

Consolidated Financial Statements and
Supplementary Information Together With
Report of Independent Certified Public Accountants

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**

June 30, 2018 and 2017

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

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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 financial statements

We have audited the accompanying consolidated financial statements of The Bridgeport Roman Catholic Diocesan Corporation and Affiliate (collectively, the “Diocese”), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 Affiliate as of June 30, 2018 and 2017, 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, 2018 and 2017 and consolidating schedules of activities and consolidating schedules of functional expenses for the years ended June 30, 2018 and 2017, 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.

Grant Thornton LLP

Stamford, Connecticut
December 20, 2018

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**
Consolidated Statements of Financial Position
As of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 23,522,336 | \$ 20,463,577 |
| Restricted cash | 221,017 | 336,494 |
| Property held for sale | - | 67,635 |
| Cemeteries and other accounts receivable | 1,071,329 | 1,389,480 |
| Bequest receivable | 823,018 | - |
| Due from related Diocesan entities, net | 2,384,009 | 1,465,836 |
| Prepaid expenses and other assets | 625,484 | 541,699 |
| Contributions receivable, net | 5,025,139 | 1,816,776 |
| Insurance recoveries receivable | 288,933 | 335,085 |
| Notes receivable, net | 1,849,681 | 1,783,431 |
| Investments, at fair value | 8,406,632 | 7,608,215 |
| Cemetery inventory | 2,489,437 | 2,588,882 |
| Beneficial interest in trust held by others | 470,716 | 472,867 |
| Beneficial interest in assets held by Foundations in Faith | 10,018,158 | 9,762,756 |
| Property, buildings and equipment, net | <u>38,545,696</u> | <u>38,518,091</u> |
| Total assets | <u>\$ 95,741,585</u> | <u>\$ 87,150,824</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 3,284,221 | \$ 2,678,207 |
| Special collection payable | 221,017 | 336,494 |
| Self-insurance claims and deductible amounts payable | 4,340,405 | 2,856,029 |
| Deferred revenue | 515,840 | 526,566 |
| Refundable advances - Cemeteries operations | 393,305 | 413,527 |
| Due to related Diocesan entities | 1,535,358 | 1,343,031 |
| Note payable | 6,000,000 | 8,213,905 |
| Deferred revenue - life use fees | 2,619,240 | 3,246,265 |
| Conditional asset retirement obligations | 6,379,934 | 6,109,841 |
| Pension and other postretirement benefit assets | \$ 17,291,078 | \$ 16,792,890 |
| Pension and other postretirement benefit obligations | <u>(36,863,386)</u> | <u>(35,205,934)</u> |
| Net pension and other postretirement benefit obligations | <u>19,572,308</u> | <u>18,413,044</u> |
| Total liabilities | <u>44,861,628</u> | <u>44,136,909</u> |
| Contingencies | | |
| NET ASSETS | | |
| Unrestricted | 33,234,700 | 28,548,129 |
| Temporarily restricted | 7,156,383 | 4,230,163 |
| Permanently restricted | <u>10,488,874</u> | <u>10,235,623</u> |
| Total net assets | <u>50,879,957</u> | <u>43,013,915</u> |
| Total liabilities and net assets | <u>\$ 95,741,585</u> | <u>\$ 87,150,824</u> |

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

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**
Consolidated Statement of Activities
For the year ended June 30, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| REVENUES, SUPPORT AND OTHER CHANGES | | | | |
| Annual Catholic Appeal | \$ 8,536,786 | \$ 2,555,000 | \$ - | \$ 11,091,786 |
| Contributions and bequests | 2,178,984 | 2,011,996 | - | 4,190,980 |
| Cathedraticum from parishes | 6,283,399 | - | - | 6,283,399 |
| Employee benefit and insurance programs | 15,521,572 | - | - | 15,521,572 |
| Cemeteries operations | 6,340,120 | - | - | 6,340,120 |
| Rental income | 1,612,364 | - | - | 1,612,364 |
| Reimbursement revenue | 396,292 | - | - | 396,292 |
| Advertising | 309,237 | - | - | 309,237 |
| Program fees | 215,988 | - | - | 215,988 |
| Other operating revenues | 665,712 | - | - | 665,712 |
| Net assets released from restrictions | 1,641,279 | (1,641,279) | - | - |
| Total revenues, support and other changes | <u>43,701,733</u> | <u>2,925,717</u> | <u>-</u> | <u>46,627,450</u> |
| EXPENSES | | | | |
| Programs | 13,148,672 | - | - | 13,148,672 |
| Employee benefit and insurance programs | 20,120,817 | - | - | 20,120,817 |
| Cemeteries operations | 3,684,009 | - | - | 3,684,009 |
| Teresian Towers and Carmel Ridge Estates | 687,330 | - | - | 687,330 |
| Management and general | 4,918,182 | - | - | 4,918,182 |
| Stewardship and development | 931,810 | - | - | 931,810 |
| Total expenses | <u>43,490,820</u> | <u>-</u> | <u>-</u> | <u>43,490,820</u> |
| Income from operations before depreciation and accretion | 210,913 | 2,925,717 | - | 3,136,630 |
| Depreciation and accretion | (1,974,676) | - | - | (1,974,676) |
| (Loss) income from operations before nonoperating activities | <u>(1,763,763)</u> | <u>2,925,717</u> | <u>-</u> | <u>1,161,954</u> |
| NONOPERATING ACTIVITIES | | | | |
| Pension related-activity other than net periodic benefit cost | (587,448) | - | - | (587,448) |
| Lay pension fund contribution | (500,000) | - | - | (500,000) |
| Change in value of beneficial interest in Foundations in Faith and third party trust | - | - | 253,251 | 253,251 |
| Investment income, net | 552,050 | 503 | - | 552,553 |
| Insurance proceeds | 805,931 | - | - | 805,931 |
| Bad debt (expense) and recoveries, net | (622,435) | - | - | (622,435) |
| Contributions from dissolved related entities | 6,536,592 | - | - | 6,536,592 |
| Miscellaneous non-operating income | 571,472 | - | - | 571,472 |
| Miscellaneous non-operating (expenses) | (305,828) | - | - | (305,828) |
| Change in net assets | <u>4,686,571</u> | <u>2,926,220</u> | <u>253,251</u> | <u>7,866,042</u> |
| Net assets - beginning of year | <u>28,548,129</u> | <u>4,230,163</u> | <u>10,235,623</u> | <u>43,013,915</u> |
| Net assets - end of year | <u>\$ 33,234,700</u> | <u>\$ 7,156,383</u> | <u>\$ 10,488,874</u> | <u>\$ 50,879,957</u> |

