CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

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CONTENTS

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Catholic Charities, Diocese of Norwich, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Diocese of Norwich, Inc. as of June 30, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Catholic Charities, Diocese of Norwich, Inc. 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.

Emphasis of Matter

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

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 Catholic Charities, Diocese of Norwich, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

MahoneySabol
CPAs and Advisors

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Catholic Charities, Diocese of Norwich, Inc.'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 ABC Catholic Charities, Diocese of Norwich, Inc.'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.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
January 19, 2023

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 94,687	$ 223,490
Accrued interest receivable	8,038	4,246
Pledges receivable	140,889	55,221
Prepaid expenses	782	1,370
TOTAL CURRENT ASSETS	244,396	284,327
PROPERTY AND EQUIPMENT, net	807,163	866,140
OTHER ASSETS:		
Investments	871,445	916,589
Beneficial interest in perpetual trust	354,281	416,037
	1,225,726	1,332,626
	$ 2,277,285	$ 2,483,093
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 15,012	$ 2,564
Accrued wages	15,531	13,182
Accrued compensated balances	13,608	16,378
Deferred revenue	2,400	-
Current portion of long-term debt	39,093	50,184
TOTAL CURRENT LIABILITIES	85,644	82,308
LONG-TERM LIABILITIES:		
long-term debt, net	120,096	226,948
Due to related party	2,570,593	2,469,490
	2,690,689	2,696,438
TOTAL LIABILITIES	2,776,333	2,778,746
NET ASSETS (DEFICIT):		
Without donor restrictions	(2,056,661)	(1,955,368)
With donor restrictions	1,557,613	1,659,715
TOTAL NET ASSETS (DEFICIT)	(499,048)	(295,653)
	$ 2,277,285	$ 2,483,093

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	$ 395,002	$ 184,030	$ 579,032
Norwich Diocese	200,000	-	200,000
Net realized and unrealized losses on investments	(18,412)	(114,740)	(133,152)
United Way	47,993	73,889	121,882
Change in value of perpetual trust	-	(61,756)	(61,756)
Contributed non-financial assets	47,872	-	47,872
Special events	42,421	-	42,421
Investment income	17,948	34,663	52,611
Bequests	19,742	-	19,742
Released from restrictions	218,188	(218,188)	-
Total revenue and support	970,754	(102,102)	868,652
FUNCTIONAL EXPENSES:			
Program services	843,312	-	843,312
Administration and general	189,145	-	189,145
Fundraising	111,057	-	111,057
Total functional expenses	1,143,514	-	1,143,514
Change in net assets (deficit) from operations	(172,760)	(102,102)	(274,862)
Forgiveness of long-term debt	80,000	-	80,000
Loss on disposal of property and equipment	(8,533)	-	(8,533)
Change in net assets (deficit)	(101,293)	(102,102)	(203,395)
NET ASSETS (DEFICIT):			
Beginning of year	(1,955,368)	1,659,715	(295,653)
End of year	$ (2,056,661)	$ 1,557,613	$ (499,048)

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	$ 426,357	$ 206,086	$ 632,443
Norwich Diocese	200,000	-	200,000
Net realized and unrealized gains on investments	2,634	124,271	126,905
United Way	24,285	62,279	86,564
Change in value of perpetual trust	-	66,756	66,756
Contributed non-financial assets	65,941	-	65,941
Special events	38,250	-	38,250
Investment income	1,383	18,390	19,773
Bequests	1,500	-	1,500
Released from restrictions	161,344	(161,344)	-
Total revenue and support	921,694	316,438	1,238,132
FUNCTIONAL EXPENSES:			
Program services	961,110	-	961,110
Administration and general	184,076	-	184,076
Fundraising	131,673	-	131,673
Total functional expenses	1,276,859	-	1,276,859
Change in net assets (deficit) from operations	(355,165)	316,438	(38,727)
Forgiveness of long-term debt	85,000	-	85,000
Change in net assets (deficit)	(270,165)	316,438	46,273
NET ASSETS (DEFICIT):			
Beginning of year	(1,685,203)	1,343,277	(341,926)
End of year	$ (1,955,368)	$ 1,659,715	$ (295,653)

