

# Central Office of the Diocese of Manchester

Financial Statements

Years Ended June 30, 2022 and 2021



**Diocese of Manchester**  
The Catholic Church in New Hampshire

**WIPFLI**

## **Independent Auditor's Report**

Most Reverend Peter A. Libasci  
Roman Catholic Bishop of Manchester  
Central Office of the Diocese of Manchester  
Manchester, NH

### ***Opinion***

We have audited the accompanying financial statements of Central Office of the Diocese of Manchester (the "Central Office"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Central Office of the Diocese of Manchester as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Office of the Diocese of Manchester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Office of the Diocese of Manchester's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Central Office of the Diocese of Manchester's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Office of the Diocese of Manchester's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Wipfli LLP*

Wipfli LLP

Bedford, New Hampshire

February 16, 2023

# Central Office of the Diocese of Manchester

## Statements of Financial Position

<i>As of June 30,</i>	2022	2021
Assets		
Diocesan cash and cash equivalents	\$ 3,281,256	\$ 2,744,517
Cash held for designated purposes	1,086,654	-
Accounts receivable, net	558,927	591,026
Insurance receivable, net	105,949	485,698
Pledges receivable - New Hampshire Catholic Appeal	143,708	-
Second injury fund recoverable	618,427	528,864
Due from Diocese of Manchester Central Fund Trust	-	387,581
Prepaid expenses	335,551	304,301
Diocesan investments	50,957,467	55,550,245
Notes receivable, net of allowance for losses	1,913,409	3,865,338
Cash held for restrictive purposes	150,675	148,205
Fixed assets, net	555,962	492,216
Total assets	\$ 59,707,985	\$ 65,097,991
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 948,805	\$ 867,160
Note payable	-	1,000,000
Reserves and other liabilities	552,938	936,052
Funds held for others- special collections	442,415	338,675
Paycheck protection program loan (Note 8)	-	1,044,600
Due to Diocese of Manchester Central Fund Trust	789,182	-
Grants payable - New Hampshire Catholic Appeal	869,668	-
Pledge payable	250,000	-
Insurance liabilities	2,881,833	3,193,107
Priest retirement benefit obligation	11,834,177	13,446,601
Total liabilities	18,569,018	20,826,195
Net assets:		
Without donor restrictions:		
Designated	5,883,014	6,872,366
Undesignated	22,235,146	22,485,886
Without donor restrictions	28,118,160	29,358,252
With donor restrictions	13,020,807	14,913,544
Total net assets	41,138,967	44,271,796
Total liabilities and net assets	\$ 59,707,985	\$ 65,097,991

See accompanying notes to financial statements.

# Central Office of the Diocese of Manchester

## Statements of Activities

<i>Year Ended June 30,</i>	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues:</b>			
Program revenue and assessments	\$ 7,308,460	\$ -	\$ 7,308,460
Donations and bequests			
General	143,710	98,509	242,219
New Hampshire Catholic Appeal	1,136,270	-	1,136,270
Insurance	5,436,259	-	5,436,259
Miscellaneous	150,905	-	150,905
Net assets released from restriction	407,742	(407,742)	-
<b>Total revenues</b>	<b>14,583,346</b>	<b>(309,233)</b>	<b>14,274,113</b>
<b>Expenses:</b>			
Program	12,064,069	-	12,064,069
Supporting services	3,815,076	-	3,815,076
<b>Total expenses</b>	<b>15,879,145</b>	<b>-</b>	<b>15,879,145</b>
Change in net assets before other activities	(1,295,799)	(309,233)	(1,605,032)
Investment return, net	(3,127,774)	(1,583,504)	(4,711,278)
Interest expense	(34,178)	-	(34,178)
Paycheck Protection Program loan forgiveness	1,044,600	-	1,044,600
Other components of net periodic retirement cost	(243,822)	-	(243,822)
Retirement-related changes other than net periodic retirement costs	2,416,881	-	2,416,881
Change in net assets	(1,240,092)	(1,892,737)	(3,132,829)
Net assets - Beginning of year	29,358,252	14,913,544	44,271,796
Net assets - End of year	\$ 28,118,160	\$ 13,020,807	\$ 41,138,967

See accompanying notes to financial statements.

# Central Office of the Diocese of Manchester

## Statements of Activities

<i>Year Ended June 30,</i>	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues:</b>			
Program revenue and assessments	\$ 6,732,393	\$ -	\$ 6,732,393
Donations and bequests	269,703	56,792	326,495
Insurance	5,759,831	-	5,759,831
Miscellaneous	129,537	-	129,537
Net assets released from restriction	804,015	(804,015)	-
Total revenues	13,695,479	(747,223)	12,948,256
<b>Expenses:</b>			
Program	12,727,975	-	12,727,975
Supporting services	3,608,276	-	3,608,276
Total expenses	16,336,251	-	16,336,251
Change in net assets before other activities	(2,640,772)	(747,223)	(3,387,995)
<b>Investment return, net:</b>			
Diocesan investments	3,781,320	3,287,525	7,068,845
Central fund deposits and investments	7,403,436	-	7,403,436
Total investment return, net	11,184,756	3,287,525	14,472,281
Interest expense	(308,207)	-	(308,207)
Other components of net periodic retirement cost	(657,926)	-	(657,926)
Retirement-related changes other than net periodic retirement costs	8,279,933	-	8,279,933
Change in net assets	15,857,784	2,540,302	18,398,086
Net assets - Beginning of year	13,500,468	16,571,432	30,071,900
Transfer to Diocese of Manchester Central Fund Trust	-	(4,198,190)	(4,198,190)
Net assets - End of year	\$ 29,358,252	\$ 14,913,544	\$ 44,271,796

See accompanying notes to financial statements.

## Central Office of the Diocese of Manchester

### Statements of Functional Expenses

*Year Ended June 30, 2022*

	Program								Supporting Services		
	Canonical Services	Catholic Formation	Development and Communication	Insurance	Ministries	Pastoral services	Seminarian Formation	Other Programs	Total Program	Operations and administration	Total
Benefits and taxes	\$ 128,344	\$ 276,879	\$ 180,129	\$ 48,372	\$ 34,392	\$ 308,053	\$ 91,012	\$ -	\$ 1,067,181	\$ 520,078	\$ 1,587,259
General and administrative	27,044	110,780	173,399	354,020	7,205	102,496	15,147	-	790,091	518,127	1,308,218
Grants and donations - general	-	561,823	15,102	48,128	-	375,162	1,849	95,000	1,097,064	178,495	1,275,559
Grants and donations - NH Catholic Appeal	-	-	880,155	-	-	-	-	-	880,155	-	880,155
Insurance	-	-	-	2,588,915	-	7,303	7,168	-	2,603,386	-	2,603,386
Occupancy	110,949	135,389	96,421	16,392	29,730	75,469	21,699	-	486,049	419,442	905,491
Other	22	-	351	7,088	-	68,159	-	707,208	782,828	6,717	789,545
Program services	95	238,743	181,194	-	77,475	436,312	341,823	-	1,275,642	55,777	1,331,419
Salaries and wages	424,492	931,893	507,325	-	110,233	775,397	67,895	-	2,817,235	2,049,117	4,866,352
Supplies and equipment	3,021	40,249	205,982	-	(150)	14,275	1,061	-	264,438	67,323	331,761
<b>Total functional expenses</b>	<b>\$ 693,967</b>	<b>\$ 2,295,756</b>	<b>\$ 2,240,058</b>	<b>\$ 3,062,915</b>	<b>\$ 258,885</b>	<b>\$ 2,162,626</b>	<b>\$ 547,654</b>	<b>\$ 802,208</b>	<b>\$ 12,064,069</b>	<b>\$ 3,815,076</b>	<b>\$ 15,879,145</b>