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

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**
Consolidated Statement of Activities
For the year ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| REVENUES, SUPPORT AND OTHER CHANGES | | | | |
| Annual Catholic Appeal | \$ 10,844,758 | \$ 553,398 | \$ - | \$ 11,398,156 |
| Contributions and bequests | 1,458,332 | 215,737 | - | 1,674,069 |
| Cathedraticum from parishes | 6,433,568 | - | - | 6,433,568 |
| Employee benefit and insurance programs | 15,998,512 | - | - | 15,998,512 |
| Cemeteries operations | 5,727,556 | - | - | 5,727,556 |
| Rental income | 1,555,276 | - | - | 1,555,276 |
| Reimbursement revenue | 414,042 | - | - | 414,042 |
| Advertising | 324,429 | - | - | 324,429 |
| Program fees | 152,430 | - | - | 152,430 |
| Investment income used in operations | 68,035 | - | - | 68,035 |
| Other operating revenues | 844,876 | - | - | 844,876 |
| Net assets released from restrictions | 3,295,148 | (3,295,148) | - | - |
| Total revenues, support and other changes | <u>47,116,962</u> | <u>(2,526,013)</u> | <u>-</u> | <u>44,590,949</u> |
| EXPENSES | | | | |
| Programs | 15,604,667 | - | - | 15,604,667 |
| Employee benefit and insurance programs | 17,248,628 | - | - | 17,248,628 |
| Cemeteries operations | 3,157,561 | - | - | 3,157,561 |
| Teresian Towers and Carmel Ridge Estates | 901,605 | - | - | 901,605 |
| Management and general | 4,463,922 | - | - | 4,463,922 |
| Stewardship and development | 1,152,858 | - | - | 1,152,858 |
| Total expenses | <u>42,529,241</u> | <u>-</u> | <u>-</u> | <u>42,529,241</u> |
| Income (loss) from operations before depreciation and accretion | 4,587,721 | (2,526,013) | - | 2,061,708 |
| Depreciation and accretion | (1,771,605) | - | - | (1,771,605) |
| Income (loss) from operations before nonoperating activities | <u>2,816,116</u> | <u>(2,526,013)</u> | <u>-</u> | <u>290,103</u> |
| NONOPERATING ACTIVITIES | | | | |
| Pension related-activity other than net periodic benefit cost | 4,226,527 | - | - | 4,226,527 |
| Change in value of beneficial interest in Foundations in Faith and third party trust | - | - | 1,021,050 | 1,021,050 |
| Transfer of endowment to Foundations in Faith | - | (104,174) | (437,404) | (541,578) |
| Investment income, net | 472,381 | 24,115 | - | 496,496 |
| Insurance proceeds | 439,444 | - | - | 439,444 |
| Gain on sale of assets | 5,500 | - | - | 5,500 |
| Bad debt (expense) and recoveries, net | 416,211 | - | - | 416,211 |
| Contributions to support school closings | (580,000) | - | - | (580,000) |
| Miscellaneous non-operating expenses | (257,377) | - | - | (257,377) |
| Change in net assets | <u>7,538,802</u> | <u>(2,606,072)</u> | <u>583,646</u> | <u>5,516,376</u> |
| Net (deficit) assets - beginning of year, as previously stated | (86,411,117) | 6,836,235 | 9,651,977 | (69,922,905) |
| Adjustment to opening net assets (Note 3) | <u>107,420,444</u> | <u>-</u> | <u>-</u> | <u>107,420,444</u> |
| Net assets - end of year | <u>\$ 28,548,129</u> | <u>\$ 4,230,163</u> | <u>\$ 10,235,623</u> | <u>\$ 43,013,915</u> |

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

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**
Consolidated Statements of Cash Flows
For the years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 7,866,042 | \$ 5,516,376 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and accretion | 1,974,676 | 1,771,605 |
| Gain on sale of assets | (512,423) | (5,500) |
| Change in fair value of beneficial interests | (253,251) | (1,021,050) |
| Bad debt expense (recovery), net | 622,435 | (416,211) |
| In-kind donations of securities | (227,434) | (231,229) |
| Net appreciation in fair value of investments | (375,362) | (339,804) |
| (Increase) decrease in assets | | |
| Cemeteries and other accounts receivable | 318,151 | (444,778) |
| Bequest receivable | (823,018) | - |
| Due from related Diocesan entities | (1,540,608) | (909,057) |
| Prepaid expenses and other assets | (83,785) | 302,054 |
| Contributions receivable | (3,208,363) | 1,036,102 |
| Insurance recoveries receivable | 46,152 | 178,251 |
| Cemetery inventory | 99,445 | 236,684 |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | 606,014 | 7,790 |
| Special collection payable | (115,477) | (302,075) |
| Self-insurance claims and deductible amounts payable | 1,484,379 | (343,647) |
| Deferred revenue | (10,726) | 115,655 |
| Refundable advances - Cemeteries operations | (20,222) | 38,478 |
| Due to related Diocesan entities | 192,327 | (1,209,203) |
| Deferred revenue - life use fees | (627,025) | 262,759 |
| Obligations due under split-interest agreements | - | (329,689) |
| Pension and other postretirement benefit obligations | 1,159,264 | (3,300,870) |
| Net cash provided by operating activities | <u>6,571,191</u> | <u>612,641</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (800,611) | (36,351) |
| Proceeds from sales of investments | 604,990 | 1,152,132 |
| Purchases of property and equipment | (1,727,054) | (1,757,685) |
| Proceeds from sales of property | 574,921 | 939,243 |
| Advances on note receivable | (100,000) | - |
| Repayment received on note receivable | 33,750 | 886,524 |
| Net cash (used in) provided by investing activities | <u>(1,414,004)</u> | <u>1,183,863</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in restricted cash | 115,477 | 302,075 |
| Principal payments on notes payable | (2,213,905) | (103,000) |
| Net cash (used in) provided by financing activities | <u>(2,098,428)</u> | <u>199,075</u> |
| Net increase in cash and cash equivalents | 3,058,759 | 1,995,579 |
| Cash and cash equivalents - beginning of year | <u>20,463,577</u> | <u>18,467,998</u> |
| Cash and cash equivalents - end of year | <u>\$ 23,522,336</u> | <u>\$ 20,463,577</u> |
| SUPPLEMENTARY INFORMATION: | | |
| Cash paid for interest on indebtedness | <u>\$ 319,102</u> | <u>\$ 370,353</u> |

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

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

1. ORGANIZATION

The Bridgeport Roman Catholic Diocesan Corporation (“BRCDC”) is a Connecticut not-for-profit, religious non-stock corporation formed in 1953 serving more than 460,000 registered Catholics in Fairfield County. BRCDC’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.

BRCDC relies principally on contributions received through the Annual Catholic Appeal, fundraising efforts and the Fairfield County Catholic operations to support the mission related services BRCDC provides. Cathedraticum from parishes together with residual Catholic cemeteries revenues support the administration and general activities of BRCDC. In addition, BRCDC 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 BRCDC and other Diocesan entities and their employees. The other Diocesan entities are responsible for their respective portions of the cost of these programs.

BRCDC programs include the St. John Fisher Seminary (until July 31, 2017), The Catherine Dennis Keefe Queen of Clergy retirement home for Diocesan Priests, the Newman Center at Western Connecticut State University, and 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. BRCDC 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.

St. Joseph High School Properties LLC (“St. Joseph”), a single member LLC owned by the BRCDC, was organized for the purpose to acquire, hold, maintain or improve real property and improvements thereof to further the institutional advancement of a Diocesan high school. The financial statements of St. Joseph have been consolidated with those of BRCDC.

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.

- 82 parishes and one shrine
- 20 elementary schools, one middle school and five high schools
- St. John Fisher Seminary, Inc. (since August 1, 2017)
- Bridgeport Diocesan Schools Corporation
- Catholic School Properties Fairfield County, Inc.
- Foundations in Faith, Inc. (“Foundations in Faith” - formerly Faith in the Future, Inc.)
- Foundations in Education, Inc.
- We Stand With Christ Inc. (since December 2017)
- 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

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

- Catholic Charities of Fairfield County, Inc. (“Catholic Charities”)
- Six government-subsidized Augustana (Bishop Curtis) Homes, homes for the elderly (until October 2017 when all were sold)
- Bridgeport Diocesan Healthcare Properties, Inc. which is the sole member of Saint Joseph Properties LLC, The Blessed Pope John Paul II Properties LLC and St. Camillus Properties, LLC, owners of land on which previously owned nursing homes are located
- Inner-City Foundation for Charity and Education, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying 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”) and are presented on a consolidated basis to include the accounts of BRCDC, reflecting its activities and direct operations, and the accounts of St. Joseph (collectively, the “Diocese”). 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:

Unrestricted Net Assets - consist of resources available for the general support of the Diocese’s operations. Unrestricted net assets may be used at the discretion of management and the Bishop of the Roman Catholic Diocese of Bridgeport.

Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations 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, temporarily restricted net assets are reclassified to unrestricted net assets. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of unrestricted net assets.

Permanently Restricted Net Assets - consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. As of June 30, 2018 and 2017, the Diocese’s permanently restricted net assets consist of their beneficial interest in a perpetual trust held by others of \$470,716 and \$472,867 and beneficial interest in assets held by Foundations in Faith of \$10,018,158 and \$9,762,756, respectively (see Note 9).

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.

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Restricted Cash and Special Collection 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.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard 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.

**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION AND AFFILIATE**
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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.

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.

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 permanently restricted changes in value in beneficial interests on the consolidated statements of activities. At June 30, 2018 and 2017, the balance of the Diocese's beneficial interest in a perpetual trust is \$470,716 and \$472,867, 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 temporarily restricted investment income.