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services			
	Intensive Case Management	Administration and General	Fundraising	Total
SALARIES AND RELATED EXPENSES:				
Salaries	$ 238,547	$ 106,246	$ 62,442	$ 407,235
Employee benefits	68,419	33,756	-	102,175
Payroll taxes	21,469	8,910	5,620	35,999
TOTAL SALARIES AND RELATED EXPENSES	328,435	148,912	68,062	545,409
OTHER EXPENSES				
Direct relief emergency services	238,826	-	-	238,826
Occupancy	56,308	594	56	56,958
Insurance	29,755	5,041	2,019	36,815
Equipment rental and maintenance	28,202	4,738	1,841	34,781
Utilities	24,243	6,234	584	31,061
Professional fees	26,281	3,062	1,126	30,469
Building repair and maintenance	20,176	5,925	617	26,718
Supplies and office expense	5,755	2,095	12,367	20,217
Special events	-	-	15,768	15,768
Telephone and internet	13,324	1,198	279	14,801
Program expense	14,551	-	-	14,551
Dues and licenses	6,176	363	7	6,546
Postage	1,156	633	3,665	5,454
Interest expense	3,374	1,662	156	5,192
Other	3,338	761	757	4,856
Transportation	2,630	251	43	2,924
Advertising	930	110	684	1,724
TOTAL OTHER EXPENSES	475,025	32,667	39,969	547,661
TOTAL EXPENSES BEFORE DEPRECIATION	803,460	181,579	108,031	1,093,070
Depreciation	39,852	7,566	3,026	50,444
TOTAL FUNCTIONAL EXPENSES	$ 843,312	$ 189,145	$ 111,057	$ 1,143,514

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

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

See notes to financial statements.

CATHOLIC CHARITIES, DIOCESE OF NORWICH, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets (deficit)	$ (203,395)	$ 46,273
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:		
Depreciation	50,444	58,090
Net realized and unrealized (gain) loss on investments	133,152	(126,905)
Loss on disposals of property and equipment	8,533	371
Change in value of perpetual trust	61,756	(66,756)
Forgiveness of long-term debt	(80,000)	(85,000)
(Increase) decrease in assets:		
Accounts receivable	-	27,856
Accrued interest receivable	(3,792)	(608)
Pledges receivable	(85,668)	34,646
Prepaid expenses	588	-
Increase (decrease) in liabilities:		
Accounts payable	12,448	(41,910)
Accrued wages	2,349	(10,262)
Accrued compensated balances	(2,770)	(4,116)
Deferred revenue	2,400	(2,700)
NET CASH USED IN OPERATING ACTIVITIES	(103,955)	(171,021)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	666,679	207,519
Purchases of investments	(754,687)	(138,396)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(88,008)	69,123
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(37,943)	(34,786)
Proceeds from long-term debt	-	165,000
Advances from related party	101,103	107,206
NET CASH PROVIDED BY FINANCING ACTIVITIES	63,160	237,420
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	(128,803)	135,522
CASH AND CASH EQUIVALENTS:		
Beginning of year	223,490	87,968
End of year	$ 94,687	$ 223,490
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 10,314	$ 12,376

See notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

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

Going Concern:

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

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

Method of Accounting:

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

Financial Statement Presentation:

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

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

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

Financial Statement Presentation (continued):

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

Use of Estimates:

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

Adoption of New Accounting Pronouncements:

During 2020, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard improves transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is applied retrospectively and is effective for years beginning after June 15, 2021. The Organization adopted ASU 2020-07 effective July 1, 2021. There was no material impact to the financial statements as a result of this adoption.

Recognition of Support and Revenue:

The Organization recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*.

The Organization derives and recognizes revenue as follows:

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

Contributions and grants – The Organization recognizes contributions and grants received and made, including unconditional promises to give, as revenue in the period made or received. Contributions and grants include amounts from the Norwich Diocese, United Way, foundations and the general public. Contributions and grants received are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions and grants with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution or grant is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended June 30, 2022 and 2021. Contributions and grants are not within the scope of the new revenue standard.

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

Recognition of Support and Revenue (continued):

Contributed Nonfinancial Assets – Contributions of goods and services are recorded as contributions at their fair values on the date of donation.

Contributed services are recognized as contributions if they meet the criteria established by US GAAP, as follows, the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have donated significant amounts of time to the Organization’s program services and to its fundraising campaigns, however the services provided by these volunteers do not meet the criteria established by US GAAP, and accordingly, no amounts have been recognized in the statements of activities.