*Year Ended June 30, 2021*

	Program								Supporting Services		
	Canonical Services	Catholic Formation	Development and Communication	Insurance	Ministries	Pastoral services	Seminarian Formation	Other Programs	Total Program	Operations and administration	Total
Benefits and taxes	\$ 124,380	\$ 289,457	\$ 168,061	\$ 42,783	\$ 44,822	\$ 302,536	\$ 116,311	\$ -	\$ 1,088,350	\$ 511,451	\$ 1,599,801
General and administrative	5,926	12,392	123,879	421,271	4,363	87,223	3,054	-	658,108	342,448	1,000,556
Grants and donations	-	428,114	16,738	(1,221)	-	93,209	2,228	50,000	589,068	282,137	871,205
Insurance	-	-	-	3,110,436	-	11,131	4,997	-	3,126,564	1,551	3,128,115
Occupancy	121,532	150,424	99,498	18,335	32,859	87,587	23,912	-	534,147	313,170	847,317
Other	361	-	225	11,158	-	(9,863)	-	1,110,292	1,112,173	5,714	1,117,888
Program services	-	1,526,740	192,905	-	27,160	372,924	367,764	-	2,487,493	112,168	2,599,661
Salaries and wages	426,726	986,118	513,512	-	129,585	865,712	55,365	-	2,977,018	1,975,774	4,952,791
Supplies and equipment	1,361	43,583	83,706	-	-	23,712	2,692	-	155,054	63,863	218,917
<b>Total functional expenses</b>	<b>\$ 680,286</b>	<b>\$ 3,436,828</b>	<b>\$ 1,198,524</b>	<b>\$ 3,602,762</b>	<b>\$ 238,789</b>	<b>\$ 1,834,171</b>	<b>\$ 576,323</b>	<b>\$ 1,160,292</b>	<b>\$ 12,727,975</b>	<b>\$ 3,608,276</b>	<b>\$ 16,336,251</b>

See accompanying notes to financial statements.

# Central Office of the Diocese of Manchester

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (3,132,829)	\$ 18,398,086
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	84,314	93,082
Gain (loss) on disposal of fixed assets	2,868	(1,339)
Paycheck Protection Program loan forgiveness	(1,044,600)	-
Reinvested investment income	(128,368)	(162,532)
Net realized and unrealized losses (gains)	6,257,374	(12,881,029)
Provision for losses (recoveries) on notes receivable	-	11,590
Provision for losses (recoveries) on accounts receivable	-	(75,590)
Non-cash grants	-	18,022
Decrease (increase) in:		
Accounts receivable	32,099	320,046
Insurance receivable	379,749	(127,783)
Pledge receivable - New Hampshire Catholic Appeal	(143,708)	-
Second injury fund recoverable	(89,563)	14,941
Interest receivable	-	(27,690)
Prepaid expenses	(31,250)	(66,742)
Due from Diocese of Manchester Central Fund Trust	217,356	(20,937)
Increase (decrease) in:		
Accounts payable and accrued expenses	81,645	(741,564)
Reserves and other liabilities	(383,114)	146,795
Funds held for others- special collections	103,740	64,013
Grants payable - New Hampshire Catholic Appeal	869,668	-
Pledge payable	250,000	-
Insurance liabilities	(311,274)	158,213
Priest retirement benefit obligation	(1,612,424)	(6,948,851)
Net cash flows from operating activities	1,401,683	(1,829,269)
Cash flows from investing activities:		
Purchase of investments	(58,286,459)	(106,486,509)
Proceeds from sale of investments	57,709,638	100,625,910
Amounts advanced on notes receivable	(72,193)	(459,489)
Collections on notes receivable	2,024,122	3,203,638
Proceeds from sale of fixed assets	25,465	7,297
Purchase of fixed assets	(176,393)	(28,312)
Net cash flows from investing activities	1,224,180	(3,137,465)



## Central Office of the Diocese of Manchester

### Statements of Cash Flows (Continued)

Years Ended June 30,	2022	2021
Cash flows from financing activities:		
Increase in central fund deposits and investments, net	\$ -	\$ 1,733,995
Payment of note payable	(1,000,000)	-
Net cash flows from financing activities	(1,000,000)	1,733,995
Net change in cash and cash equivalents	1,625,863	(3,232,739)
Cash, cash equivalents and restricted cash - Beginning of year	2,892,722	6,125,461
Cash, cash equivalents and restricted cash - End of year	\$ 4,518,585	\$ 2,892,722
Reconciliation to Statements of Financial Position:		
Diocesan cash	3,281,256	2,744,517
Cash held for designated purposes	1,086,654	-
Cash held for restrictive purposes	150,675	148,205
Total cash, cash equivalents and restricted cash - End of year	\$ 4,518,585	\$ 2,892,722

#### Supplemental Disclosures:

Interest paid (including interest paid on deposits payable)	\$ 34,178	\$ 308,207
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As discussed in Note 1, effective February 28, 2021 certain Central Fund deposits and investments (assets) totaling approximately \$61,200,000, notes receivable of \$8,900,000 net of allowances for losses of \$2,200,000, Central Fund deposits and investments (liabilities) of \$63,700,000, and net assets with donor restrictions for Central Fund Trust participant entities of approximately \$4,200,000 were transferred to the Diocese of Manchester Central Fund Trust.

For the period of July 1, 2020 through February 28, 2021, prior to the transfer discussed above, net noncash investment activity on certain Central Fund deposits and investments was approximately \$2,700,000.

For the period of March 1, 2021 through June 30, 2021, subsequent to the transfer discussed above, net noncash investment activity relating to the due from the Diocese of Manchester Central Fund trust totaled approximately \$367,000. For the year ended June 30, 2022, net noncash investment activity relating to the due to the Diocese of Manchester Central Fund trust totaled approximately \$959,000.

See accompanying notes to financial statements.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

The accompanying financial statements reflect the application of the accounting policies described in this note.

#### **Basis of Presentation**

According to the Code of Canon Law of the Roman Catholic Church, a diocese is a "portion of the people of God which is entrusted for pastoral care to the bishop" (Canon 369). A diocese is normally territorial and is divided into distinct parts called parishes (Canon 374). The territory of the Diocese of Manchester (the Diocese) encompasses the State of New Hampshire. Included in these financial statements are the assets, liabilities, net assets and financial activities of program offices and departments of the Diocese that are fiscally responsible to the Bishop, including the Operating Fund, Insurance Fund, and net assets with donor restrictions as described below, and referred to herein as the Central Office of the Diocese of Manchester (the Central Office). The Central Office provides certain programs and administrative support functions to parishes, schools, and cemeteries within this limited geographic region.

The Operating Fund includes program, administrative and support services of the Central Office which are comprised of canonical services, Catholic formation, development and communication, insurance, ministries, pastoral services, seminarian formation, other programs, and administrative support services. The Insurance Fund administers the insurance program for the Diocese of Manchester as described in Note 10. Revenues are derived primarily from assessments charged to the parishes and schools within the territory of the Diocese.

The accompanying financial statements exclude the assets, liabilities, net assets and financial activities of various parishes, schools, cemeteries, camps, Diocesan benefit plans, Aquinas House and Catholic Student Center, and other entities, except insofar as financial transactions have taken place between them and the Central Office. Although these entities are located in the territory of the Diocese, the entities maintain separate financial records and carry on their own services and programs. Effective February 28, 2021 the accompanying financial statements also exclude the assets, liabilities, net assets and financial activities of the Diocese of Manchester Central Fund Trust, a new entity, as described below.