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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:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Balance - beginning of year | \$ 472,867 | \$ 448,188 |
| Distributions | (20,000) | (23,885) |
| Change in fair value of beneficial interest in trust | <u>17,849</u> | <u>48,564</u> |
| Balance - end of year | <u>\$ 470,716</u> | <u>\$ 472,867</u> |

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.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give in greater than 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 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.

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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 made, inventory is reduced by the cost of the space sold.

Cemeteries Revenues

The Catholic cemeteries of the Diocese sell rights to interment and entombment on retail installment contracts generally of not more than one year's duration, without interest. Revenues from these sales are recognized upon the date of sale. Other revenues generated from sales of cemetery merchandise and services are deferred until the merchandise is delivered or the services are performed, at which time they are fully earned.

A portion of revenue from sales is invested and together with the investment income therefrom is available for perpetual care and maintenance of cemetery properties. In addition, owners of private property improvements (private mausoleums, estate walls, etc.) at the cemeteries provide revenue that is held in trust by the Diocese and invested in perpetuity and together with the investment income therefrom is available for care and maintenance of the property improvements.

Deferred Revenue

Funds that are received from related entities in advance for medical insurance premiums for future periods are reflected as deferred revenue 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.

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.

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

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capitalized, accumulated depreciation and depreciation expense, are recognized in the consolidated financial statements. As of June 30, 2018 and 2017, the CARO liability totaled \$6,379,934 and \$6,109,841, respectively. For the years ended June 30, 2018 and 2017, accretion of interest related to these obligations totaled \$270,093 and \$244,574, respectively. Additionally, as of June 30, 2018 and 2017, included in buildings and improvements are capitalized conditional asset retirement obligations at a cost of \$264,499 and accumulated depreciation of \$231,020 and \$229,371, respectively.

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. 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 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 accompanying 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 and contributions receivable. Actual results could differ from those estimates.

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.

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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, 2018 and 2017, 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 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.

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.

3. RESTATEMENT

During fiscal year 2017, BRCDC determined that its participation in the Bridgeport Diocesan Pension Plan (the “Lay Plan”), that was previously presented and accounted for as a single-employer plan, qualifies for treatment as a multi-employer plan under US GAAP which only requires BRCDC to recognize its annual pension expense on its consolidated financial statements.

Accordingly, an adjustment has been recorded to the net assets as of June 30, 2016, to remove the unfunded Lay Plan obligation. The effect of this adjustment on the opening net assets (deficit) for fiscal 2017 is summarized below:

| | |
|--|----------------------|
| Net deficit - beginning of year, as previously stated | \$ (69,922,905) |
| To adjust opening net deficit to remove Lay Plan obligation and related receivables | <u>(107,420,444)</u> |
| Net assets - beginning of year, as restated | <u>\$ 37,497,539</u> |

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4. CONTRIBUTIONS RECEIVABLE, NET

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

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Amounts expected to be collected in | | |
| Less than one year | \$ 4,151,844 | \$ 1,854,526 |
| One to four years | <u>1,118,600</u> | <u>112,250</u> |
| | 5,270,444 | 1,966,776 |
| Less: | | |
| Discount to net present value | (38,305) | - |
| Provision for doubtful accounts | <u>(207,000)</u> | <u>(150,000)</u> |
| | <u>\$ 5,025,139</u> | <u>\$ 1,816,776</u> |

5. NOTES RECEIVABLE, NET

During November 2013, the Diocese sold approximately 45 acres of land located in Easton, Connecticut for \$1,750,000. The sales agreement required the Diocese to issue a mortgage note to the borrower for \$1,550,000, which matured in November 2016. Monthly principal payments of \$25,000 plus interest at 2% were due during 2013 and 2014. Thereafter, monthly principal payments of \$20,000 plus interest at 2% were due until November 2016, at which time the note receivable matured and a balloon payment of \$790,000 was due. The note was secured by a security interest in real property located in Easton, Connecticut. During fiscal 2017, the Diocese received the remaining balance of \$886,524.

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 \$343,477 as of June 30, 2018 and 2017, respectively.

During October 2016, the Diocese received a non-interest bearing note receivable from a parish totaling \$33,750 for short term cash flow needs. This note is due on demand and unsecured. The outstanding balance on this note receivable is \$0 and \$33,750 as of June 30, 2018 and 2017, respectively. This note was paid in full during August 2017.

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, 2018.

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. The outstanding balance on this note receivable as of June 30, 2018 and 2017 totaled \$1,406,204, net of a discount for present value of \$341,761 (discount rate of 3.31%).

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6. DUE FROM RELATED DIOCESAN ENTITIES, NET

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Parishes | \$ 6,883,974 | \$ 6,215,322 |
| Schools | 9,013,882 | 8,537,477 |
| Other | <u>1,296,213</u> | <u>467,872</u> |
| | 17,194,069 | 15,220,671 |
| Less: Provision for doubtful accounts | <u>(14,810,060)</u> | <u>(13,754,835)</u> |
| | <u>\$ 2,384,009</u> | <u>\$ 1,465,836</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 Cathedralricum, employee benefits, insurance premiums, pension premiums as well as advances made to such entities that are in financial need.

7. INVESTMENTS, AT FAIR VALUE

As of June 30, 2018, 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 | \$ 1,709,764 | \$ - | \$ 1,709,764 |
| Common stocks | 220,392 | - | 220,392 |
| Equity mutual funds | 4,577,508 | - | 4,577,508 |
| Bond mutual funds | 1,450,907 | - | 1,450,907 |
| Catholic Umbrella Pool | <u>-</u> | <u>448,061</u> | <u>448,061</u> |
| Total investments, at fair value | <u>\$ 7,958,571</u> | <u>\$ 448,061</u> | <u>\$ 8,406,632</u> |

As of June 30, 2017, 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 | \$ 1,443,522 | \$ - | \$ 1,443,522 |
| Common stocks | 188,235 | - | 188,235 |
| Equity mutual funds | 4,023,746 | - | 4,023,746 |
| Bond mutual funds | 1,538,851 | - | 1,538,851 |
| Catholic Umbrella Pool | <u>-</u> | <u>413,861</u> | <u>413,861</u> |
| Total investments, at fair value | <u>\$ 7,194,354</u> | <u>\$ 413,861</u> | <u>\$ 7,608,215</u> |

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

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|-------------------|-------------------|
| Balance - beginning of year | \$ 413,861 | \$ 416,505 |
| Change in value | <u>34,200</u> | <u>(2,644)</u> |
| Balance - end of year | <u>\$ 448,061</u> | <u>\$ 413,861</u> |

Investment income, net, consists of the following for the years ended June 30:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Interest and dividends | \$ 193,949 | \$ 239,920 |
| Net appreciation in fair value of investments | 375,362 | 339,804 |
| Investment fees | <u>(16,758)</u> | <u>(15,193)</u> |
| Investment income, net | <u>\$ 552,553</u> | <u>\$ 564,531</u> |
| Investment income used in operations | \$ - | \$ 68,035 |
| Investment income, net - nonoperating | <u>552,553</u> | <u>496,496</u> |
| Investment income, net | <u>\$ 552,553</u> | <u>\$ 564,531</u> |

8. PROPERTY, BUILDINGS AND EQUIPMENT, NET

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

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Furniture and fixtures | \$ 2,864,591 | \$ 2,789,310 |
| Vehicles, computers and other equipment | 4,109,218 | 3,949,399 |
| Buildings and improvements | <u>63,372,587</u> | <u>62,709,807</u> |
| | 70,346,396 | 69,448,516 |
| Less: Accumulated depreciation | <u>(50,824,330)</u> | <u>(49,422,215)</u> |
| | 19,522,066 | 20,026,301 |
| Construction in progress | 263,805 | 162,141 |
| Land improvements | 1,790,046 | 1,760,158 |
| Land | <u>16,969,779</u> | <u>16,569,491</u> |
| Property, buildings and equipment, net | <u>\$ 38,545,696</u> | <u>\$ 38,518,091</u> |
| Property held for sale | <u>\$ -</u> | <u>\$ 67,635</u> |

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Certain land and buildings owned by the Diocese, with a net book value of \$14,073,945 and \$14,517,356 at June 30, 2018 and 2017, 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 \$783,375 and \$890,321 at June 30, 2018 and 2017, 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 \$468,000 and \$339,000 for 2018 and 2017, respectively. The tuition credits are utilized by teachers in Diocesan schools seeking advanced degrees and by Diocesan seminarians seeking undergraduate degrees or individual courses.

9. BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS IN FAITH

Foundations in Faith, 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 which benefit Diocesan regional high schools, elementary schools and BRCDC. Foundations in Faith and BRCDC 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 BRCDC is the beneficiary of certain endowment funds held by Foundations in Faith. Accordingly, BRCDC 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. During fiscal 2017, the Diocese transferred its remaining endowment assets \$541,578, to Foundations in Faith where such endowment funds will be maintained and managed. As of June 30, 2018 and 2017, BRCDC has recorded a beneficial interest in assets held by Foundations in Faith of \$10,018,158 and \$9,762,756, respectively, on the accompanying consolidated statements of financial position.

10. DUE TO RELATED DIOCESAN ENTITIES

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Catholic Charities | \$ 571,171 | \$ 415,202 |
| Foundations in Education, Inc. | 392,057 | 489,295 |
| The Catholic Academy of Bridgeport Inc. | 213,629 | 79,637 |
| Other related entities | 358,501 | 358,897 |
| | <u>\$ 1,535,358</u> | <u>\$ 1,343,031</u> |

11. NOTE 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 original loan agreement, monthly payments of interest only (at 5% per annum) were payable through December 2016. Monthly payments of principal and interest would commence in January 2017 and continue through the maturity date on December 1, 2031. In January 2016, the loan was amended which reduced the interest rate to 4.49% per

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annum, extended the interest only payment period for one year (i.e., through December 2017) and released certain assets previously held as collateral for the loan agreement. In January 2018, the loan was amended to extend the interest only period through December 2018. As of June 30, 2018 and 2017, the outstanding balance under the loan totaled \$6,000,000 and \$8,213,905, respectively.

Scheduled payments due on notes payable at June 30, 2018 are as follows:

| | |
|------------|---------------------|
| 2019 | \$ 171,955 |
| 2020 | 355,689 |
| 2021 | 371,992 |
| 2022 | 389,043 |
| 2023 | 406,875 |
| Thereafter | <u>4,304,446</u> |
| Total | <u>\$ 6,000,000</u> |

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time at June 30:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Purpose restrictions | | |
| Queen of Clergy priest expansion | \$ 214,852 | \$ 114,853 |
| St. John Fisher Seminary capital improvements and other | 137,168 | 987,782 |
| Education grants | 206,687 | 143,996 |
| Diocesan programs | 581,365 | 600,007 |
| Newman Center - ministry programs | 145,615 | 145,112 |
| World Youth Day | 95,100 | 45,100 |
| Social media | - | 102,075 |
| Catholic Leadership Institute | 126,503 | 126,503 |
| Imagine 2020 school remodeling and expansion project | 465,931 | - |
| Other | <u>158,023</u> | <u>147,959</u> |
| Total purpose restrictions | <u>2,131,244</u> | <u>2,413,387</u> |
| Time restrictions | | |
| Contributions receivable | <u>5,025,139</u> | <u>1,816,776</u> |
| Total temporarily restricted net assets | <u>\$ 7,156,383</u> | <u>\$ 4,230,163</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Purpose restrictions | \$ 935,242 | \$ 2,526,225 |
| Time restrictions | <u>706,037</u> | <u>768,923</u> |
| Total net assets released from restrictions | <u>\$ 1,641,279</u> | <u>\$ 3,295,148</u> |

13. 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.

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, 2018 and 2017 amounted to approximately \$344,000 and \$325,000, respectively, and is expected to approximate \$382,000 for the year ending June 30, 2019.

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

At June 30, 2018 and 2017, the date of the most recent valuation, the Lay Plan’s projected benefit obligation exceeded the fair value of its assets by approximately \$79 million and \$96 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 Internal Revenue Service regulations. The Priest Plan covers incardinated Diocesan priests with pension benefits provided at a uniform monthly amount that has been increased from time to time, most recently effective January 1, 2015, to increase the monthly retirement benefit from \$1,900 to \$2,000 for all active and retired priests. Plan assets are held by a third-party trustee.

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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, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Change in projected benefit obligation | | |
| Projected benefit obligation at beginning of year | \$ 22,942,283 | \$ 24,846,097 |
| Service cost | 498,894 | 542,734 |
| Interest cost | 931,902 | 940,729 |
| Actuarial loss (gain) | 159,885 | (1,937,607) |
| Benefits paid | <u>(1,531,871)</u> | <u>(1,449,670)</u> |
| Projected benefit obligation at end of year | <u>\$ 23,001,093</u> | <u>\$ 22,942,283</u> |
| | <u>2018</u> | <u>2017</u> |
| Change in fair value of plan assets | | |
| Fair value of plan assets at beginning of year | \$ 16,792,890 | \$ 15,931,198 |
| Actual return on plan assets | 1,426,000 | 1,690,746 |
| Benefits paid | (1,531,871) | (1,449,670) |
| Plan sponsor contributions | <u>604,059</u> | <u>620,616</u> |
| Fair value of plan assets at end of year | <u>\$ 17,291,078</u> | <u>\$ 16,792,890</u> |
| Unfunded status (liability) | <u>\$ (5,710,015)</u> | <u>\$ (6,149,393)</u> |
| Accumulated benefit obligation | <u>\$ 23,001,093</u> | <u>\$ 22,942,283</u> |

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:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|---------------------|---------------------|
| Net loss | \$ 3,735,845 | \$ 4,034,026 |
| Unrecognized prior service cost | <u>1,214,860</u> | <u>1,329,511</u> |
| | <u>\$ 4,950,705</u> | <u>\$ 5,363,537</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Service cost | \$ 498,894 | \$ 542,734 |
| Interest cost | 931,902 | 940,729 |
| Expected return on plan assets | (1,063,685) | (1,008,584) |
| Amortization of unrecognized prior service cost | 114,651 | 114,651 |
| Amortization of unrecognized net loss | 95,751 | 250,853 |
| Net periodic benefit cost | <u>\$ 577,513</u> | <u>\$ 840,383</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|-----------------------|
| Net gain | \$ (202,430) | \$ (2,619,769) |
| Amortization of unrecognized net loss | (95,751) | (250,853) |
| Amortization of unrecognized prior service cost | (114,651) | (114,651) |
| Pension related-activity other than net periodic benefit cost | <u>\$ (412,832)</u> | <u>\$ (2,985,273)</u> |

The estimated actuarial loss and unrecognized prior service cost that will be amortized into net periodic benefit cost during the fiscal year ended June 30, 2019 is \$80,569 and \$114,651, respectively.

Assumptions

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

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|-------------|-------------|
| Discount rate | 4.60% | 4.20% |
| 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:

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Discount rate | 4.20% | 3.90% |
| Expected long-term return on plan assets | 6.50% | 6.50% |

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Contributions

The Diocese expects to contribute approximately \$591,000 to the Priest Plan during the fiscal year ending June 30, 2019.

Estimated Future Benefit Payments

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

| | |
|--------------|--------------|
| 2019 | \$ 1,682,013 |
| 2020 | 1,709,350 |
| 2021 | 1,669,651 |
| 2022 | 1,625,815 |
| 2023 | 1,621,104 |
| 2024 to 2028 | 7,358,159 |

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:

| <u>Asset Class</u> | <u>Minimum</u> | <u>Target</u> | <u>Maximum</u> |
|--------------------|----------------|---------------|----------------|
| Equities | 45.00 % | 64.00 % | 80.00 % |
| Fixed income | 14.00 | 20.00 | 50.00 |
| Cash equivalents | 0.00 | 2.00 | 20.00 |
| Absolute return | 0.00 | 4.00 | 30.00 |
| Real assets | 0.00 | 10.00 | 15.00 |

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.

