop of the Diocese of Bridgeport. Catholic Cemeteries has a Board of Directors that oversees, administers and otherwise operates the cemetery business.

On August 20, 2021 the Diocese received notification from the Small Business Administration of PPP Loan forgiveness totaling \$2,642,200 in principal and \$35,181 in interest.

During November 2021 St. Joseph's High School Properties LLC and Holy Rosary LLC were dissolved following the sale of their respective properties and the distribution of assets.

SUPPLEMENTARY SCHEDULES

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2021

	Diocesan Operations	Employee Benefits and Insurance Programs	Cemeteries Operations	Elderly Housing and Diocese LLC Properties Operations	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 21,630,441	\$ 4,808,755	\$ 2,127,241	\$ 4,086,928	\$ -	\$ 32,653,365
Restricted cash	464,742	-	-	-	-	464,742
Property held for sale	177,012	-	-	-	-	177,012
Cemeteries and other accounts receivable, net	913,002	-	1,077,923	54,454	(18,000)	2,027,379
Escrow receivable	1,400,000	-	-	-	-	1,400,000
Due from related Diocesan entities, net	1,490,019	1,119,901	-	481,484	(104,276)	2,987,128
Prepaid expenses and other assets	187,035	39,901	31,138	174	-	258,248
Contributions receivable, net	1,478,797	-	-	-	-	1,478,797
Insurance recoveries receivable	-	311,563	-	-	-	311,563
Notes receivable, net	10,681,014	-	-	-	-	10,681,014
Investments, at fair value	945,781	1,593,230	9,869,264	-	-	12,408,275
Investments - other	1,376,460	-	-	-	-	1,376,460
Cemetery inventory	-	-	3,291,425	-	-	3,291,425
Beneficial interest in trust held by others	537,950	-	-	-	-	537,950
Beneficial interests in assets held by Foundations in Faith, Inc.	13,123,093	-	-	-	-	13,123,093
Property, buildings and equipment, net	23,758,031	-	8,694,972	657,275	-	33,110,278
Due from funds	21,162,750	6,104,859	-	-	(27,267,609)	-
	<u>\$ 99,326,127</u>	<u>\$ 13,978,209</u>	<u>\$ 25,091,963</u>	<u>\$ 5,280,315</u>	<u>\$ (27,389,885)</u>	<u>\$ 116,286,729</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 1,661,570	\$ 335,142	\$ 736,521	\$ 21,196	\$ (76,131)	\$ 2,678,298
Special collections payable	464,742	-	-	-	-	464,742
Self-insurance claims and deductible amounts payable	-	3,919,763	-	-	-	3,919,763
Deferred revenue and refundable advances	443,336	960,742	543,265	-	-	1,947,343
Deferred revenue - ground lease	1,042,860	-	-	-	-	1,042,860
Deferred revenue - life use fees	-	-	-	1,439,284	-	1,439,284
Due to related Diocesan entities	1,540,249	-	-	195,345	(46,145)	1,689,449
Notes payable	2,642,200	-	10,000	-	-	2,652,200
Conditional asset retirement obligations	5,357,561	-	-	383,183	-	5,740,744
Priest pension and other postretirement benefit obligations, net	-	14,261,767	-	-	-	14,261,767
Due to funds	2,419,352	24,848,257	-	-	(27,267,609)	-
	<u>15,571,870</u>	<u>44,325,671</u>	<u>1,289,786</u>	<u>2,039,008</u>	<u>(27,389,885)</u>	<u>35,836,450</u>
Net assets (deficit)						
Without donor restrictions	67,050,419	(30,347,462)	23,802,177	3,241,307	-	63,746,441
With donor restrictions	16,703,838	-	-	-	-	16,703,838
	<u>83,754,257</u>	<u>(30,347,462)</u>	<u>23,802,177</u>	<u>3,241,307</u>	<u>-</u>	<u>80,450,279</u>
	<u>\$ 99,326,127</u>	<u>\$ 13,978,209</u>	<u>\$ 25,091,963</u>	<u>\$ 5,280,315</u>	<u>\$ (27,389,885)</u>	<u>\$ 116,286,729</u>

This consolidating schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.