Prior to February 28, 2021, certain assets, liabilities, and net assets formerly referred to as the "Central Fund" reported in the accompanying financial statements were held for the benefit of parishes, schools and cemeteries within the territory of the Diocese. The "Central Fund" managed deposits and investments as well as made loans for various parishes, schools and cemeteries within the territory of the Diocese. On August 19, 2020, the Diocese established the Diocese of Manchester Central Fund Trust, and on February 28, 2021 transferred approximately \$61,200,000 in Central Fund deposits and investments (assets), notes receivable of \$8,900,000 net of allowance for losses of \$2,200,000, Central Fund deposits and investments (liabilities) of \$63,700,000, and net assets with donor restrictions of approximately \$4,200,000 for Central Fund Trust participants to the new entity.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates. Significant estimates used by the Central Office include those used to determine the projected retirement benefit obligation (Note 7), the liability for unpaid insurance claims (Note 10), losses on accounts, notes and insurance receivable (Notes 1, 3, and 10).

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Central Office considers certificates of deposit and other highly liquid debt instruments with a maturity of three months or less from the date of purchase to be cash equivalents.

The Central Office customarily maintains amounts on deposit in various bank accounts in excess of the Federal deposit insurance coverage amounts. Deposits totaling approximately \$3,753,000 (prior to outstanding items clearing the bank) at June 30, 2022 are not covered by Federal deposit insurance.

In addition to the above amounts on deposit, the Central Office reports certain cash equivalents managed by its investment advisors as investments and not as cash equivalents in the accompanying statements of financial position, since it is the Central Office's intention to invest these funds for long-term purposes. Cash and cash equivalents reported as investments totaling approximately \$2,864,000 at June 30, 2022 are not covered by Federal deposit insurance.

Cash and cash equivalents are included in the accompanying financial statements, as follows:

<i>As of June 30,</i>	2022	2021
Diocesan cash	\$ 3,281,256	\$ 2,744,517
Cash held for designated purposes	1,086,654	-
Cash held for restrictive purposes	150,675	148,205
<b>Total cash reported on statements of financial position and cash flows</b>	<b>\$ 4,518,585</b>	<b>\$ 2,892,722</b>
Cash held in investment accounts (Note 13)	3,131,840	1,587,299
<b>Totals</b>	<b>\$ 7,650,425</b>	<b>\$ 4,480,021</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Receivables**

##### ***Accounts receivable***

Accounts receivable are reported at estimated net collectible amounts. The accounts receivable arise in the normal course of the operation of the Central Office and are primarily due from parishes and schools within the territory of the Diocese. Credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest. The Central Office periodically reviews the outstanding accounts receivable for the purposes of establishing an allowance for uncollectible accounts based on the average bad debt write-offs experienced in the past and its current knowledge of the accounts. It is management's policy to convert delinquent accounts receivable to notes receivable or, in rare circumstances, to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable at June 30, 2022 and 2021 are both reported net of an allowance for uncollectible accounts of \$269,444. The accounts receivable at June 30, 2020 was \$1,235,096, net of an allowance for uncollectible accounts of \$345,034. During the year ended June 30, 2021, accounts receivable from parishes in the amount of \$54,580 were transferred to notes receivable. Aggregate accounts receivable past due 90 days or more were approximately \$446,000 and \$463,000 as of June 30, 2022 and 2021, respectively. Delinquency status is based on normal credit terms. The Central Office does not generally require collateral for the extension of credit.

##### ***Notes receivable***

Notes receivable from various parishes, cemeteries, and schools within the territory of the Diocese are unsecured and are reported at their unpaid principal balances, less an allowance for losses. However, if property of an entity within the territory of the Diocese were to be liquidated, proceeds from the sale of the assets would be required to be applied to any outstanding balance on notes receivable, including any accounts receivable, due to the Central Office.

Interest on notes receivable is recognized over the term of the loan and is calculated using either the simple interest method or the amortization method on principal amounts outstanding. Certain notes are non-interest bearing or are at a reduced rate of interest. These notes generally have been recorded net of applicable discounts to reflect the present value of the notes, based on the interest rates normally charged on other notes.

The Central Office has been willing, under appropriate circumstances, to make concessions for borrowers whose payments were not current or to refinance outstanding obligations. At the time of restructuring, the loan is evaluated for an allowance for credit losses. The Central Office continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. There were no troubled debt restructurings for the years ended June 30, 2022 and 2021.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Receivables** (Continued)

Notes receivable are evaluated for impairment annually and are placed on non-accrual status on a case-by-case basis. Interest income on non-accrual loans is recognized only to the extent that cash payments are received. Loans are classified as impaired when they are greater than 60 days past due, on non-accrual status, or additional borrowing is needed due to operational deficits. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with contractual terms for a reasonable period of time as determined by the Central Office, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Central Office reviews each outstanding note receivable and has provided an allowance for losses at a level that the Central Office believes to be representative of inherent losses estimated on the basis of factors, such as the risk characteristics of the borrower, average historical bad debt write-offs, and current economic conditions that may affect the borrower's ability to pay. Delinquency status is determined based on contractual terms. It is the Central Office's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. Additionally, on the aggregate remaining balance of notes receivable the Central Office estimates an additional allowance covering those amounts not specifically identified (see Note 3).

#### **Investments**

Investments represent marketable securities, as well as units owned in a hedge fund portfolio. Investments in marketable securities are valued at their fair values in the statements of financial position. The measurement of fair value is made using the fair value hierarchy established under current accounting standards (Note 13). Net asset value ("NAV") is used as a practical expedient to estimate fair value of the hedge funds (Note 13).

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses. For purposes of determining realized gains and losses, the cost of securities sold is based on a trade-date basis.

#### **Fixed Assets**

It is the Central Office's policy to capitalize fixed assets with a cost of at least \$2,500. Lesser amounts are charged to operations.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Fixed Assets (Continued)

Fixed assets are recorded at cost, if purchased, or at estimated fair market value as of the date of donation, if donated. The composition of net fixed assets at June 30, 2022 and 2021 is, as follows:

	2022	2021
Land	\$ 2,129	\$ 2,129
Buildings	651,646	651,646
Building improvements	1,711,792	1,572,051
Furniture and other equipment	342,202	345,550
Computer equipment and software	369,971	369,971
<b>Total fixed assets</b>	<b>3,077,740</b>	<b>2,941,347</b>
<b>Less - Accumulated depreciation</b>	<b>2,521,778</b>	<b>2,449,131</b>
<b>Fixed assets, net</b>	<b>\$ 555,962</b>	<b>\$ 492,216</b>

The Central Office provides for depreciation on the straight-line method by charges to income in amounts estimated to amortize the cost or donated value of the assets over the periods of their useful lives.

Depreciation expense was \$84,314 and \$93,082 during 2022 and 2021, respectively.

Included in fixed assets in the accompanying statements of financial position are assets with a net book value of \$97,887 and \$114,991 as of June 30, 2022 and 2021, respectively, which are restricted by the donor for use as the Bishop's residence.

#### Restricted Support

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and designated net assets, which are revenues not restricted by outside sources and revenues designated by the Central Office for special purposes and their related expenses.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Restricted Support (Continued)

*Net Assets with Donor Restrictions* – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted, has been fulfilled, or both. Restricted contributions that are received and utilized in accordance with donor stipulations in the same year are reported as contributions without donor restrictions. The Central Office follows a similar policy for investment return on these funds.

