



Combined Financial Statements and
Other Financial Information
Central Administration Funds and
Diocesan Cemetery Operations within
The Diocese of Providence
June 30, 2020 and 2019



Dear Brothers and Sisters of the Diocese of Providence:

I am pleased to present to you the 49th annual Financial Report for the Central Administration Funds and Diocesan Catholic Cemeteries for the Fiscal Year July 1, 2019 through June 30, 2020. In keeping with past practice this report has been audited by the office of Mayer Hoffman McCann, P.C. and is in accord with accepted national accounting and reporting standards. The report has been reviewed and approved by both the Diocesan Finance Council and the Diocesan Accounting and Auditing Committee. The full report may be accessed online on our diocesan website www.dioceseofprovidence.org. As in past years there also will be a “user friendly” summary published in the Rhode Island Catholic.

Looking back this has certainly been a very different type of fiscal year. The first two quarters proceeded normally. However, from the middle of the third quarter onward we experienced a dramatic change. As we attempted to respond to the developing crisis caused by the Covid-19 Pandemic our Central Administration and overall diocesan operations abruptly began to shift. And then, on March 17th, in compliance with the declaration of a State of Emergency the Chancery Building closed with only key staff continuing to work from home.

In the months that followed our parishes, schools and agencies worked to respond to unprecedented pastoral and financial challenges. Parish priests and their staffs, school administrators, their staffs and teachers became creative in the exercise of their responsibilities. The activities of our Central Administration and diocesan agencies continued in carrying on the essential work of the Church.

We were fortunate that many diocesan corporations were eligible to participate in the provisions of the CARES Act and the Payroll Protection Program. This intervention helped us to retain many of our loyal employees. However, by the end of the Fiscal Year we began to see the cumulative financial effects of the pandemic. Gradually, it became apparent that parish incomes had begun to decline and that parish assessments would also be affected.

The annual Catholic Charity Appeal held in early spring of 2020 also did not achieve its goal of \$7.2 million dollars. This resulted in a net operational loss of \$1.7 million to the Catholic Charity Fund Corporation. As for the Diocesan General Fund operations, a comparison to the prior year will show less regular income was generated. However, through employee furloughs during the spring and participation in governmental programs, we were able to conclude Fiscal Year 2020 with a modest surplus to our net General Fund operations. Nevertheless, because a one-time extraordinary expenditure occurred during this fiscal year due to the very positive response to the voluntary Lay Employee Pension Fund buyout, a FY 2020 net General Fund loss is reflected in our audited June 30, 2020 financial statements.

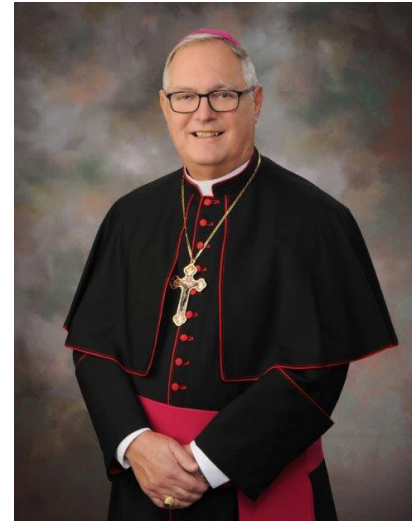
On a positive note two major diocesan construction projects in progress during FY 2020 suffered no major delays. These are the construction of the new St. Ann Cemetery Mausoleum and the replacement of the Cathedral slate roof. To this point both projects are proceeding on time and on budget with contractors’ projections for substantial completions by spring of 2021.

As always, I am grateful to all who have continued to support their parishes, our annual Charity Appeal and, also, those who continue to fulfill their commitment to our diocesan Capital Campaign. I believe that when we emerge from these difficult times we will be positioned to meet the challenge of the future.

As we look toward a future filled with both blessings and challenges, we will do so with hope and trust in the Lord. Together we are committed to our shared mission of preaching the Gospel and building the Kingdom of God. Thank you for your continued and generous support, and may God bless you and your families.

Sincerely yours,

Thomas J. Tobin
Bishop of Providence



DIOCESAN FINANCE COUNCIL MEMBERS

- | | |
|---|---------------------------------|
| Most Rev. Thomas J. Tobin, D.D. | Deacon John P. Pryor |
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| Mr. Almon C. Hall | Mr. William K. Wray |
| Mrs. Deborah A. Imondi | Mr. Michael F. Sabatino (Staff) |
| Rev. Msgr. Albert A. Kenney | |

Independent Auditors' Report

The Most Reverend Thomas J. Tobin
Bishop of Providence

We have audited the accompanying combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Funds"), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maya Hoffman McCann P.C.