The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2020

	Diocesan Operations	Employee Benefits and Insurance Programs	Cemeteries Operations	Elderly Housing and Diocese LLC Properties Operations	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 17,218,953	\$ 3,733,690	\$ 1,784,307	\$ 2,444,588	\$ -	\$ 25,181,538
Restricted cash	194,073	-	-	-	-	194,073
Property held for sale	7,336,612	-	-	-	-	7,336,612
Cemeteries and other accounts receivable, net	527,711	-	916,538	55,038	-	1,499,287
Due from related Diocesan entities, net	1,929,596	1,149,495	-	660,129	(174,197)	3,565,023
Prepaid expenses and other assets	338,957	110,756	10,000	-	-	459,713
Contributions receivable, net	1,609,618	-	-	-	-	1,609,618
Insurance recoveries receivable	-	274,891	-	-	-	274,891
Notes receivable, net	1,749,681	-	-	-	-	1,749,681
Investments, at fair value	859,853	1,464,394	6,984,019	-	-	9,308,266
Cemetery inventory	-	-	2,163,085	-	-	2,163,085
Beneficial interest in trust held by others	439,435	-	-	-	-	439,435
Beneficial interests in assets held by Foundations in Faith, Inc.	10,027,420	-	-	-	-	10,027,420
Property, buildings and equipment, net	24,360,536	-	8,493,088	1,074,672	-	33,928,296
Due from funds	21,138,271	3,991,167	-	-	(25,129,438)	-
	<u>\$ 87,730,716</u>	<u>\$ 10,724,393</u>	<u>\$ 20,351,037</u>	<u>\$ 4,234,427</u>	<u>\$ (25,303,635)</u>	<u>\$ 97,736,938</u>
Total assets						
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 1,659,432	\$ 139,570	\$ 249,751	\$ 253,769	\$ (174,197)	\$ 2,128,325
Special collections payable	194,073	-	-	-	-	194,073
Self-insurance claims and deductible amounts payable	-	4,418,835	-	-	-	4,418,835
Deferred revenue and refundable advances - operations	1,052,598	557,172	1,127,571	-	-	2,737,341
Deferred revenue - life use fees	-	-	-	1,692,204	-	1,692,204
Due to related Diocesan entities	812,943	-	-	-	-	812,943
Notes payable	6,142,200	-	-	-	-	6,142,200
Conditional asset retirement obligations	5,702,387	-	-	-	-	5,702,387
Net pension and other postretirement benefit obligations	-	19,349,593	-	-	-	19,349,593
Due to funds	2,413,077	22,716,361	-	-	(25,129,438)	-
	<u>17,976,710</u>	<u>47,181,531</u>	<u>1,377,322</u>	<u>1,945,973</u>	<u>(25,303,635)</u>	<u>43,177,901</u>
Total liabilities						
Net assets (deficit)						
Without donor restrictions	56,687,842	(36,457,138)	18,973,715	2,288,454	-	41,492,873
With donor restrictions	13,066,164	-	-	-	-	13,066,164
	<u>69,754,006</u>	<u>(36,457,138)</u>	<u>18,973,715</u>	<u>2,288,454</u>	<u>-</u>	<u>54,559,037</u>
Total net assets (deficit)						
Total liabilities and net assets (deficit)	<u>\$ 87,730,716</u>	<u>\$ 10,724,393</u>	<u>\$ 20,351,037</u>	<u>\$ 4,234,427</u>	<u>\$ (25,303,635)</u>	<u>\$ 97,736,938</u>

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The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2021