Designated net assets have been designated by the Central Office for the following purposes at June 30, 2022 and 2021:

	2022	2021
Priest housing	\$ 1,387,818	\$ 1,899,779
School education fund	209,153	327,862
Priests continuing formation	1,145,912	1,312,319
Medical needs of priests	764,501	883,596
Worship and world youth day	10,070	10,070
Campus ministry	124,925	124,925
Youth ministry	442,705	442,705
St. Joseph Cathedral	40,716	40,716
Sick Priests fund	247,034	278,063
Permanent Diaconate Continuing Formation	1,510,180	1,552,331
<b>Totals</b>	<b>\$ 5,883,014</b>	<b>\$ 6,872,366</b>

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted for the following purposes:

	2022	2021
Seminarians	\$ 81,889	\$ 96,087
Missionary support	656,224	883,227
Parish masses	383,619	437,520
Sick Priests fund	1,015,237	1,142,759
Non-capital purposes	246,581	291,011
For specific geographical region	154,225	141,939
Other various purposes	333,489	273,719
<b>Totals</b>	<b>\$ 2,871,264</b>	<b>\$ 3,266,262</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Restricted Support (Continued)

Endowments restricted in perpetuity (including amounts above the original gift amount of \$6,747,015 in 2022 and \$6,894,679 in 2021):

	2022	2021
Missionary, Catholic education, retired priests and parish support	\$ 5,219,089	\$ 6,317,764
Seminarians	698,186	751,158
Sick Priests fund	2,402,680	2,574,746
Scholarships, education and tuition	1,652,469	1,800,133
Other various purposes	177,119	203,481
Totals	\$ 10,149,543	\$ 11,647,282
Total net assets with donor restrictions	\$ 13,020,807	\$ 14,913,544

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and other activities as benefited.

The Central Office allocates the salary of each Diocesan employee to various salary expense classifications. This allocation is based on an estimate made by management of the percentage of time each individual devotes to each type of service. The percentages used to allocate salaries in each year vary depending upon the Central Office's estimate. The Central Office also allocates administrative expenses to the various programs based on estimates of square footage and number of employees.

#### Federal and State Income Taxes

The Diocese is exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese must, however, pay income taxes on the net profit from its unrelated business activities, if any.

The Central Office recognizes the tax benefit of an uncertain tax position only if management determines that it is more likely than not that the tax position would be sustained upon examination by taxing authorities based on the technical merit of the position. Management has determined that through June 30, 2022, the Central Office did not take any material tax positions which meet the criteria for recognition.



# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition**

##### ***Assessments***

The Central Office provides administrative services throughout the fiscal year for parishes and schools within the territory of the Diocese. There is one performance obligation, which is to provide administrative services. Revenue is recognized over time because the parishes and schools simultaneously receive and consume the services provided by the Central Office. The passage of time is used as management considers that to be the best available measure of progress on the Central Office's delivery of services. At the beginning of each fiscal year, the Central Office determines the annual assessment fees (Development Fund, Permanent Deacon, Priest Retirement, Cathedraticum, Sick Priests Fund, Catholic Schools, School Administrative Fee) to each parish and school within the territory of the Diocese of Manchester as permitted by Cannon law. Statements are sent to parishes and schools on a monthly basis.

##### ***Insurance programs***

The Central Office acts on behalf of participating parishes, schools and other entities within the territory of the Diocese to provide adequate property and casualty insurance coverage. The arrangements with the covered entities contain one performance obligation, which is providing insurance coverage. At the beginning of each fiscal year, the fiscal year's property and casualty insurance coverage is billed at rates set by the Central Office. Revenue from the insurance program is recognized over time because the participant simultaneously receives and consumes the benefit provided by the Central Office. Changes to coverage are recognized in the month the Central Office is notified of the change.

##### ***Nature, amount, timing and uncertainty of revenue***

The Central Office has determined that the nature, amount, timing, and uncertainty of assessments and insurance program revenue and cash flows are most significantly affected by the financial position of the parishes, schools and other entities within the Diocese of Manchester's territory. Adverse changes in the local economy may have an adverse impact on the ability of these parishes, schools and other entities to pay the Central Office.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

##### *Donations and pledges*

Donations received, including unconditional promises to give, are recognized as revenue in the period received at fair value. Conditional donations, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position. The Central Office reports gifts of cash and other assets as contribution revenue with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Support, as well as any related investment income, that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

The Central Office reports gifts of land, buildings and equipment as contribution revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contribution revenue with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Central Office reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### Note 2: Investments

The Central Office invests in marketable securities and hedge funds, primarily consisting of cash and cash equivalents, equities, fixed income securities, and alternative investments.

The Central Office's policy is to invest in a manner consistent with teachings of the Roman Catholic Church, as expressed in guidelines published by the US Conference of Catholic Bishops, in order to preserve capital and realize a sufficient return with minimal risk. In general, the Central Office's current policy is to maintain the following allocations:

Equity securities - domestic	10% - 40%
Equity securities - international and emerging markets	10% - 30%
Fixed income securities	30% - 38%
Alternate investments	5% - 25%
Private equities	0% - 10%
Cash and cash equivalents	.5% - 5%

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 2: Investments (Continued)

The Diocese is the sole remainder beneficiary of an irrevocable charitable remainder trust. Under the terms of the trust, the income beneficiaries of the trust receive a unitrust amount equal to 8% of the fair market value of the trust assets determined annually, paid in equal monthly installments. Upon the death of the surviving income beneficiary, the trustee is to distribute all remaining principal and income of the trust to the Diocese to be used to establish a scholarship fund to benefit students in Catholic regional schools within New Hampshire. The net present value of the beneficial interest in the trust is included in Diocesan investments in the accompanying financial statements using an assumed rate of return of 6.35% in 2022 and 4.65% in 2021, and discounted at 4.40% in 2022 and 2.65% in 2021 (\$1,652,469 and \$1,800,133 at June 30, 2022 and 2021, respectively). The fair value of the trust assets was \$2,233,761 and \$2,219,096 at June 30, 2022 and 2021, respectively.

Investments are included in the accompanying financial statements, as follows:

<i>As of June 30,</i>	2022	2021
Diocesan investments	\$ 50,957,467	\$ 55,550,245
<b>Totals</b>	<b>\$ 50,957,467</b>	<b>\$ 55,550,245</b>

Net investment return in the statements of activities is comprised of the following:

<i>As of June 30,</i>	2022	2021
Dividends, interest and other income	\$ 1,061,389	\$ 1,441,732
Management fee income, net of investment fees	484,707	149,520
Net realized and unrealized gains (losses)	(6,257,374)	12,881,029
<b>Totals</b>	<b>\$ (4,711,278)</b>	<b>\$ 14,472,281</b>

See Note 13 for fair value measurements and the fair value of investments classified by major type.

Investment income is accounted for in the fund holding the assets, except for certain income from the investment of donor restricted funds, which is accounted for as revenue with donor restrictions. The Central Office follows the guidance established by the Financial Accounting Standards Board when accounting for losses in donor-designated endowment funds (see Note 14).

As described in Note 1, effective February 28, 2021 deposits and investments of approximately \$61,200,000 held in the former "Central Fund" were transferred to a new entity, the Diocese of Manchester Central Fund Trust.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 3: Notes Receivable

In assessing performance of notes receivables on an annual basis, the Central Office considers notes receivable less than 30 days past due to be current and classified as performing. The Central Office also classifies loans which have contractual terms that require no payments in a given year as current and performing. Performing notes receivables as of June 30, 2022 and 2021 were \$2,250,999 and \$4,202,928, respectively. There were no non-performing notes receivables as of June 30, 2022 and 2021.