January 5, 2021
Providence, Rhode Island

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combined Statements of Financial Position

	<i>June 30,</i>		<i>June 30,</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Assets				
Cash and cash equivalents	\$ 4,013,813	\$ 7,368,180		
Cash and cash equivalents designated or restricted for long-term purposes	1,249,310	2,288,532		
Accounts and interest receivable, net	3,761,016	3,725,353		
Pledges receivable, net	20,537,786	17,332,152		
Loans receivable from parishes and others, net	12,001,026	7,443,146		
Investments	179,730,384	205,569,923		
Other long-term receivables	9,191,000	—		
Beneficial interest in perpetual trusts	4,759,786	4,727,146		
Land and buildings held for interments	1,428,721	1,532,538		
Land, buildings and equipment, net	17,204,568	12,667,882		
Other assets designated or restricted for long-term purposes	1,321,672	1,274,243		
Total assets	<u>\$ 255,199,082</u>	<u>\$263,929,095</u>		
Liabilities and Net Assets				
Accounts payable			3,607,757	1,976,730
Accrued expenses and other liabilities			13,888,964	14,112,401
Deferred income			2,622,513	1,635,012
Institutional deposits			8,163,959	8,599,742
Installment loans - equipment			—	157,259
Loans payable to bank			1,401,368	—
Loans payable to perpetual care endowment			5,580,704	1,380,182
Deposits payable to parishes and agencies			<u>49,179,902</u>	<u>47,135,197</u>
Total liabilities			<u>84,445,167</u>	<u>74,996,523</u>
Contingencies (<i>Note 13</i>)				
Net assets				
Without donor restrictions:				
Internally designated for:				
Insurance			16,471,105	35,605,486
Modernization and support			3,909,983	4,347,435
Without designations			<u>14,783,463</u>	<u>19,440,358</u>
Total without donor restrictions			35,164,551	59,393,279
With donor restrictions			<u>135,589,364</u>	<u>129,539,293</u>
Total net assets			<u>170,753,915</u>	<u>188,932,572</u>
Total liabilities and net assets			<u>\$ 255,199,082</u>	<u>\$263,929,095</u>

See accompanying notes to the combined financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets For the years ended June 30,