	Diocesan Operations	Employee Benefits and Insurance Programs	Cemeteries Operations	Elderly Housing and Diocese LLC Properties Operations	Eliminations	Total
Revenues, support and other changes						
Annual Catholic Appeal	\$ 8,302,999	\$ -	\$ -	\$ -	\$ -	\$ 8,302,999
Contributions and bequests	2,449,238	-	64,800	444,500	-	2,958,538
Cathedraticum from parishes	6,512,734	-	-	-	-	6,512,734
Employee benefit and insurance programs	-	20,253,007	-	-	(2,897,008)	17,355,999
Cemeteries operations	1,437,000	-	10,676,184	-	(1,437,000)	10,676,184
Elderly housing and other rental income	632,598	-	-	1,546,128	-	2,178,726
Professional services	1,079,054	-	-	-	(279,334)	799,720
Advertising	219,940	-	-	-	-	219,940
Other operating revenues	277,936	14,844	-	335,307	(48,000)	580,087
Total revenues, support and other changes	<u>20,911,499</u>	<u>20,267,851</u>	<u>10,740,984</u>	<u>2,325,935</u>	<u>(4,661,342)</u>	<u>49,584,927</u>
Expenses						
Programs	11,883,535	-	-	-	(1,258,851)	10,624,684
Employee benefits and insurance	-	20,787,049	-	-	(229,334)	20,557,715
Cemeteries operations	-	-	7,696,871	-	(2,342,803)	5,354,068
Elderly housing and Diocesan LLC properties operations	-	-	-	1,032,372	(136,112)	896,260
Management and general	5,793,994	-	-	-	(596,382)	5,197,612
Stewardship and development	1,056,882	-	-	-	(97,860)	959,022
Total expenses	<u>18,734,411</u>	<u>20,787,049</u>	<u>7,696,871</u>	<u>1,032,372</u>	<u>(4,661,342)</u>	<u>43,589,361</u>
Income from operations before depreciation and accretion	2,177,088	(519,198)	3,044,113	1,293,563	-	5,995,566
Depreciation and accretion	<u>(1,183,405)</u>	<u>-</u>	<u>(228,945)</u>	<u>(569,501)</u>	<u>-</u>	<u>(1,981,851)</u>
Income from operations before nonoperating activities	993,683	(519,198)	2,815,168	724,062	-	4,013,715
Nonoperating activities						
Gain on sale of assets	9,847,764	-	202,100	1,141,318	-	11,191,182
Priest pension related-activity other than net periodic benefit cost	-	5,815,901	-	-	-	5,815,901
Change in value of beneficial interest in Foundations in Faith and third-party trust	3,194,188	-	-	-	-	3,194,188
Investment income, net	183,091	182,716	2,387,054	-	-	2,752,861
Income from estimate change related to CARO	630,392	-	-	-	-	630,392
Bad debt (expense) and recoveries, net	377,533	623,739	(344,586)	-	-	656,686
Contributions to lay pension	(2,499,250)	-	(250,000)	-	-	(2,749,250)
Support to Diocesan schools	(893,043)	-	-	-	-	(893,043)
Contributions from related entities	912,527	-	-	(912,527)	-	-
Miscellaneous non-operating income	5,866	6,518	18,726	-	-	31,110
Miscellaneous non-operating expenses	<u>(128,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,960)</u>
CHANGE IN NET ASSETS	12,623,791	6,109,676	4,828,462	952,853	-	24,514,782
Net assets (deficit) - beginning of year, as previously stated	69,754,006	(36,457,138)	18,973,715	2,288,454	-	54,559,037
Effective adoption of accounting standard	<u>1,376,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,376,460</u>
Net assets (deficit) - beginning of year, as adjusted	<u>71,130,466</u>	<u>(36,457,138)</u>	<u>18,973,715</u>	<u>2,288,454</u>	<u>-</u>	<u>55,935,497</u>
Net assets (deficit) - end of year	<u>\$ 83,754,257</u>	<u>\$ (30,347,462)</u>	<u>\$ 23,802,177</u>	<u>\$ 3,241,307</u>	<u>\$ -</u>	<u>\$ 80,450,279</u>

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The Bridgeport Roman Catholic Diocesan Corporation and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2020