The following reflects the age analysis of notes receivable as of June 30, 2022 and 2021, respectively:

	2022	2021
Current	\$ 2,250,999	\$ 4,202,928
<b>Total notes receivable</b>	<b>\$ 2,250,999</b>	<b>\$ 4,202,928</b>
<b>Total notes receivable on non-accrual status</b>	<b>\$ 675,181</b>	<b>\$ 675,181</b>

The following provides informative data at June 30, 2022 and 2021 and for the years then ended, separately presented based on whether or not management has recognized an allowance for credit losses with respect to the impaired loans:

	2022	2021
Impaired loans for which an allowance for credit losses is recognized:		
Recorded investment	\$ 675,181	\$ 675,181
Unpaid principal balance	675,181	675,181
Average recorded investment	675,181	675,181

The following reflects the allowance for losses and the related recorded investment in notes receivable as of June 30, 2022 and 2021, respectively:

	2022	2021
<b>Allowance for losses:</b>		
Beginning balance	\$ 337,590	\$ 2,512,000
Provision (recovery)	-	11,590
Transfer to Diocese of Manchester Central Fund Trust (Note 1)	-	(2,186,000)
<b>Ending balance</b>	<b>\$ 337,590</b>	<b>\$ 337,590</b>
Ending balance: Individually evaluated for impairment	337,590	337,590
<b>Ending balance</b>	<b>\$ 337,590</b>	<b>\$ 337,590</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 3: Notes Receivable (Continued)

**Recorded investment in notes receivable:**

Ending balance: Individually evaluated for impairment	675,181	675,181
Ending balance - Aggregate remaining balance evaluated for impairment	1,575,818	3,527,747
<hr/>		
Ending balance	2,250,999	4,202,928
Less - Allowance for losses	(337,590)	(337,590)
<hr/>		
Notes receivable, net of allowance for losses	\$ 1,913,409	\$ 3,865,338
<hr/>		

There were no changes to the accounting policy for notes receivable for the years ended June 30, 2022 and 2021. There were no purchases, sales, or reclassifications of notes receivables for the years ended June 30, 2022 and 2021.

### Note 4: Related Party Transactions

The Central Office enters into various transactions with Catholic Charities New Hampshire ("CCNH"), which previously had its main office located in facilities owned and shared by the Central Office. This lease was terminated during the year ended June 30, 2021. During 2021, rent paid by CCNH was \$42,037.

The Central Office receives assessment revenue from parishes for specific programs and administrative and other services. In addition, the Central Office receives revenue from other entities within the territory of the Diocese (parishes, schools, cemeteries and Diocesan employee benefit plans) and CCNH for insurance coverage. The Central Office provides grants and subsidies to certain parishes, schools and mission churches to support the programs of these entities. The Central Office also receives investment management fees from the Diocese of Manchester Central Fund Trust. A summary of these transactions is, as follows:

<i>Years Ended June 30,</i>	2022	2021
<hr/>		
Assessments revenue received (excluding insurance)	\$ 6,560,519	\$ 6,326,572
Insurance revenue (see Note 10)	5,436,259	5,759,831
Grants and donations expended	(462,538)	(482,624)
Grants to schools expended	(565,969)	(1,528,905)
Investment management fees earned from the Diocese of Manchester Central Fund Trust	782,972	488,934

Amounts due from the parishes and other entities within the Diocese territory, primarily for assessments, insurance and interest (net of allowance) was \$702,635 and \$591,026 at June 30, 2022 and 2021, respectively. Amounts due to the parishes and other related parties at June 30, 2022 and 2021 were \$123,332 and \$180,632, respectively.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 4: Related Party Transactions (Continued)**

In 2019, the Central Office entered into a note agreement with CCNH to fund the construction of a facility to house retired Catholic priests. The note is for up to \$1,500,000 with a 20-year term. The note specified that interest was to begin accruing at a yearly fixed rate of 3% at the earlier of reaching \$1,500,000 in construction costs or December 31, 2019. The note includes a debt forbearance clause, which specifies that every five years during the term of the loan, the outstanding loan principal balance shall be reduced by 25% of the amount originally loaned by the Central Office if certain conditions are satisfied. Interest began accruing on the note on December 31, 2019. The outstanding note receivable balance was \$1,500,000 at June 30, 2022 and 2021. The Central Office has received \$45,000 of interest income on the note receivable in 2022 and 2021.

In May 2020, the Central Office entered into an agreement with St. Thomas Aquinas High School for a bridge loan not to exceed \$2,000,000 to finance the construction of an athletic field. The loan bears a fixed interest rate of 2.5% and required interest only payments through June 30, 2021, with monthly principal and interest payments effective July 1, 2021. In addition, the high school is required to remit monthly all proceeds received from their capital campaign fund. Any outstanding loan balance not paid in full by May 1, 2022 would convert to a Diocese of Manchester Central Fund Trust note receivable. On May 1, 2022, the outstanding balance of \$2,000,000 was paid in full by the Diocese of Manchester Central Fund Trust, and the loan was converted to Diocese of Manchester Central Fund Trust note receivable. In conjunction with the agreement, the Central Office entered into the note payable described in Note 9, which was paid in full by the Central Office during 2022.

The Central Office participates in the Roman Catholic Bishop of Manchester Employee Benefit Plan and Trust (the Plan) which is managed and overseen by the Diocese. The Plan provides health, dental, life and disability insurance benefits. Total expense incurred and paid to the Plan was approximately \$614,000 during 2022 and \$664,000 during 2021.

In 2021, the Central Office paid construction costs of approximately \$225,000 related to the potential renovation and expansion of Trinity High School. In 2021, Trinity High School made a contribution of \$165,000 to the Central Office to reimburse a portion of the costs incurred.

### **Note 5: New Hampshire Catholic Appeal**

During 2022 the Central Office established the New Hampshire Catholic Appeal ("NHCA"), an annual fundraising campaign with the parishes and ministries of the Church in New Hampshire. The NHCA is being introduced over a two-year period to all parishes. Proceeds from the NHCA will replace certain special collections held, reduce parish assessments and establish collection goals for parishes. In addition, a percentage of proceeds from the NHCA will support CCNH, parishes and ministries. During the year ended June 30, 2022, donations from the NHCA totaled \$1,136,270.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### Note 5: New Hampshire Catholic Appeal (Continued)

Under the program, for fiscal year ended June 30, 2022, the Central Office recorded a grant expense and liability to distribute a portion of the NHCA proceeds to CCNH, parishes and ministries in the amount of \$869,668.

Parishioners can make a pledge to the NHCA. At June 30, 2022, \$143,708 has been recorded for pledges receivable for the NHCA. The Central Office has determined that no allowance for uncollectible pledges is necessary at June 30, 2022.

Cash received for the NHCA as of June 30, 2022 totaled \$1,086,654 and is recorded as cash held for designated purposes in the accompanying statements of financial position.

### Note 6: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022 and 2021:

	2022	2021
Diocesan cash and cash equivalents	\$ 3,281,256	\$ 2,744,517
Cash held for designated purposes (NHCA)	1,086,654	-
Operating accounts receivable	542,885	415,225
Operating investments	37,909,568	40,598,680
Insurance receivable, net	105,949	485,698
Pledge Receivable - NHCA	143,708	-
Due from (to) the Diocese of Manchester Central Fund Trust	(789,182)	387,581
Less - Designated net assets	(5,883,016)	(6,872,366)
Less - Cash held for others	(415,237)	(388,585)
Less - Funds held for others	(442,415)	(338,675)
Less - Grants payable (NHCA)	(869,668)	-
Endowment spending-rate distributions and appropriations	500,000	500,000
Totals	\$ 35,170,502	\$ 37,532,075

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 6: Liquidity and Availability of Financial Resources (Continued)**

The Diocesan investments consist of donor-restricted endowments and funds designated by the Central Office for various purposes (Note 14). Donor-restricted endowment funds are not available for general expenditure and are subject to an annual spending rate of up to 5% of the funds average fair value of the previous three years (for the years ended June 30, 2022 and 2021, a 4% distribution was recommended by the Diocesan Finance Council and approved by the Bishop). Management does not intend to spend from the designated funds; however, these amounts could be made available, if necessary.

As part of the liquidity management plan, the Central Office produces an annual budget that is submitted to the Diocesan Finance Council, which outlines the anticipated financial needs to support the mission within the next fiscal year. To manage current cash flow needs, the budget is analyzed and compared to actual results throughout the year. In addition, year over year assessment and contribution receipts are reviewed to ensure funding sources are received. The Central Office also invests cash in excess of daily requirements in CDs and money market funds.