	2020			2019		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Revenues						
Interest and dividend income	\$ 1,722,755	\$ 1,018,717	\$ 2,741,472	\$ 1,556,401	\$ 1,166,395	\$ 2,722,796
Gifts and bequests	19,802	21,386	41,188	1,450,884	22,988	1,473,872
Trust income	22,287	146,919	169,206	16,938	145,907	162,845
Realized gains (losses) on investments, net	(2,007,043)	2,438,783	431,740	2,858,280	6,148,804	9,007,084
Parish assessment	3,245,038	—	3,245,038	3,316,917	—	3,316,917
Risk management premiums (Note 2)	19,265,029	—	19,265,029	20,885,466	—	20,885,466
Agency administrative assessment	275,546	—	275,546	275,634	—	275,634
Major seminarian program	155,052	—	155,052	140,737	—	140,737
Program support receipts	103,372	140,546	243,918	35,697	181,553	217,250
Mission receipts	—	52,432	52,432	—	106,127	106,127
Human development collection	—	30,068	30,068	—	55,985	55,985
Communications collection	48,683	—	48,683	56,594	—	56,594
Program grants/contracts	—	2,566	2,566	6,441	12,198	18,639
Catholic Charity Fund Appeal	—	4,246,812	4,246,812	—	7,020,019	7,020,019
Lumen Gentium fundraising	40,600	—	40,600	148,950	—	148,950
Diocesan cemeteries	6,442,212	—	6,442,212	5,984,393	—	5,984,393
Rental, lease and other income	381,300	4,474	385,774	417,866	11,055	428,921
	<u>29,714,633</u>	<u>8,102,703</u>	<u>37,817,336</u>	<u>37,151,198</u>	<u>14,871,031</u>	<u>52,022,229</u>
Net assets released from restrictions	20,552,562	(20,552,562)	—	22,223,407	(22,223,407)	—
Total operating revenues, gains (losses) and other support	<u>50,267,195</u>	<u>(12,449,859)</u>	<u>37,817,336</u>	<u>59,374,605</u>	<u>(7,352,376)</u>	<u>52,022,229</u>
Program expenses						
Communications and telecommunications	\$ 379,249	\$ —	\$ 379,249	\$ 382,872	\$ —	\$ 382,872
The Tribunal	298,846	—	298,846	278,804	—	278,804
Rhode Island Catholic	478,426	—	478,426	463,511	—	463,511
Director of Religious	15,748	—	15,748	18,605	—	18,605
Spiritual Development	24,650	—	24,650	23,684	—	23,684
Youth Ministry	359,360	—	359,360	570,512	—	570,512
Multicultural Ministry	182,572	—	182,572	180,229	—	180,229
Christian Education	937,619	—	937,619	981,852	—	981,852
Campus Ministry	157,766	—	157,766	198,218	—	198,218
Apostolate for the Handicapped	96,132	—	96,132	112,774	—	112,774
Diocesan Schools	540,430	—	540,430	492,222	—	492,222
Community Services and Advocacy	861,495	—	861,495	1,047,858	—	1,047,858
Advocacy and Emergency Shelter	219,110	—	219,110	198,150	—	198,150
Life and Family Ministry	245,355	—	245,355	284,039	—	284,039
St. Antoine Residence	71,250	—	71,250	71,250	—	71,250
St. Clare's Home	47,500	—	47,500	47,500	—	47,500
Ministries and Clergy Personnel	845,623	—	845,623	842,064	—	842,064
Parish Share Support	6,063,730	—	6,063,730	6,040,875	—	6,040,875
Grants:						
National Grants	167,475	—	167,475	164,939	—	164,939
Diocesan Grants	896,246	—	896,246	992,979	—	992,979
Parish Grants	42,474	—	42,474	47,551	—	47,551
Vision of Hope:						
Program services	—	—	—	62,441	—	62,441
Mission support	4,133	—	4,133	3,869	—	3,869
Contributions and gifts	40,313	—	40,313	82,860	—	82,860
Restricted funds expended	5,184,398	—	5,184,398	4,967,294	—	4,967,294
Seminarian Support	451,092	—	451,092	689,246	—	689,246
Insurance and risk management (Note 2)	17,384,270	—	17,384,270	20,443,229	—	20,443,229
Inter-Parish Loan Program interest	1,213,953	—	1,213,953	1,130,206	—	1,130,206
Diocesan Cemeteries	6,717,637	—	6,717,637	6,086,919	—	6,086,919
	<u>43,926,852</u>	<u>—</u>	<u>43,926,852</u>	<u>46,906,552</u>	<u>—</u>	<u>46,906,552</u>
General and administrative expenses						
Financial affairs	77,524	—	77,524	150,654	—	150,654
Provision for uncollectible receivables	1,535,195	—	1,535,195	2,449,788	6,887	2,456,675
Administration	1,452,561	—	1,452,561	1,531,619	—	1,531,619
Support services	4,690,749	—	4,690,749	4,602,691	—	4,602,691
Property expenses	507,791	—	507,791	550,207	—	550,207
Depreciation	955,719	—	955,719	992,467	—	992,467
Interest	—	—	—	48,886	—	48,886
	<u>9,219,539</u>	<u>—</u>	<u>9,219,539</u>	<u>10,326,312</u>	<u>6,887</u>	<u>10,333,199</u>
Fundraising expenses						
Catholic Charity Fund Appeal	887,858	—	887,858	788,272	—	788,272
Anchor of Hope - Schools	11,924	—	11,924	147,146	—	147,146
Grateful for God's Providence	1,599,189	—	1,599,189	2,116,087	—	2,116,087
Lumen Gentium	7,768	—	7,768	62,634	—	62,634
	<u>2,506,739</u>	<u>—</u>	<u>2,506,739</u>	<u>3,114,139</u>	<u>—</u>	<u>3,114,139</u>
Total fundraising expenses	<u>2,506,739</u>	<u>—</u>	<u>2,506,739</u>	<u>3,114,139</u>	<u>—</u>	<u>3,114,139</u>
Total expenses	<u>55,653,130</u>	<u>—</u>	<u>55,653,130</u>	<u>60,347,003</u>	<u>6,887</u>	<u>60,353,890</u>

See accompanying notes to the combined financial statements.