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

Cash and Cash Equivalents:

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

As of June 30, 2022 and 2021, cash and cash equivalents include $27,337 and $115,922, respectively, of purpose restricted net assets.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances related to program services. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes all balances are collectible at June 30, 2022 and 2021, therefore no allowance has been established.

Pledges Receivable:

Pledges receivable represent unconditional promises to give. A contribution in the form of an unconditional promise to give is recognized as revenue by the Organization in the period in which the promise is received. Material pledges receivable that are expected to be collected in future years, if any, are recorded at the present value of estimated future cash flows. When necessary, an allowance for pledges receivable is recorded based on management’s evaluation of potential uncollectible unconditional promises at year-end. All pledges receivable at June 30, 2022 and 2021 are expected to be fully collectible in the near term and therefore no allowance or discount for present value has been recorded.

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

Investments:

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

Property and Equipment:

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

Impairment of Long-Lived Assets:

The Organization recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There were no impairment losses recognized for the years ended June 30, 2022 and 2021.

Income Tax:

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

Fair Value of Financial Instruments:

The Organization has a number of financial instruments and none are held for trading purposes. The Organization estimates that the fair value of all financial instruments as of June 30, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange (See Note 14).

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

Endowment:

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

Leases:

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

Intermediate Measure of Operations:

The Organization has presented the statements of activities based on an intermediate measure of operations. The change in net assets from operations in the statements of activities includes all revenues and expenses that are an integral part of the Organization's programs and supporting activities and net assets released from restriction to support operating expenditures. This measure of operations excludes note payable forgiveness and losses on disposals of property and equipment.

Functional Allocation of Expenses:

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

Reclassifications:

Certain amounts as of June 30, 2021 have been reclassified to conform to the June 30, 2022 presentation. The reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through January 19, 2023, the date which the financial statements were available for issue.

NOTE 2 – CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue from Contracts with Customers:

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

	2022	2021
Revenue from contracts with customers		
Satisfied at a point in time:		
Special events	$ 31,795	$ 30,088
Other support and revenue:		
Contributions and grants	579,032	632,443
Norwich Diocese	200,000	200,000
Net realized and unrealized gains (losses) on investments	(133,152)	126,905
United Way	121,882	86,564
Change in value of perpetual trust	(61,756)	66,756
Gifts in kind	47,872	65,941
Investment income	52,611	19,773
Special events	10,626	8,162
Bequests	19,742	1,500
	$ 868,652	$ 1,238,132

Contract Balances:

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

	2022	2021	2020
Accounts receivables	$ -	$ -	$ 27,856
Deferred revenue	$ 2,400	$ -	$ 2,700

NOTE 3 – RELATED PARTY TRANSACTIONS:

The President of the Organization is also the Bishop of the Norwich Diocese. The Norwich Diocese allocated a subsidy of $200,000 during both the fiscal years ended June 30, 2022 and 2021, respectively, for the Organization to provide charitable service throughout the Norwich Diocese consistent with the motto of the Bishop of Norwich, "Above All Charity".

NOTE 3 – RELATED PARTY TRANSACTIONS (Continued):

As of June 30, 2022 and 2021, the Organization owed the Norwich Diocese $2,570,593 and $2,469,490 respectively, for health and liability insurance, which is the accumulation of such insurance costs over several years.

NOTE 4 – CONCENTRATION OF CREDIT RISK:

Concentrations of Contributions:

The Norwich Diocese provided approximately 23% and 16% of the Organization's revenue and support for the years ended June 30, 2022 and 2021, respectively. Also, the amount due to the Norwich Diocese increased by $101,103 and $107,206 during 2022 and 2021, respectively. Loss of this support would have a significant impact on the Organization's operations (see Notes 1 and 15).

Concentration of Credit Risk Due to Geographical Location:

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

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

The Organization maintains its cash and cash equivalents at several financial institutions in New London County, Connecticut and with high-quality investment firms. At various times during the years ended June 30, 2022 and 2021, deposit balances may have exceeded the Federal Deposit Insurance Corporation limits. However, the Organization has not experienced any losses in this area and management believes its cash deposits are not subject to significant credit risk. There were no uninsured balances as of June 30, 2022 and 2021.