### **Note 7: Retirement Plan**

#### *(A) Diocesan Administration Employees*

The Central Office has a tax-deferred annuity plan under Internal Revenue Code Section 403(b) for the benefit of its eligible Diocesan administration employees. Employer contributions to the plan are based on 3% of eligible wages. In addition, the employer matches 50% of 403(b) employee deferred contributions by 50% to the first 6% of employee contributions, up to a maximum of 3% of eligible wages. Total employer contributions to this plan during 2022 and 2021 amounted to \$259,046 and \$188,525, respectively.

#### *(B) Diocesan Priests*

The Diocese established the Diocesan Priest Retirement Plan (the Plan) and the Diocesan Priest Retirement Trust Fund (the Trust) for the purpose of funding the retirement benefits of retired priests incardinated in the Diocese of Manchester who are granted permission by the Bishop of Manchester to retire. Under the Plan, retired priests receive a monthly stipend, medical and dental coverage, and are eligible for personal automobile insurance reimbursement. Priests born before 1949 are eligible to request retirement from the Bishop of Manchester at the earlier of attainment of age 68 or completion of 40 years of service; priests born between 1949 and 1956 (inclusive) are eligible to request retirement at age 70; priests born between 1957 and 1970 (inclusive) are eligible to request retirement at age 71; priests born during or after 1971 are eligible to request retirement at age 72. Earlier retirement is permitted only with the approval of the Bishop. In accordance with the terms of the Plan, the Central Office assumed the obligations of the Plan, including the unfunded benefit obligation as of the date the Plan was established. In addition, the Central Office has recognized the unfunded obligation of the retirement plan in its statements of financial position in accordance with accounting principles generally accepted in the United States.

In addition to the benefits provided by the Trust, the Diocese also provides prescription drug coverage through its Medical Insurance Fund. Benefits are paid from the designated net assets of the Central Office and not from the Diocesan Priest Retirement Fund.



# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 7: Retirement Plan (Continued)

The Plan provides for the monthly stipend for retired priests to generally increase each year consistent with the timing and percentage of the annual stipend increase for active priests. However, any annual adjustment ultimately requires approval from the Bishop of Manchester. The monthly stipend for retired priests was \$1,821 for 2022 and \$1,777 for 2021, both including a \$100 annual retreat allocation. The monthly stipend for retired Bishops was \$2,250 for 2022 and 2021. The Plan provides a monthly housing benefit with value of \$2,679 for 2022 and \$2,723 for 2021 for certain retired priests residing in an assisted living facility.

Effective July 1, 2022, the Plan was amended to include vision benefits. This amendment increased the projected benefit obligation by \$69,185 as of June 30, 2022.

The Diocese maintains a sustenance program for priests ineligible for public ecclesiastical ministry for whom the Diocese retains responsibility of sustenance. Expenditures from this program are paid from a Central Office fund designated for this purpose and not from the Diocesan Priest Fund or Diocesan assessment revenue from parishes.

The actuarial assumptions for the mortality, discount and trend rates were changed during the year ended June 30, 2022. The changes in these actuarial assumptions decreased the priest retirement obligation by approximately \$4,628,000.

The actuarial assumptions for the mortality, discount and trend rates were changed during the year ended June 30, 2021. The changes in these actuarial assumptions increased the priest retirement obligation by approximately \$1,337,000.

The following information relates to the Diocesan Priest Retirement Plan, Medical Insurance Fund and Sustenance Program, and includes amounts determined as of June 30, 2022 and 2021 measurement dates:

	2022			2021		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Projected benefit obligation	\$ (27,957,851)	\$ (1,538,024)	\$ (751,045)	\$ (30,623,593)	\$ (1,653,203)	\$ (953,604)
Plan assets	18,412,743	-	-	19,783,799	-	-
<b>Totals</b>	<b>\$ (9,545,108)</b>	<b>\$ (1,538,024)</b>	<b>\$ (751,045)</b>	<b>\$ (10,839,794)</b>	<b>\$ (1,653,203)</b>	<b>\$ (953,604)</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 7: Retirement Plan (Continued)

The following components of the projected benefit obligation of the Diocesan Priest Retirement Plan for the years ended June 30, 2022 and 2021 have not been recognized as periodic pension costs:

	2022	2021
Unrecognized prior service cost	\$ 6,715,916	\$ 7,213,737
Unrecognized net gain	(928,239)	(809,136)

Significant assumptions at June 30, 2022 and 2021 include:

	2022			2021		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Discount rate	4.40 %	4.40 %	4.40 %	2.65 %	2.65 %	2.65 %
Expected return on Plan Assets	6.35 %	N/A	N/A	4.65 %	N/A	N/A
Annual cost increases:						
Medical and Dental	7.0% trending to 5.0%	7.0% trending to 5.0%	7.0% trending to 5.0%	5.5 trending to 4.0%	5.5% trending to 4.0%	5.5% trending to 4.0%
Automobile insurance premiums	2.50 %	N/A	2.50 %	2.25 %	N/A	2.25 %
Vision benefits	2.50 %	N/A	2.50 %	N/A	N/A	N/A
Year that the rate reaches the ultimate trend rate	2032	2032	2032	2027	2027	2027
Rate of compensation increase	2.50 %	N/A	N/A	2.25 %	N/A	N/A
Mortality	Pri-2012 White Collar Mortality Table for Employee and Retirees projected generational with Scale MP-2021			Pri-2012 White Collar Mortality Table for Employee and Retirees projected generational with Scale MP-2020		
Benefit cost	1,122,195	(115,179)	(81,643)	1,695,492	(174,297)	(36,451)
Employer contributions and donations	1,765,236	-	120,916	1,777,117	-	153,662
Participant contributions	50,650	-	-	61,120	-	-
Benefits paid	1,097,138	21,188	120,916	1,093,543	21,026	153,662

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 7: Retirement Plan (Continued)

The net periodic retirement cost consists of:

<i>Years Ended June 30,</i>	2022	2021
Diocesan Priest Retirement Plan:		
Amortization of prior service costs	\$ 567,006	\$ 567,006
Amortization of gains and losses	-	145,601
Investment return	(919,721)	(634,801)
Interest cost	793,359	790,868
Medical insurance fund	(115,179)	(174,297)
Sustenance program	(81,643)	(36,451)
<b>Totals</b>	<b>\$ 243,822</b>	<b>\$ 657,926</b>

The periodic retirement cost for the priest retirement plan, medical insurance fund and sustenance program is reported separately from operating expenses on the statements of activities. Current service cost for 2022 and 2021, respectively, were \$681,551 and \$826,818 and has been recorded in other program costs on the statements of functional expenses.

Retirement-related changes for the Diocesan Priest Retirement Plan other than net periodic retirement costs consist of:

<i>Years Ended June 30,</i>	2022	2021
Amortization of prior service costs	\$ (567,006)	\$ (567,006)
Current year (gain) loss not yet recognized	(752,737)	(6,619,384)
Funding by affiliates	(1,097,138)	(1,093,543)
<b>Totals</b>	<b>\$ (2,416,881)</b>	<b>\$ (8,279,933)</b>

The accumulated benefit obligations were, as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
June 30, 2022	\$ 20,075,990	\$ 774,332	\$ 709,319
June 30, 2021	22,260,613	933,069	913,836

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### Note 7: Retirement Plan (Continued)

The Central Office expects to contribute approximately \$1,767,761 to the Retirement Plan during the year ending June 30, 2023. Benefits and expenses expected to be paid during the ensuing five years and five years thereafter are as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
2023	\$ 1,621,000	\$ 60,080	\$ 85,891
2024	1,690,000	65,502	83,142
2025	1,732,000	69,983	80,118
2026	1,746,000	73,378	76,822
2027	1,759,000	76,700	73,241
2028 - 2032	8,751,000	417,766	304,610

Investments for the Diocesan Priests Retirement Plan were invested with other marketable securities and hedge funds in the former "Central Fund" as described in Note 1. Effective February 28, 2021, the investments for the Diocesan Priests Retirement Plan are invested with the assets in the Diocese of Manchester Central Fund Trust, a new entity, as described in Note 1. The Central Office's investment policy with respect to assets of the Trust is consistent with the policy outlined in Note 2.