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As of June 30, 2018 and 2017, the Diocese's Priest Plan assets, that are classified as Level 1 within the fair value hierarchy, consist of the following:

| Description | 2018 | 2017 |
|--------------------------------|---------------|---------------|
| Cash equivalents | \$ 1,322,538 | \$ 1,579,921 |
| Common stocks | 5,430,062 | 4,604,598 |
| Equity mutual funds | 3,219,890 | 3,442,969 |
| Multi-strategy mutual funds | - | 972,854 |
| Exchange traded funds | 2,390,138 | 2,432,407 |
| Bond mutual funds | 4,632,508 | 3,478,700 |
| Corporate and government bonds | 295,942 | 281,441 |
| Total | \$ 17,291,078 | \$ 16,792,890 |

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

| Description | 2018 | 2017 |
|-----------------------------|----------|----------|
| Common stocks | 31.00 % | 27.00 % |
| Bond mutual funds | 27.00 | 21.00 |
| Equity mutual funds | 18.00 | 21.00 |
| Exchange traded funds | 14.00 | 14.00 |
| Multi-strategy mutual funds | 0.00 | 6.00 |
| Cash equivalents | 8.00 | 9.00 |
| Other | 2.00 | 2.00 |
| 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 \$58,161 and \$124,345 determined using a discount rate of 4.6% and 4.2% at June 30, 2018 and 2017, respectively, and is included in pension and other postretirement benefit obligations in the accompanying consolidated statements of financial position. Pension payments were approximately \$26,000 and \$62,000 for the years ended June 30, 2018 and 2017, respectively. The obligation is unfunded. The actuarial gain together with interest on this obligation is recorded as a reduction of other pension expense for priests and totaled \$66,185 and \$67,502 for the years ended June 30, 2018 and 2017, respectively.

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14. 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 \$250,000 and \$256,000 for the years ended June 30, 2018 and 2017.

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.

15. 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 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:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Change in projected benefit obligation | | |
| Accumulated benefit obligation at beginning of year | \$ 12,139,306 | \$ 12,607,123 |
| Service cost | 372,613 | 385,102 |
| Interest cost | 468,861 | 497,568 |
| Amendments (change in eligibilty age from 75 to 73) | 875,880 | - |
| Actuarial loss (gain) | 423,616 | (886,899) |
| Benefits paid | <u>(476,144)</u> | <u>(463,588)</u> |
| Accumulated benefit obligation at end of year | <u>\$ 13,804,132</u> | <u>\$ 12,139,306</u> |

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:

| | <u>2018</u> | <u>2017</u> |
|-----------------------|---------------------|---------------------|
| Net loss | \$ 3,051,661 | \$ 2,696,261 |
| Transition obligation | 1,170,000 | 1,365,000 |
| Prior service cost | <u>1,088,880</u> | <u>249,000</u> |
| | <u>\$ 5,310,541</u> | <u>\$ 4,310,261</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Service cost | \$ 372,613 | \$ 385,102 |
| Interest cost | 468,861 | 497,568 |
| Amortization of actuarial loss | 68,216 | 123,355 |
| Amortization of transition obligation | 195,000 | 195,000 |
| Amortization of prior service cost | <u>36,000</u> | <u>36,000</u> |
| Net periodic benefit cost | <u>\$ 1,140,690</u> | <u>\$ 1,237,025</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|-----------------------|
| Actuarial loss (gain) | \$ 423,616 | \$ (886,899) |
| New prior service cost | 875,880 | - |
| Amortization of actuarial loss | (68,216) | (123,355) |
| Amortization of transition obligation | (195,000) | (195,000) |
| Amortization of prior service cost | <u>(36,000)</u> | <u>(36,000)</u> |
| Pension related-activity other than net periodic benefit cost | <u>\$ 1,000,280</u> | <u>\$ (1,241,254)</u> |

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 \$82,449, \$195,000 and \$83,370, respectively.

Assumptions

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

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Discount rate | 4.11 % | 3.82 % |
| Health-cost trend rate assumed for next year | 8.00 | 6.00 |
| Ultimate health-care cost trend rate | 5.00 | 5.00 |
| Year ultimate health-care cost trend rate is achieved | 2024 | 2019 |

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

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Discount rate | 3.82 % | 3.90 % |
| Health-care cost trend rate assumed for next year | 7.50 | 5.50 |
| 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:

| | <u>2018</u> | |
|--|--------------------|--------------------|
| | <u>1% Increase</u> | <u>1% Decrease</u> |
| Effect on net periodic benefit cost | \$ 246,937 | \$ (179,147) |
| Effect on accumulated benefit obligation | 2,638,312 | (2,039,594) |

| | <u>2017</u> | |
|--|--------------------|--------------------|
| | <u>1% Increase</u> | <u>1% Decrease</u> |
| Effect on net periodic benefit cost | \$ 234,761 | \$ (169,783) |
| Effect on accumulated benefit obligation | 2,342,208 | (1,805,732) |

Estimated Future Benefit Payments

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

| | |
|--------------|------------|
| 2019 | \$ 501,506 |
| 2020 | 529,083 |
| 2021 | 548,992 |
| 2022 | 566,281 |
| 2023 | 594,041 |
| 2024 to 2028 | 3,186,392 |

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.

**THE BRIDGEPORT ROMAN CATHOLIC
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Notes to Consolidated Financial Statements
June 30, 2018 and 2017

16. 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, 2018 and 2017, the aggregate balances outstanding on these loans, which the Diocese has guaranteed, approximated \$5,686,000 and \$5,815,000, 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, 2018 and 2017.

17. SUBSEQUENT EVENTS

The Diocese evaluated its June 30, 2018 consolidated financial statements for subsequent events through December 20, 2018, the date the consolidated financial statements were available to be issued. Except as disclosed below the Diocese is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

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 has a total term of 10 years with a four year construction term followed by a six year permanent term. Interest only payments are due during the construction term on outstanding balances followed by principal and interest during the permanent term. Interest is 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%. The Diocese has not drawn on this loan through the date of the issuance of these financial statements.

SUPPLEMENTARY INFORMATION

**THE BRIDGEPORT ROMAN CATHOLIC
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Consolidating Schedule of Financial Position
As of June 30, 2018

| | Diocesan Operations | Employee Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Eliminations | Total |
|--|------------------------|--|--------------------------|---|---|------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 15,457,877 | \$ 5,357,272 | \$ 532,885 | \$ 2,174,302 | \$ - | \$ - | \$ 23,522,336 |
| Restricted cash | 221,017 | - | - | - | - | - | 221,017 |
| Cemeteries and other accounts receivable | 242,569 | - | 488,183 | 340,577 | - | - | 1,071,329 |
| Bequest receivable | 823,018 | - | - | - | - | - | 823,018 |
| Due from related Diocesan entities, net | 2,268,050 | 863,251 | - | - | - | (747,292) | 2,384,009 |
| Prepaid expenses and other assets | 480,922 | 131,517 | 10,000 | 3,045 | - | - | 625,484 |
| Contributions receivable, net | 5,025,139 | - | - | - | - | - | 5,025,139 |
| Insurance recoveries receivable | - | 288,933 | - | - | - | - | 288,933 |
| Notes receivable, net | 1,849,681 | - | - | - | - | - | 1,849,681 |
| Investments, at fair value | 472,198 | 450,412 | 7,484,022 | - | - | - | 8,406,632 |
| Cemetery inventory | - | - | 2,489,437 | - | - | - | 2,489,437 |
| Beneficial interest in trust held by others | 470,716 | - | - | - | - | - | 470,716 |
| Beneficial interest in assets held by Foundations in Faith | 10,018,158 | - | - | - | - | - | 10,018,158 |
| Property, buildings and equipment, net | 28,540,629 | - | 8,349,089 | 905,689 | 750,289 | - | 38,545,696 |
| Due from funds | 20,135,275 | 4,286,207 | 17,944,807 | - | - | (42,366,289) | - |
| Total assets | <u>\$ 86,005,249</u> | <u>\$ 11,377,592</u> | <u>\$ 37,298,423</u> | <u>\$ 3,423,613</u> | <u>\$ 750,289</u> | <u>\$ (43,113,581)</u> | <u>\$ 95,741,585</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenses | \$ 2,260,221 | \$ 322,751 | \$ 941,320 | \$ 220,425 | \$ - | \$ (460,496) | \$ 3,284,221 |
| Special collection payable | 221,017 | - | - | - | - | - | 221,017 |
| Self-insurance claims and deductible amounts payable | - | 4,340,405 | - | - | - | - | 4,340,405 |
| Deferred revenue | 1,075 | 514,765 | - | - | - | - | 515,840 |
| Refundable advances - Cemeteries | - | - | 393,305 | - | - | - | 393,305 |
| Due to related Diocesan entities | 1,535,358 | - | - | - | - | - | 1,535,358 |
| Notes payable | 6,000,000 | - | - | - | - | - | 6,000,000 |
| Deferred revenue - life use fees | - | - | - | 2,619,240 | - | - | 2,619,240 |
| Conditional asset retirement obligations | 6,379,934 | - | - | - | - | - | 6,379,934 |
| Net pension and other postretirement benefit obligations | - | 19,572,308 | - | - | - | - | 19,572,308 |
| Due to funds | 18,488,044 | 23,878,245 | - | 286,796 | - | (42,653,085) | - |
| Total liabilities | <u>34,885,649</u> | <u>48,628,474</u> | <u>1,334,625</u> | <u>3,126,461</u> | <u>-</u> | <u>(43,113,581)</u> | <u>44,861,628</u> |
| Contingencies | | | | | | | |
| NET ASSETS (DEFICIT) | | | | | | | |
| Unrestricted | 33,474,343 | (37,250,882) | 35,963,798 | 297,152 | 750,289 | - | 33,234,700 |
| Temporarily restricted | 7,156,383 | - | - | - | - | - | 7,156,383 |
| Permanently restricted | 10,488,874 | - | - | - | - | - | 10,488,874 |
| Total net assets (deficit) | <u>51,119,600</u> | <u>(37,250,882)</u> | <u>35,963,798</u> | <u>297,152</u> | <u>750,289</u> | <u>-</u> | <u>50,879,957</u> |
| Total liabilities and net assets (deficit) | <u>\$ 86,005,249</u> | <u>\$ 11,377,592</u> | <u>\$ 37,298,423</u> | <u>\$ 3,423,613</u> | <u>\$ 750,289</u> | <u>\$ (43,113,581)</u> | <u>\$ 95,741,585</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 AFFILIATE**
Consolidating Schedule of Financial Position
As of June 30, 2017