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	2022	2021
Building and improvements	$ 1,749,316	$ 1,749,316
Furniture and equipment	29,403	43,458
Vehicle	21,886	21,886
Land	15,750	15,750
	1,816,355	1,830,410
Less: accumulated depreciation	(1,009,192)	(964,270)
	$ 807,163	$ 866,140

NOTE 6 – INVESTMENTS:

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

2022	Building Fund	Geary Fund	Grimes Fund	Total
Fixed income securities:				
Bonds	$ -	$ 489,396	$ 57,551	$ 546,947
Preferred stock	-	82,543	-	82,543
Mutual funds	-	18,123	-	18,123
Equities:				
Stocks	-	128,865	14,315	143,180
Mutual funds	12,042	48,032	20,578	80,652
	$ 12,042	$ 766,959	$ 92,444	$ 871,445

2021	Building Fund	Geary Fund	Grimes Fund	Total
Fixed income securities:				
Bonds	$ -	$ 352,263	$ 54,331	$ 406,594
Preferred stock	-	54,200	-	54,200
Mutual funds	-	21,524	-	21,524
Equities:				
Mutual funds	30,167	364,705	39,399	434,271
	$ 30,167	$ 792,692	$ 93,730	$ 916,589

At June 30, 2022 and 2021, investments include $603,852 and $690,519, respectively, of purpose restricted net assets and $255,551 and $195,903, respectively, of net assets restricted in perpetuity.

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

2022	Cost	Fair Value	Unrealized Appreciation
Building fund	$ 10,829	$ 12,042	$ 1,213
Grimes fund	95,066	92,444	(2,622)
Geary fund	867,918	766,959	(100,959)
	$ 973,813	$ 871,445	$ (102,368)

NOTE 6 – INVESTMENTS (Continued):

2021	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Building fund	$ 20,193	$ 30,167	$ 9,974
Grimes fund	76,354	93,730	17,376
Geary fund	612,967	792,692	179,725
	$ 709,514	$ 916,589	$ 207,075

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

	2022	2021
Interest and dividend income	$ 52,611	$ 19,773
Net unrealized gain (loss) on investments	(184,866)	162,408
Net realized gain (loss) on sale of investments	(10,042)	31,253
	$ (142,297)	$ 213,434

NOTE 7 – LONG-TERM DEBT:

During the year ended June 30, 2021, the Organization was granted loans of $85,000 and $80,000 from Dime Bank, pursuant to the Paycheck Protection Program (the PPP) under the Consolidated Appropriations Act 2021 (the Act) and Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which were passed into law in December 2020 and March 2020, respectively.

The loans were to mature in February 2026 and July 2025, respectively, bear interest at a rate of 1% per annum and are payable monthly commencing in October 2022 and June 2022, respectively. The loans may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred between the date of funding and August 2021 and September 2020, respectively. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NOTE 7 – LONG-TERM DEBT (Continued):

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

In August 2021, the Organization recognized the extinguishment of PPP funds under the CARES Act in an amount of $80,000 within the statements of activities upon being legally released from the loan.

The Organization has a mortgage note payable to Dime Bank in the original amount of $596,000 dated May 12, 2006 with a maturity date of May 2026. Under this mortgage note, interest is adjusted every three years. At June 30, 2022 and 2021, the interest rate was 2.75%. The current monthly payment required under this mortgage note is $3,579, including principal and interest. The note is secured by a mortgage lien on property located at 331 Main Street, Norwich CT and also guaranteed by the Norwich Diocese.

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

	2022	2021
Mortgage note payable	$ 159,189	$ 197,132
PPP loan	-	80,000
Less current portion of long-term debt	(39,093)	(50,184)
	$ 120,096	$ 226,948

Future maturities of long-term debt are as follows for each of the years following June 30, 2022:

Years	Principal Payments
2023	39,093
2024	41,042
2025	43,088
2026	35,966
	$ 159,189

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

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

	2022	2021
Endowment funds	$ 603,852	$ 690,519
Beneficial interest in trust	354,281	416,037
Cumulative endowment earnings	283,785	311,824
United Way of Southeastern Connecticut	60,674	49,868
Special assistance to clients	255,021	191,467
	$ 1,557,613	$ 1,659,715