The expected rate of return on Plan assets was developed in consultation with the Plan's investment advisors and is based upon their assessment of expected future returns.

See Note 13 for a discussion of the fair value measurements of the Diocesan Priest Retirement Plan investments.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 7: Retirement Plan (Continued)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of these investments as of June 30, 2022 and 2021:

	2022			Total
	Level 1	Level 2	Level 3	
Money market mutual funds	\$ 399,783	\$ -	\$ -	\$ 399,783
Equity securities:				
Domestic	6,868,439	-	-	6,868,439
International and emerging markets	2,080,929	-	-	2,080,929
Fixed income securities:				
Corporate bonds	-	2,833,517	-	2,833,517
Government securities	-	2,432,040	-	2,432,040
Certificates of deposit	-	814,644	-	814,644
Preferred stock	37,345	-	-	37,345
Fixed income mutual funds	596,958	-	-	596,958
Exchange-traded and closed-end funds	63,388	-	-	63,388
Alternative investments:				
Real estate investment trusts	948,384	-	-	948,384
Real estate	-	-	306,734	306,734
Mutual funds	222,634	-	-	222,634
Investments at fair value	\$ 11,217,860	\$ 6,080,201	\$ 306,734	\$ 17,604,795
Cash and cash equivalents				554,851
<b>Total investments</b>				<b>\$ 18,159,646 *</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 7: Retirement Plan (Continued)

	2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 110,709	\$ -	\$ -	\$ 110,709
Equity securities:				
Domestic	7,948,725	-	-	7,948,725
International and emerging markets	2,356,163	-	-	2,356,163
Fixed income securities:				
Corporate bonds	-	2,990,118	-	2,990,118
Government securities	-	1,251,013	-	1,251,013
Certificates of deposit	-	1,481,755	-	1,481,755
Preferred stock	16,509	-	-	16,509
Fixed income mutual funds	1,417,271	-	-	1,417,271
Exchange-traded and closed-end funds	68,174	-	-	68,174
Alternative investments:				
Real estate investment trusts	1,089,028	-	-	1,089,028
Private equity	-	-	146,835	146,835
Mutual funds	241,812	-	-	241,812
Investments at fair value	\$ 13,248,391	\$ 5,722,886	\$ 146,835	\$ 19,118,112
Cash and cash equivalents				304,547
<b>Total investments</b>				<b>\$ 19,422,659 *</b>

\* Excludes other assets held by the Diocesan Priests Retirement Plan.

### Note 8: Paycheck Protection Program

As of June 30, 2021, the Central Office had an outstanding loan of \$1,044,600 from the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan incurred interest at a rate of 1% with monthly payments of principal and interest commencing upon receipt of notification of the unforgiven amount by the SBA, and would be required to be repaid no later than April 2022. On July 1, 2021, the Central Office received notice from the Small Business Administration that the loan was forgiven. Therefore, the loan forgiveness income is recognized as Paycheck Protection Program loan forgiveness on the Statement of Activities for the year ended June 30, 2022 in accordance with ASC 470.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### Note 9: Note Payable

In conjunction with the construction project for the St. Thomas Aquinas High School described in Note 4, in May 2020 the Central Office obtained a secured note payable agreement from the Knights of Columbus. Under the terms of the agreement, the Central Office could obtain advances through July 2020, with the total liability not to exceed \$1,000,000, as defined. Payments of interest only were due monthly through May 2022. In May 2022, the loan could convert to a term note of 5, 10 or 20 years at the option of the Central Office. Commencing in May 2022, the Central Office was required to make monthly payments of principal and interest over the remaining term of the loan. The loan was secured by a first security interest of the lender in an investment brokerage account held by the Central Office. Outstanding principal on the loan was \$1,000,000 at June 30, 2021. In May 2022, the Central Office elected to repay the loan in full. At June 30, 2022, there was no outstanding balance on the loan.

### Note 10: Insurance

The Diocese is partially self-insured for claims incurred, with respect to property, liability and automobile insurance coverage, which is administered by the Central Office. The Diocese was partially self-insured for workers' compensation from September 1972 through June 1997. Included in cash held for restricted purposes is approximately \$136,000, which is on deposit with a fiduciary and is bound by a Security Deposit Agreement in accordance with New Hampshire state law.

In consultation with its actuary, the Central Office has obtained policies with certain deductibles from commercial insurers to reduce financial exposure to risk; however, the Central Office remains primarily responsible to entities within the territory of the Diocese and CCNH for the payment of claims and pays claims on all losses arising from a single occurrence. Insurers then reimburse the portion of any claim in excess of the retention limit, subject to limits stated in the policy.

The Central Office records a liability for unpaid claims based on amounts due on settlements, and case base estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based on loss projections using actuarial analysis and studies of historical loss experience. Amounts due from insurance companies on settled claims were \$105,949 and \$485,698 at June 30, 2022 and 2021, respectively, and have been recorded as insurance receivable in the accompanying statements of financial position.

The Central Office receives reimbursement for claims under New Hampshire's Second Injury Fund program. New Hampshire's Second Injury Fund gives employers an opportunity to limit their compensation costs in the event that an employee with a prior impairment sustains a workers' compensation injury which leaves the employee more disabled than the same injury would leave a non-impaired worker. Amounts recoverable from the second injury fund are determined based on acceptance of the claim by the State of New Hampshire. As of June 30, 2022 and 2021, recoveries of \$618,427 and \$528,864 are expected from the second injury fund and have been recorded as second injury fund recoverable in the accompanying statements of financial position.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 10: Insurance (Continued)

The following summarizes the estimated liability for unpaid claims at June 30, 2022 and 2021:

	2022		
	Claims Payable, net	IBNR	Total
Liability	\$ 267,870	\$ 919,218	\$ 1,187,088
Property	312,197	405,817	718,014
Workers' compensation	976,731	-	976,731
<b>Totals</b>	<b>\$ 1,556,798</b>	<b>\$ 1,325,035</b>	<b>\$ 2,881,833</b>

	2021		
	Claims Payable, net	IBNR	Total
Liability	\$ 882,101	\$ 527,927	\$ 1,410,028
Property	213,188	354,240	567,428
Workers' compensation	1,215,651	-	1,215,651
<b>Totals</b>	<b>\$ 2,310,940</b>	<b>\$ 882,167</b>	<b>\$ 3,193,107</b>

While the Central Office believes that the amounts reported represent its best estimate of the amount necessary to cover the ultimate cost of these claims, these estimates are subject to change. Any change in estimates is made in consultation with an actuary and is recorded in the year the change is determined.

Claims and legal expense paid for all of the above coverages amounted to \$1,051,501 and \$1,167,203 in 2022 and 2021, respectively.

### Note 11: Contingencies

The Central Office has been involved from time to time in litigation, other legal claims and proceedings. As discussed in Note 10, the accompanying financial statements include an estimated liability for the remaining reported claims and an estimate of the liability relating to unreported claims as of June 30, 2022 and 2021.



# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 12: Risk and Uncertainties**

The Central Office invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

### **Note 13: Fair Value Measurements**

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, observable inputs other than quoted market prices or inputs that are derived principally from or corroborated by observable market data by correlation or other means; and Level 3 inputs consist of inputs that are unobservable and significant to the fair value measurement and have the lowest priority. The Central Office uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 13: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Central Office's assets as of June 30, 2022 and 2021:

	2022			Net Asset Value*	Total
	Level 1	Level 2	Level 3		
Money market mutual funds	\$ 234,752	\$ -	\$ -	\$ -	\$ 234,752
Equity securities:					
Domestic	12,805,441	-	213,397	-	13,018,838
International and emerging markets	3,750,750	-	-	-	3,750,750
Fixed income securities:					
Corporate bonds	-	2,609,373	-	-	2,609,373
Government securities	-	11,856,469	-	-	11,856,469
Certificates of deposit	-	1,836,113	-	-	1,836,113
Mutual funds	1,787,393	-	-	-	1,787,393
Preferred stock	69,387	-	-	-	69,387
Exchange-traded and closed- end funds	319,722	-	-	-	319,722
Alternative investments:					
Real estate investment trusts	2,124,511	-	446,423	-	2,570,934
Private equity	-	-	289,847	-	289,847
Beneficial interest in charitable remainder trust	-	-	1,652,469	-	1,652,469
<b>Total assets in the fair value hierarchy</b>	<b>21,091,956</b>	<b>16,301,955</b>	<b>2,602,136</b>	<b>-</b>	<b>39,996,047</b>
Hedge funds	-	-	-	7,829,580	7,829,580
Investments at fair value	\$ 21,091,956	\$ 16,301,955	\$ 2,602,136	\$ 7,829,580	47,825,627
Cash and cash equivalents (Note 1)					3,131,840
<b>Total investments (Note 2)</b>					<b>\$ 50,957,467</b>

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 13: Fair Value Measurements (Continued)

	2021				Net Asset Value*	Total
	Level 1	Level 2	Level 3			
Money market mutual funds	\$ 238,803	\$ -	\$ -	\$ -	\$ -	238,803
Equity securities:						
Domestic	17,425,308	-	213,397	-	-	17,638,705
International and emerging markets	5,080,604	-	-	-	-	5,080,604
Fixed income securities:						
Corporate bonds	-	3,835,884	-	-	-	3,835,884
Government securities	-	2,994,221	-	-	-	2,994,221
Certificates of deposit	-	5,995,353	-	-	-	5,995,353
Mutual funds	2,932,498	-	-	-	-	2,932,498
Preferred stock	58,495	-	-	-	-	58,495
Exchange-traded and closed- end funds	481,744	-	-	-	-	481,744
Alternative investments:						
Real estate investment trusts	2,763,408	-	273,131	-	-	3,036,539
Beneficial interest in charitable remainder trust	-	-	1,800,133	-	-	1,800,133
<b>Total assets in the fair value hierarchy</b>	<b>28,980,860</b>	<b>12,825,458</b>	<b>2,286,661</b>	<b>-</b>	<b>-</b>	<b>44,092,979</b>
Hedge funds	-	-	-	9,869,967	-	9,869,967
Investments at fair value	\$ 28,980,860	\$ 12,825,458	\$ 2,286,661	\$ 9,869,967	-	53,962,946
Cash and cash equivalents (Note 1)						1,587,299
<b>Total investments (Note 2)</b>						<b>\$ 55,550,245</b>

\* In accordance with current accounting standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 13: Fair Value Measurements (Continued)**

Level 1 and 2 assets are valued using a market approach. Level 1 equity securities, fixed income securities, exchange traded and closed-end funds and alternative investments are valued based on published quotations of securities traded on active markets. Level 2 fixed income securities are valued using quoted prices for identical or similar assets in markets that are not active.

The method of valuing the level 3 charitable remainder trust is described in Note 2. The level 3 domestic equity security represents an investment in an insurance company valued at cost, which management has determined approximates fair value.

Investments measured at net asset value ("NAV") represent units owned in a hedge fund portfolio, with varying investment strategies. Valuation of the hedge funds within the portfolio are at the NAV of the underlying investments held by the individual funds. NAV is used as the practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Central Office will sell the investment for an amount different from the reported NAV. Hedge funds investing in more liquid assets are valued daily using published market prices, whereas hedge funds investing in less liquid assets are valued at least monthly using prices for identical or similar assets in markets that are not active. The redemption frequency and redemption notice period varies between the individual hedge funds within the portfolio. If the Central Office initiates a full redemption, the investment advisor requires 30 days of notice. This redemption notice period is applicable only to the Central Office. There were no unfunded commitments for hedge funds as of June 30, 2022.

The Central Office had approximately \$658,000 in unfunded commitments for alternative investments as of June 30, 2022.

There were no material changes in the valuation techniques during the current year. The inputs or valuation methodology used for valuing securities are not necessarily indicative of the risk associated with investing in those securities.

### **Note 14: Donor- Restricted Endowments**

The Central Office follows the accounting guidance established by the Financial Accounting Standards Board for the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The guidance also requires certain disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) if the organization is subject to UPMIFA. The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Central Office has determined that donor restricted net assets meet the definition of endowment funds under UPMIFA.

The Central Office's endowments consist of funds established for the benefit of the programs of the Diocese (see Note 1). As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

### Note 14: Donor- Restricted Endowments (Continued)

The Central Office has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Central Office retains in perpetuity net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Central Office in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Central Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Central Office, and (7) the Central Office's investment policies.

Endowment net asset composition as of June 30, 2022 and 2021 and changes in endowment net assets for the years ended June 30, 2022 and 2021 are, as follows:

	2022 With Donor Restrictions	2021 With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 6,747,015	\$ 6,894,679
Accumulated investment gains	3,402,528	4,752,603
Endowment net assets, end of year	\$ 10,149,543	\$ 11,647,282
	2021 With Donor Restrictions	2020 With Donor Restrictions
Endowment net assets, beginning of year	\$ 11,647,282	\$ 13,118,670
Contributions and transfers	147,547	54,449
Interest and dividends	34,657	11,642
Net appreciation (depreciation) in value of investments	(1,263,383)	2,594,021
Amounts appropriated for expenditure	(416,560)	(602,828)
Endowment net assets transferred to Diocese of Manchester Central Fund Trust	-	(3,528,672)
Endowment net assets, end of year	\$ 10,149,543	\$ 11,647,282

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 14: Donor- Restricted Endowments** (Continued)

*Funds with Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Central Office to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. No significant deficiencies were reported in net assets with donor restrictions as of June 30, 2022 and 2021.

*Investment Return Objectives, Risk Parameters and Strategies.* The Central Office has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible. Therefore, the Central Office expects its endowment assets, over time, to produce a rate of return sufficient to provide for the annual distribution. Investment risk is measured in terms of the total endowment funds. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Central Office has a policy of appropriating for distribution each year between 4% - 5% of its endowment fund's average fair value of the previous three years. In addition, in the event that an amount in excess of the approved spending rate is required for any single year, the Central Office will appropriate a distribution of up to 7%, which is in line with the safe harbor provision, in order to accomplish the purposes for which a particular donor restricted fund has been established. The proposed appropriation shall be reviewed by the Diocesan Finance Council, which will then make a recommendation to the Bishop as to its concurrence or non-concurrence with the proposed appropriation. For fiscal years ending June 30, 2022 and 2021, a 4% distribution was recommended by the Diocese Finance Council and approved by the Bishop. In establishing this policy, the Central Office considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, the possible effects of inflation, and the provisions of SPMIFA.

### **Note 15: Subsequent Events**

Management has evaluated subsequent events through February 16, 2023, the date when the financial statements were available to be issued.

Subsequent to June 30, 2022, the Congregation for the Clergy has issued the nihil obstat or notice of nonobjection necessary for the Diocese of Manchester to obtain financing from external sources to complete a capital improvement project for St. Joseph Regional Junior High School and Trinity High School given the size of the Diocese of Manchester and the financial amount of the transaction. The financial package will include both internal and external funding. The project is planned to commence during the spring of 2023 and will relocate St. Joseph Regional Junior High School to the Trinity High School campus. As of February 16, 2023, the Diocese has not yet sought or obtained this financing.

# Central Office of the Diocese of Manchester

## Notes to Financial Statements

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### **Note 16: Reclassification**

Certain reclassifications have been made to the 2022 financial statements to conform to the 2021 presentation. The reclassifications primarily relate to the reporting of the purchase of investments and proceeds from sale of investments reported in the Statements of Cash Flows.