| | Diocesan Operations | Employee Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Eliminations | Total |
|--|------------------------|--|--------------------------|---|---|------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 14,030,682 | \$ 4,466,874 | \$ 273,359 | \$ 1,692,662 | \$ - | \$ - | \$ 20,463,577 |
| Restricted cash | 336,494 | - | - | - | - | - | 336,494 |
| Property held for sale | 67,635 | - | - | - | - | - | 67,635 |
| Cemeteries and other accounts receivable | 518,584 | - | 404,643 | 466,253 | - | - | 1,389,480 |
| Due from related Diocesan entities, net | 665,627 | 953,183 | - | - | - | (152,974) | 1,465,836 |
| Prepaid expenses and other assets | 437,030 | 65,318 | - | 39,351 | - | - | 541,699 |
| Contributions receivable, net | 1,816,776 | - | - | - | - | - | 1,816,776 |
| Insurance recoveries receivable | - | 335,085 | - | - | - | - | 335,085 |
| Notes receivable, net | 1,783,431 | - | - | - | - | - | 1,783,431 |
| Investments, at fair value | 596,861 | 416,334 | 6,595,020 | - | - | - | 7,608,215 |
| Cemetery inventory | - | - | 2,588,882 | - | - | - | 2,588,882 |
| Beneficial interest in trust held by others | 472,867 | - | - | - | - | - | 472,867 |
| Beneficial interest in assets held by Foundations in Faith | 9,762,756 | - | - | - | - | - | 9,762,756 |
| Property, buildings and equipment, net | 28,211,369 | - | 8,553,209 | 1,203,224 | 550,289 | - | 38,518,091 |
| Due from funds | 19,763,956 | 4,252,967 | 17,938,707 | - | - | (41,955,630) | - |
| Total assets | <u>\$ 78,464,068</u> | <u>\$ 10,489,761</u> | <u>\$ 36,353,820</u> | <u>\$ 3,401,490</u> | <u>\$ 550,289</u> | <u>\$ (42,108,604)</u> | <u>\$ 87,150,824</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenses | \$ 1,671,714 | \$ 367,287 | \$ 607,250 | \$ 184,930 | \$ - | \$ (152,974) | \$ 2,678,207 |
| Special collection payable | 336,494 | - | - | - | - | - | 336,494 |
| Self-insurance claims and deductible amounts payable | - | 2,856,029 | - | - | - | - | 2,856,029 |
| Deferred revenue | - | 526,566 | - | - | - | - | 526,566 |
| Refundable advances - Cemeteries | - | - | 413,527 | - | - | - | 413,527 |
| Due to related Diocesan entities | 1,343,031 | - | - | - | - | - | 1,343,031 |
| Notes payable | 8,213,905 | - | - | - | - | - | 8,213,905 |
| Deferred revenue - life use fees | - | - | - | 3,246,265 | - | - | 3,246,265 |
| Conditional asset retirement obligations | 6,011,112 | - | - | - | 98,729 | - | 6,109,841 |
| Net pension and other postretirement benefit obligations | - | 18,413,044 | - | - | - | - | 18,413,044 |
| Due to funds | 18,479,214 | 23,476,416 | - | - | - | (41,955,630) | - |
| Total liabilities | <u>36,055,470</u> | <u>45,639,342</u> | <u>1,020,777</u> | <u>3,431,195</u> | <u>98,729</u> | <u>(42,108,604)</u> | <u>44,136,909</u> |
| Contingencies | | | | | | | |
| NET ASSETS (DEFICIT) | | | | | | | |
| Unrestricted | 27,942,812 | (35,149,581) | 35,333,043 | (29,705) | 451,560 | - | 28,548,129 |
| Temporarily restricted | 4,230,163 | - | - | - | - | - | 4,230,163 |
| Permanently restricted | 10,235,623 | - | - | - | - | - | 10,235,623 |
| Total net assets (deficit) | <u>42,408,598</u> | <u>(35,149,581)</u> | <u>35,333,043</u> | <u>(29,705)</u> | <u>451,560</u> | <u>-</u> | <u>43,013,915</u> |
| Total liabilities and net assets (deficit) | <u>\$ 78,464,068</u> | <u>\$ 10,489,761</u> | <u>\$ 36,353,820</u> | <u>\$ 3,401,490</u> | <u>\$ 550,289</u> | <u>\$ (42,108,604)</u> | <u>\$ 87,150,824</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 AFFILIATE**
Consolidating Schedule of Activities
For the year ended June 30, 2018