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

	2022	2021
Appropriation of earnings from endowment funds	$ 34,630	$ 19,540
Satisfaction of time restrictions	63,083	68,171
Satisfaction of purpose restrictions	120,475	73,633
	$ 218,188	$ 161,344

The Organization has a beneficial interest in a perpetual trust. The trust agreement indicates the Organization has an irrevocable right to receive the income earned on the trust assets in perpetuity. The Organization will never receive the assets of the trust, as such the trust is classified as net assets with donor restrictions. The trust is recorded at fair value as determined by the trustee. During the years ended June 30, 2022 and 2021, distributions of $2,812 and $18,563, respectively, were received from the trust and recorded as unrestricted investment income. The change in fair value in excess of the distribution of $(61,756) and $66,756 for the years ended June 30, 2022 and 2021, respectively, is recorded in net assets with donor restrictions as change in value of perpetual trust.

NOTE 9 – ENDOWMENT FUNDS:

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

The Board of Directors of the Organization have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

NOTE 9 – ENDOWMENT FUNDS (Continued):

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

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

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

The following table summarizes changes in endowment net assets for the years ended June 30, 2022 and 2021:

	Cumulative Endowment Earnings	Perpetual Restriction	Total
Endowment net assets, June 30, 2020	$ 188,703	$ 690,519	$ 879,222
Investment income, net	142,661	-	142,661
Amounts appropriated for programs	(19,540)	-	(19,540)
Endowment net assets, June 30, 2021	$ 311,824	$ 690,519	$ 1,002,343
Investment loss, net	(80,077)	-	(80,077)
Amounts released from perpetual restriction	86,667	(86,667)	-
Amounts appropriated for programs	(34,629)	-	(34,629)
Endowment net assets, June 30, 2022	$ 283,785	$ 603,852	$ 887,637

NOTE 10 – CONTRIBUTED NON-FINANCIAL ASSETS:

The Organization received goods utilized for programs totaling $47,872 and $65,941 for the years ended June 30, 2022 and 2021, respectively. The Organization valued the goods on the basis of estimated wholesale values that would be received for selling similar products in the United States. All contributed goods received by the Organization during the years ended June 30, 2022 and 2021 were without donor restriction and able to be used by the Organization as determined by the board of directors and management. Contributed nonfinancial assets include $9,000 of occupancy for both the years ended June 30, 2022 and 2021 and $38,872 and $56,941 of direct relief emergency services for the years ended June 30, 2022 and 2021, respectively. Such expenses have been allocated across programs and other support services in accordance with the Organization's functional allocation of expenses policy (see Note 2).

NOTE 11 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, investments restricted for specific designation, beneficial interest in trust, and perpetual endowments and accumulated earnings net of appropriations within one year. The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 94,687	$ 223,490
Accrued interest receivable	8,038	4,246
Pledges receivable	140,889	55,221
Investments	871,445	916,589
Financial assets, at year-end	1,115,059	1,199,546
Less those unavailable for general expenditure within one year, due to:		
Endowment funds	(603,852)	(690,519)
Net assets restricted for specific designation	(599,480)	(553,159)
Financial assets available to meet cash needs for general expenditures within one year	$ (88,273)	$ (44,132)

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

NOTE 12 – EMPLOYEE RETIREMENT PLANS:

Multiple Employer Plan:

The Organization participates in the Christian Brothers Employee Retirement Plan, a multiple employer plan, administered by the Norwich Diocese. For the years ended June 30, 2022 and 2021 the plan was funded by the Organization at 8.42% of each eligible employee's gross salary. Each employee is vested after 4 years and 9 months of continuous service and may retire at age 55. Normal retirement age is 65. Employer contributions for the years ended June 30, 2022 and 2021 were $29,417 and $26,188, respectively. The risks of participating in multiple employer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of the plan's termination or the Organization's withdrawal from the plan, the Organization may be liable for a portion of the plan's unfunded vested benefits. The Organization does not anticipate withdrawal from the plan, nor is the Organization aware of any expected plan termination. The Organization's contributions to the plan were less than 5% of the plan's total contributions. As of June 30, 2022 the plan was funded by greater than 65%.