	Diocesan Operations	Employee Benefits and Insurance Programs	Cemeteries Operations	Elderly Housing and Diocese LLC Properties Operations	Eliminations	Total
Revenues, support and other changes						
Annual Catholic Appeal	\$ 7,490,964	\$ -	\$ -	\$ -	\$ -	\$ 7,490,964
Contributions and bequests	2,306,647	-	-	-	-	2,306,647
Cathedraticum from parishes	6,587,993	-	-	-	-	6,587,993
Employee benefit and insurance programs	-	20,192,580	-	-	(2,707,257)	17,485,323
Cemeteries operations	1,437,000	-	8,106,767	-	(1,437,000)	8,106,767
Elderly housing and other rental income	576,424	-	-	1,373,561	-	1,949,985
Professional services	591,968	-	-	-	-	591,968
Advertising	240,374	-	-	-	-	240,374
Other operating revenues	758,909	-	-	127,245	(210,016)	676,138
Total revenues, support and other changes	19,990,279	20,192,580	8,106,767	1,500,806	(4,354,273)	45,436,159
Expenses						
Programs	13,456,232	-	-	-	(1,120,540)	12,335,692
Employee benefits and insurance	-	20,523,209	-	-	(160,016)	20,363,193
Cemeteries operations	-	-	6,920,207	-	(2,335,277)	4,584,930
Elderly housing and Diocesan properties LLC operations	-	-	-	629,689	(122,122)	507,567
Management and general	5,579,395	-	-	-	(558,318)	5,021,077
Stewardship and development	945,320	-	-	-	(58,000)	887,320
Total expenses	19,980,947	20,523,209	6,920,207	629,689	(4,354,273)	43,699,779
Income from operations before depreciation and accretion	9,332	(330,629)	1,186,560	871,117	-	1,736,380
Depreciation and accretion	(1,343,869)	-	(241,450)	(314,921)	-	(1,900,240)
(Loss) income from operations before nonoperating activities	(1,334,537)	(330,629)	945,110	556,196	-	(163,860)
Nonoperating activities						
Priest pension related-activity other than net periodic benefit cost	-	3,197,446	-	-	-	3,197,446
Change in value of beneficial interest in Foundations in Faith and third-party trust	(21,071)	-	-	-	-	(21,071)
Investment income, net	60,950	14,568	243,860	-	-	319,378
Bad debt (expense) and recoveries, net	(259,388)	575,856	-	-	-	316,468
Contributions to lay pension	(250,000)	-	-	-	-	(250,000)
Support to Diocesan schools	(454,883)	(301,616)	-	-	-	(756,499)
Contributions from dissolved related entities	157,122	-	-	-	-	157,122
Independent accountability report	(484,569)	-	-	-	-	(484,569)
Miscellaneous non-operating income	13,614	7,392	17,253	-	-	38,259
Miscellaneous non-operating expenses	(179,790)	-	(249,999)	-	-	(429,789)
CHANGE IN NET ASSETS	(2,752,552)	3,163,017	956,224	556,196	-	1,922,885
Net assets (deficit) - beginning of year	72,506,558	(39,620,155)	18,017,491	1,732,258	-	52,636,152
Net assets (deficit) - end of year	\$ 69,754,006	\$ (36,457,138)	\$ 18,973,715	\$ 2,288,454	\$ -	\$ 54,559,037