| | Diocesan Operations | Employee Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Eliminations | Total |
|--|--------------------------------|---|----------------------------------|---|--|---------------------|----------------------|
| REVENUES, SUPPORT AND OTHER CHANGES | | | | | | | |
| Annual Catholic Appeal | \$ 11,091,786 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,091,786 |
| Contributions and bequests | 3,990,980 | - | - | - | 200,000 | - | 4,190,980 |
| Cathedraticum from parishes | 6,283,399 | - | - | - | - | - | 6,283,399 |
| Employee benefit and insurance programs | - | 18,409,348 | - | - | - | (2,887,776) | 15,521,572 |
| Cemeteries operations | 1,437,000 | - | 6,340,120 | - | - | (1,437,000) | 6,340,120 |
| Rental income | 362,898 | - | - | 1,249,466 | - | - | 1,612,364 |
| Reimbursement revenue | 396,292 | - | - | - | - | - | 396,292 |
| Advertising | 309,237 | - | - | - | - | - | 309,237 |
| Program fees | 215,988 | - | - | - | - | - | 215,988 |
| Other operating revenues | 557,351 | - | - | 108,361 | - | - | 665,712 |
| Total revenues, support and other changes | <u>24,644,931</u> | <u>18,409,348</u> | <u>6,340,120</u> | <u>1,357,827</u> | <u>200,000</u> | <u>(4,324,776)</u> | <u>46,627,450</u> |
| EXPENSES | | | | | | | |
| Programs | 14,411,490 | - | - | - | - | (1,262,818) | 13,148,672 |
| Employee benefit and insurance programs | - | 20,120,817 | - | - | - | - | 20,120,817 |
| Cemeteries operations | - | - | 5,974,471 | - | - | (2,290,462) | 3,684,009 |
| Teresian Towers and Carmel Ridge Estates | - | - | - | 716,720 | - | (29,390) | 687,330 |
| Management and general | 5,567,541 | - | - | - | - | (649,359) | 4,918,182 |
| Stewardship and development | 1,024,557 | - | - | - | - | (92,747) | 931,810 |
| Total expenses | <u>21,003,588</u> | <u>20,120,817</u> | <u>5,974,471</u> | <u>716,720</u> | <u>-</u> | <u>(4,324,776)</u> | <u>43,490,820</u> |
| Income from operations before depreciation and accretion | 3,641,343 | (1,711,469) | 365,649 | 641,107 | 200,000 | - | 3,136,630 |
| Depreciation and accretion | (1,388,038) | - | (272,388) | (314,250) | - | - | (1,974,676) |
| Income (loss) from operations before nonoperating activities | <u>2,253,305</u> | <u>(1,711,469)</u> | <u>93,261</u> | <u>326,857</u> | <u>200,000</u> | <u>-</u> | <u>1,161,954</u> |
| NONOPERATING ACTIVITIES | | | | | | | |
| Pension related-activity other than net periodic benefit cost | - | (587,448) | - | - | - | - | (587,448) |
| Lay pension fund contribution | (500,000) | - | - | - | - | - | (500,000) |
| Change in value of beneficial interest in Foundations in Faith and third-party trust | 253,251 | - | - | - | - | - | 253,251 |
| Investment income, net | 38,425 | 40,187 | 473,941 | - | - | - | 552,553 |
| Insurance proceeds | - | 742,378 | 63,553 | - | - | - | 805,931 |
| Bad debt (expense) and recoveries, net | (37,486) | (584,949) | - | - | - | - | (622,435) |
| Contributions from dissolved related entities | 6,536,592 | - | - | - | - | - | 6,536,592 |
| Miscellaneous nonoperating income | 472,743 | - | - | - | 98,729 | - | 571,472 |
| Miscellaneous nonoperating (expenses) | (305,828) | - | - | - | - | - | (305,828) |
| Change in net assets | <u>8,711,002</u> | <u>(2,101,301)</u> | <u>630,755</u> | <u>326,857</u> | <u>298,729</u> | <u>-</u> | <u>7,866,042</u> |
| Net assets (deficit) - beginning of year | <u>42,408,598</u> | <u>(35,149,581)</u> | <u>35,333,043</u> | <u>(29,705)</u> | <u>451,560</u> | <u>-</u> | <u>43,013,915</u> |
| Net assets (deficit) - end of year | <u>\$ 51,119,600</u> | <u>\$ (37,250,882)</u> | <u>\$ 35,963,798</u> | <u>\$ 297,152</u> | <u>\$ 750,289</u> | <u>\$ -</u> | <u>\$ 50,879,957</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 AFFILIATE**
Consolidating Schedule of Activities
For the year ended June 30, 2017

| | Diocesan Operations | Employee Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Eliminations | Total |
|--|--------------------------------|---|----------------------------------|---|--|---------------------|----------------------|
| REVENUES, SUPPORT AND OTHER CHANGES | | | | | | | |
| Annual Catholic Appeal | \$ 11,398,156 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,398,156 |
| Contributions and bequests | 1,674,069 | - | - | - | - | - | 1,674,069 |
| Cathedraticum from parishes | 6,433,568 | - | - | - | - | - | 6,433,568 |
| Employee benefit and insurance programs | - | 18,775,808 | - | - | - | (2,777,296) | 15,998,512 |
| Cemeteries operations | 1,604,972 | - | 5,727,556 | - | - | (1,604,972) | 5,727,556 |
| Rental income | 298,798 | - | - | 1,256,478 | - | - | 1,555,276 |
| Reimbursement revenue | 454,089 | - | - | - | - | (40,047) | 414,042 |
| Advertising | 324,429 | - | - | - | - | - | 324,429 |
| Program fees | 152,430 | - | - | - | - | - | 152,430 |
| Investment income used for operations | 68,035 | - | - | - | - | - | 68,035 |
| Other operating revenues | 777,585 | - | - | 67,291 | - | - | 844,876 |
| Total revenues, support and other changes | <u>23,186,131</u> | <u>18,775,808</u> | <u>5,727,556</u> | <u>1,323,769</u> | <u>-</u> | <u>(4,422,315)</u> | <u>44,590,949</u> |
| EXPENSES | | | | | | | |
| Programs | 17,558,768 | - | - | - | - | (1,954,101) | 15,604,667 |
| Employee benefit and insurance programs | - | 17,248,628 | - | - | - | - | 17,248,628 |
| Cemeteries operations | - | - | 5,625,775 | - | - | (2,468,214) | 3,157,561 |
| Teresian Towers and Carmel Ridge Estates | - | - | - | 901,605 | - | - | 901,605 |
| Management and general | 4,463,922 | - | - | - | - | - | 4,463,922 |
| Stewardship and development | 1,152,858 | - | - | - | - | - | 1,152,858 |
| Total expenses | <u>23,175,548</u> | <u>17,248,628</u> | <u>5,625,775</u> | <u>901,605</u> | <u>-</u> | <u>(4,422,315)</u> | <u>42,529,241</u> |
| Income from operations before depreciation and accretion | 10,583 | 1,527,180 | 101,781 | 422,164 | - | - | 2,061,708 |
| Depreciation and accretion | (1,154,577) | - | (283,574) | (314,250) | (19,204) | - | (1,771,605) |
| (Loss) Income from operations before nonoperating activities | (1,143,994) | 1,527,180 | (181,793) | 107,914 | (19,204) | - | 290,103 |
| NONOPERATING ACTIVITIES | | | | | | | |
| Pension related-activity other than net periodic benefit cost | - | 4,226,527 | - | - | - | - | 4,226,527 |
| Change in value of beneficial interest in Foundations in Faith and third-party trust | 1,021,050 | - | - | - | - | - | 1,021,050 |
| Transfer of endowment funds to Foundations in Faith | (541,578) | - | - | - | - | - | (541,578) |
| Investment income, net | 69,956 | 94,469 | 328,562 | 3,509 | - | - | 496,496 |
| Insurance proceeds | - | 435,502 | 3,942 | - | - | - | 439,444 |
| Gain on sale of assets | - | - | 5,500 | - | - | - | 5,500 |
| Bad debt (expense) and recoveries, net | (1,943,361) | 2,359,572 | - | - | - | - | 416,211 |
| Contributions to support school closings | (580,000) | - | - | - | - | - | (580,000) |
| Miscellaneous nonoperating expenses | (257,377) | - | - | - | - | - | (257,377) |
| Change in net assets | (3,375,304) | 8,643,250 | 156,211 | 111,423 | (19,204) | - | 5,516,376 |
| Net assets (deficit) - beginning of year, as previously stated | 45,783,902 | (151,213,275) | 35,176,832 | (141,128) | 470,764 | - | (69,922,905) |
| Adjustment to opening net assets (Note 3) | - | 107,420,444 | - | - | - | - | 107,420,444 |
| Net assets - end of year | <u>\$ 42,408,598</u> | <u>\$ (35,149,581)</u> | <u>\$ 35,333,043</u> | <u>\$ (29,705)</u> | <u>\$ 451,560</u> | <u>\$ -</u> | <u>\$ 43,013,915</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 AFFILIATE**
Consolidated Schedule of Functional Expenses
For the year ended June 30, 2018