Tax-Deferred Annuity Plan:

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

NOTE 13 – OPERATING LEASES:

The Organization has a month-to-month lease agreement for the purpose of renting office space to operate their New London programs effective since 2016. The monthly payment is $2,800. Rent expense for this lease was $33,600 for both the years ended June 30, 2022 and 2021. The lease also requires the Organization to pay 50% of the utility expense and maintain certain insurance.

The Organization had a month-to-month lease for offices in Middletown, Connecticut for their Portland programs which terminated January 2022. Rent expense for this lease was $9,750 and $18,000 for the years ended June 30, 2022 and 2021, respectively.

The Organization has a three year lease agreement dated January 1, 2022 for offices in Middletown, Connecticut for their Portland programs. The monthly payment is $500. Rent expense for this lease was $2,750 for the year ended June 30, 2022. The Organization is also responsible for paying utilities and maintaining certain insurance under this lease agreement.

NOTE 13 – OPERATING LEASES (Continued):

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

The Organization has an operating lease agreement for an office copier dated September 2020 with a term of 60 months. Under the lease the Organization makes monthly payments of $221 plus additional charges. Total expense under this agreement was $2,650 and $2,303, respectively, for the years ended June 30, 2022 and 2021 (see Note 10). Future minimum lease expense under this lease is expected to be $2,652 per year through the year ended June 30, 2024 and $442 for the year ended June 30, 2025.

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

The Organization has a maintenance agreement most recently amended for an additional five years on February 22, 2021, for the service of an elevator in its Norwich location. Under the agreement, the Organization makes minimum quarterly payments of $1,426 and $1,502 for the years ended June 30, 2022 and 2021, respectively, plus additional charges for service calls. Total expense under this agreement was $5,759 and $5,880 for the years ended June 30, 2022 and 2021, respectively. Future minimum expense under this agreement is expected to be $5,704 through June 30, 2026.

The Organization utilizes a facility in Willimantic, Connecticut which is owned by the Norwich Diocese. The Organization pays no rent for the use of this facility, but is responsible for the utility costs related to its occupancy. The estimated fair market rent for this facility is $750 per month. As such, contributed facilities and corresponding rent expense in the amount of $9,000 have been included in occupancy expense in the financial statements for each of the years ended June 30, 2022 and 2021. Future minimum contributed facilities expense under this lease is expected to be $9,000 per year until termination.

The Organization's expense for the above agreements totaled $63,509 and $70,397 for the years ended June 30, 2022 and 2021, respectively. Rent expense totaled $55,100 and $60,600 for the years ended June 30, 2022 and 2021, respectively, and is included within occupancy in the accompanying statements of functional expenses. Equipment rental expense totaled $2,650 and $3,917 for the years ended June 30, 2022 and 2021 and is included within equipment rental and maintenance in the accompanying statements of functional expenses. Maintenance expense under these agreements totaled $5,759 and $5,880 for the years ended June 30, 2022 and 2021 and is included within building repairs and maintenance in the accompanying statements of functional expenses.

NOTE 14 – FAIR VALUE MEASUREMENTS:

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

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

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

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

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

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

The following section describes the valuation methodologies used by the Organization to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions. There have been no changes to valuation methodologies used at June 30, 2022 or 2021.

Generally, for all equity securities and, to the extent possible, for debt securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued):

For certain debt securities, fair value is estimated as the present value of future cash inflows, taking into account (1) the type of security, its terms, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

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

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

	2022			
Description	Level 1	Level 2	Level 3	Total
Mutual funds	$ 98,775	$ -	$ -	$ 98,775
Beneficial interest in perpetual trust	-	-	354,281	354,281
Municipal bonds	-	303,989	-	303,989
Corporate bonds	-	242,958	-	242,958
Stock	143,180	-	-	143,180
Preferred stock	82,543	-	-	82,543
	$ 324,498	$ 546,947	$ 354,281	$ 1,225,726

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

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the years ended June 30, 2022 and 2021, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

NOTE 14 – FAIR VALUE MEASUREMENTS (Continued):

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

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

Balance, June 30, 2020	$ 349,281
Net increase in trust values	66,756
Balance, June 30, 2021	416,037
Net decrease in trust values	(61,756)
Balance, June 30, 2022	$ 354,281

NOTE 15 – RISKS AND UNCERTAINTIES:

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

The Organization 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 account balances and the amounts reported in the statements of financial position.

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