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The Bridgeport Roman Catholic Diocesan Corporation and Affiliates
CONSOLIDATING SCHEDULE OF PROGRAM FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Pastoral Services of the Bishop*	Religious Personnel Services (includes Queen of Clergy)	Catholic Education and Faith Formation	Pastoral and Human Services	Vocations	Communications and Social Media	Other Program Support	Total Programs
Personnel costs - lay	\$ 663,913	\$ 867,948	\$ 761,116	\$ 183,156	\$ 60,606	\$ 338,324	\$ -	\$ 2,875,063
Personnel costs - religious	<u>209,298</u>	<u>350,452</u>	<u>40,391</u>	<u>705,297</u>	<u>921,680</u>	<u>-</u>	<u>-</u>	<u>2,227,118</u>
Total personnel costs	873,211	1,218,400	801,507	888,453	982,286	338,324	-	5,102,181
Insurance	3,631	40,045	2,901	4,725	1,052	-	-	52,354
Grants and contributions	-	-	-	-	-	-	3,348,871	3,348,871
Professional fees	51,058	19,781	271,904	71,144	11,554	175,228	-	600,669
Occupancy	90,106	425,082	36,076	7,832	-	1,275	-	560,371
Office	13,083	5,964	6,019	112	-	1,455	-	26,633
Dues, fees and memberships	420,801	4,179	59,198	16,000	2,020	3,296	-	505,494
Printing	4,149	-	11,439	755	518	173,983	-	190,844
Travel and seminars	15,113	2,044	33,809	913	15,550	37	-	67,466
Miscellaneous	9,568	29,355	1,029	706	1,834	-	-	42,492
Postage	<u>3,631</u>	<u>744</u>	<u>2,229</u>	<u>123</u>	<u>694</u>	<u>119,888</u>	<u>-</u>	<u>127,309</u>
Total expenses before depreciation and accretion	1,484,351	1,745,594	1,226,111	990,763	1,015,508	813,486	3,348,871	10,624,684
Depreciation and accretion	<u>130,772</u>	<u>153,788</u>	<u>108,021</u>	<u>87,287</u>	<u>89,467</u>	<u>71,669</u>	<u>-</u>	<u>641,004</u>
Total expenses	<u>\$ 1,615,123</u>	<u>\$ 1,899,382</u>	<u>\$ 1,334,132</u>	<u>\$ 1,078,050</u>	<u>\$ 1,104,975</u>	<u>\$ 885,155</u>	<u>\$ 3,348,871</u>	<u>\$ 11,265,688</u>

* Includes the Offices of the Bishop, Vicar General, Chancellor, Strategic and Pastoral Planning, Tribunal and Safe Environment.

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The Bridgeport Roman Catholic Diocesan Corporation and Affiliates
CONSOLIDATING SCHEDULE OF PROGRAM FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Pastoral Services of the Bishop*	Religious Personnel Services (includes Queen of Clergy)	Catholic Education and Faith Formation	Pastoral and Human Services	Vocations	Communications and Social Media	Other Program Support	Total Programs
Personnel costs - lay	\$ 791,272	\$ 966,898	\$ 986,352	\$ 196,056	\$ 12,220	\$ 418,946	\$ -	\$ 3,371,744
Personnel costs - religious	161,734	331,890	142,551	671,633	680,284	-	-	1,988,092
Total personnel costs	953,006	1,298,788	1,128,903	867,689	692,504	418,946	-	5,359,836
Insurance	7,988	54,887	5,562	6,063	-	-	-	74,500
Grants and contributions	-	-	-	-	-	-	4,655,831	4,655,831
Professional fees	75,400	13,207	239,450	2,537	16,083	171,206	-	517,883
Occupancy	120,811	406,854	51,028	7,318	3,112	2,268	-	591,391
Office	6,535	4,469	10,934	810	-	5,672	-	28,420
Dues, fees and memberships	421,225	3,548	68,583	13,603	2,812	5,132	-	514,903
Printing	20,648	635	7,723	324	1,037	197,805	-	228,172
Travel and seminars	50,797	11,347	67,646	2,395	24,391	1,414	-	157,990
Miscellaneous	18,490	23,939	4,661	6,417	4,347	-	-	57,854
Postage	5,683	1,304	2,388	483	567	138,487	-	148,912
Total expenses before depreciation and accretion	1,680,583	1,818,978	1,586,878	907,639	744,853	940,930	4,655,831	12,335,692
Depreciation and accretion	166,208	179,896	156,941	89,765	73,666	93,057	-	759,533
Total expenses	\$ 1,846,791	\$ 1,998,874	\$ 1,743,819	\$ 997,404	\$ 818,519	\$ 1,033,987	\$ 4,655,831	\$ 13,095,225

* Includes the Offices of the Bishop, Vicar General, Chancellor, Strategic and Pastoral Planning, Tribunal and Safe Environment.

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