| | Pastoral Services of the Bishop* | 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 | Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Management and General | Stewardship and Development | Total |
|--|---|--|---|-----------------------------------|------------|---------------------------------------|--------------------------|----------------|--|--------------------------|---|---|---------------------------|-----------------------------------|---------------|
| Personnel costs - lay | \$ 687,687 | \$ 765,049 | \$ 968,199 | \$ 170,270 | \$ 26,460 | \$ 379,131 | \$ - | \$ 2,996,796 | \$ - | \$ 1,675,421 | \$ - | \$ - | \$ 2,876,741 | \$ 436,134 | \$ 7,985,092 |
| Personnel costs - religious | 192,566 | 554,590 | 153,924 | 798,839 | 652,333 | - | - | 2,352,252 | - | - | - | - | 75,575 | - | 2,427,827 |
| Total personnel costs | 880,253 | 1,319,639 | 1,122,123 | 969,109 | 678,793 | 379,131 | - | 5,349,048 | - | 1,675,421 | - | - | 2,952,316 | 436,134 | 10,412,919 |
| Insurance | 8,817 | 124,671 | 2,414 | 12,536 | 2,675 | 213 | - | 151,326 | 19,590,407 | 348,960 | - | - | 30,875 | 289 | 20,121,857 |
| Grants and contributions | - | - | - | - | - | - | 4,994,107 | 4,994,107 | - | - | - | - | - | - | 4,994,107 |
| Professional fees | 174,408 | 26,753 | 298,782 | 4,383 | 22,111 | 212,622 | - | 739,059 | 530,410 | 555,346 | - | - | 468,633 | 31,439 | 2,324,887 |
| Operations | - | - | - | - | - | - | - | - | - | 820,813 | 687,330 | - | - | - | 1,508,143 |
| Occupancy | 132,438 | 373,544 | 46,452 | 5,799 | - | 2,986 | - | 561,219 | - | 205,997 | - | - | 714,959 | 6,192 | 1,488,367 |
| Dues, fees and memberships | 264,743 | 6,872 | 114,316 | 11,829 | 850 | 4,740 | - | 403,350 | - | - | - | - | 11,071 | 27,519 | 441,940 |
| Office | 26,723 | 9,110 | 44,649 | 3,619 | 751 | 12,567 | - | 97,419 | - | 26,346 | - | - | 327,974 | 140,483 | 592,222 |
| Printing | 16,217 | 5,159 | 16,548 | 1,066 | 547 | 244,110 | - | 283,647 | - | - | - | - | 3,550 | 206,833 | 494,030 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | 319,102 | - | 319,102 |
| Travel and seminars | 92,787 | 18,977 | 166,272 | 3,244 | 36,136 | 5,905 | - | 323,321 | - | - | - | - | 36,914 | 11,515 | 371,750 |
| Postage | 10,513 | 1,673 | 2,593 | 532 | 3,940 | 149,513 | - | 168,764 | - | 29,221 | - | - | 11,197 | 64,117 | 273,299 |
| Miscellaneous | 19,361 | 24,162 | 7,330 | 17,086 | 9,373 | 100 | - | 77,412 | - | 21,905 | - | - | 41,591 | 7,289 | 148,197 |
| Total expenses before depreciation and accretion | 1,626,260 | 1,910,560 | 1,821,479 | 1,029,203 | 755,176 | 1,011,887 | 4,994,107 | 13,148,672 | 20,120,817 | 3,684,009 | 687,330 | - | 4,918,182 | 931,810 | 43,490,820 |
| Depreciation and accretion | 161,184 | 189,362 | 180,533 | 102,008 | 74,848 | 100,291 | - | 808,226 | - | 272,388 | 314,250 | - | 487,457 | 92,355 | 1,974,676 |
| Total expenses | \$ 1,787,444 | \$ 2,099,922 | \$ 2,002,012 | \$ 1,131,211 | \$ 830,024 | \$ 1,112,178 | \$ 4,994,107 | \$ 13,956,898 | \$ 20,120,817 | \$ 3,956,397 | \$ 1,001,580 | \$ - | \$ 5,405,639 | \$ 1,024,165 | \$ 45,465,496 |

* 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 AFFILIATE**
Consolidated Schedule of Functional Expenses
For the year ended June 30, 2017

| | Pastoral Services of the Bishop* | Religious Personnel Services (includes Queen of Clergy) | Catholic Education and Faith Formation | Pastoral and Human Services | Vocations and St John Fisher Seminary | Communications and Social Media | Other Program Support | Total Programs | Employee Benefits and Insurance Programs | Cemeteries Operations | Teresian Towers and Carmel Ridge Estates | St. Joseph High School Properties LLC | Management and General | Stewardship and Development | Total |
|--|---|---|---|-----------------------------------|---|---------------------------------------|--------------------------|----------------|--|--------------------------|---|---|---------------------------|-----------------------------------|---------------|
| Personnel costs - lay | \$ 508,664 | \$ 723,574 | \$ 939,717 | \$ 154,345 | \$ 201,327 | \$ 339,592 | \$ - | \$ 2,867,219 | \$ - | \$ 1,505,618 | \$ - | \$ - | \$ 2,412,693 | \$ 453,348 | \$ 7,238,878 |
| Personnel costs - religious | 166,993 | 522,946 | 152,986 | 817,491 | 765,557 | - | - | 2,425,973 | - | - | - | - | 146,864 | - | 2,572,837 |
| Total personnel costs | 675,657 | 1,246,520 | 1,092,703 | 971,836 | 966,884 | 339,592 | - | 5,293,192 | - | 1,505,618 | - | - | 2,559,557 | 453,348 | 9,811,715 |
| Insurance | 26,006 | 167,565 | 9,851 | 61,679 | 34,970 | 531 | - | 300,602 | 16,581,164 | 434,187 | - | - | 63,213 | 726 | 17,379,892 |
| Grants and contributions | - | - | - | - | - | - | 6,693,993 | 6,693,993 | - | - | - | - | - | - | 6,693,993 |
| Professional fees | 266,475 | 45,393 | 204,778 | 469 | 47,898 | 209,891 | - | 774,904 | 629,375 | 143,315 | - | - | 512,574 | 157,380 | 2,217,548 |
| Operations | - | - | - | - | - | - | - | - | - | 827,901 | 901,605 | - | - | - | 1,729,506 |
| Occupancy | 159,024 | 386,292 | 47,019 | 11,121 | 122,313 | 2,087 | - | 727,856 | - | 178,235 | - | - | 609,107 | 2,178 | 1,517,376 |
| Dues, fees and memberships | 237,218 | 2,771 | 129,445 | 11,913 | 12,625 | 3,391 | - | 397,363 | 25,375 | 2,019 | - | - | 19,501 | 26,573 | 470,831 |
| Office | 23,597 | 17,429 | 37,427 | 5,140 | 11,351 | 10,895 | - | 105,839 | 12,714 | 25,477 | - | - | 219,534 | 163,382 | 526,946 |
| Printing | 17,123 | 4,027 | 6,459 | 259 | 4,625 | 242,400 | - | 274,893 | - | - | - | - | 3,794 | 234,811 | 513,498 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | 370,353 | - | 370,353 |
| Travel and seminars | 95,748 | 17,397 | 515,333 | 3,546 | 77,368 | 2,057 | - | 711,449 | - | - | - | - | 41,541 | 8,752 | 761,742 |
| Postage | 8,543 | 2,153 | 2,402 | 513 | 5,044 | 150,176 | - | 168,831 | - | 26,449 | - | - | 11,723 | 104,857 | 311,860 |
| Miscellaneous | 45,172 | 20,128 | 10,707 | 14,025 | 65,713 | - | - | 155,745 | - | 14,360 | - | - | 53,025 | 851 | 223,981 |
| Total expenses before depreciation and accretion | 1,554,563 | 1,909,675 | 2,056,124 | 1,080,501 | 1,348,791 | 961,020 | 6,693,993 | 15,604,667 | 17,248,628 | 3,157,561 | 901,605 | - | 4,463,922 | 1,152,858 | 42,529,241 |
| Depreciation and accretion | 129,819 | 159,475 | 171,705 | 90,231 | 112,636 | 80,253 | - | 744,119 | - | 283,574 | 314,250 | 19,204 | 326,210 | 84,248 | 1,771,605 |
| Total expenses | \$ 1,684,382 | \$ 2,069,150 | \$ 2,227,829 | \$ 1,170,732 | \$ 1,461,427 | \$ 1,041,273 | \$ 6,693,993 | \$ 16,348,786 | \$ 17,248,628 | \$ 3,441,135 | \$ 1,215,855 | \$ 19,204 | \$ 4,790,132 | \$ 1,237,106 | \$ 44,300,846 |

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

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