(continued on next page)

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets For the years ended June 30, (continued)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Deficiency of revenues over expenses before capital additions and other income (expense)	<u>(5,385,935)</u>	<u>(12,449,859)</u>	<u>(17,835,794)</u>	<u>(972,398)</u>	<u>(7,359,263)</u>	<u>(8,331,661)</u>
Capital additions and other income (expense)						
Endowment gifts and bequests	26,988	2,354,907	2,381,895	5,993	3,089,186	3,095,179
Shepherds of Hope campaign	—	1,813	1,813	—	2,611	2,611
Grateful for God's Providence campaign	—	16,633,058	16,633,058	—	22,714,335	22,714,335
Beneficial interest in perpetual trusts	—	32,640	32,640	—	40,365	40,365
Financial guarantee expense	—	—	—	(1,206,126)	—	(1,206,126)
Transfers from Perpetual Care Fund	450,000	—	450,000	450,000	—	450,000
Transfers to (from)	—	—	—	(135,794)	135,794	—
Transfers to Lay Employees' Retirement Plan	(20,809,000)	—	(20,809,000)	—	—	—
Gain on sale of property	847,812	—	847,812	8,683,008	—	8,683,008
Unrealized gain (loss) on investments	641,407	(522,488)	118,919	(2,230,624)	(3,112,595)	(5,343,219)
Total capital additions and other income (expense)	<u>(18,842,793)</u>	<u>18,499,930</u>	<u>(342,863)</u>	<u>5,566,457</u>	<u>22,869,696</u>	<u>28,436,153</u>
(Decrease) increase in net assets	<u>(24,228,728)</u>	<u>6,050,071</u>	<u>(18,178,657)</u>	<u>4,594,059</u>	<u>15,510,433</u>	<u>20,104,492</u>
Net assets, beginning of year	59,393,279	129,539,293	188,932,572	54,799,220	114,028,860	168,828,080
Net assets, end of year	<u>\$ 35,164,551</u>	<u>\$ 135,589,364</u>	<u>\$ 170,753,915</u>	<u>\$ 59,393,279</u>	<u>\$ 129,539,293</u>	<u>\$ 188,932,572</u>

See accompanying notes to the combined financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Cash Flows

	Years Ended June 30,		Years Ended June 30,	
	2020	2019	2020	2019
Cash flows from operating activities:				
(Decrease) increase in net assets	\$ (18,178,657)	\$ 20,104,492	(5,023,187)	(1,915,002)
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:			(5,488,898)	(575,569)
Depreciation	955,719	992,467	823,780	1,099,114
Realized gains on investments	(431,740)	(9,007,084)		
Unrealized (gain)/loss on investments	(118,919)	5,343,219		
Change in beneficial interest in perpetual trusts	(32,640)	(40,365)		
Provisions for uncollectible accounts	1,535,194	2,456,675		
Change in pledge discount	(60,945)	959,827		
Gain on sale of property	(847,812)	(8,683,008)		
Donor restricted endowment gifts and bequests	(2,354,907)	(3,089,186)		
Changes in:				
Accounts and interest receivable	(475,446)	(816,220)		
Pledges receivable	(4,132,862)	(13,986,796)		
Land held for interments	103,817	(14,746)		
Other long-term receivables	(9,191,000)	—		
Other assets	(47,429)	28,776		
Accounts payable	1,136,222	601,782		
Accrued expenses and other liabilities, deferred income and institutional deposits	328,281	3,944,417		
Net cash used in operating activities	<u>(31,813,124)</u>	<u>(1,205,750)</u>		
Cash flows from investing activities:				
Purchase of investments	(4,545,406)	(17,005,381)		
Proceeds from sales of investments	30,935,604	1,001,379		
Proceeds from sale of land, buildings and equipment	873,399	10,106,313		
Net cash provided by (used in) investing activities			<u>17,575,292</u>	<u>(7,289,146)</u>
Cash flows from financing activities:				
Donor restricted endowment gifts and bequests			2,354,907	3,089,186
Loan borrowings from parishes and agencies			7,390,579	10,634,205
Loan borrowings from bank			1,401,368	—
Loan repayments to parishes and agencies			(5,345,874)	(4,690,646)
Loan borrowings from the perpetual care endowment			4,595,242	994,613
Loan repayments to the perpetual care endowment			(394,720)	(864,586)
Net (payments) borrowings on installment loans - equipment			(157,259)	28,338
Net repayments on line of credit			—	(2,901,587)
Net cash provided by financing activities			<u>9,844,243</u>	<u>6,289,523</u>
Net decrease in cash, cash equivalents and restricted cash			<u>(4,393,589)</u>	<u>(2,205,373)</u>
Cash, cash equivalents, and restricted cash, beginning of year			9,656,712	11,862,085
Cash, cash equivalents and restricted cash, end of year			<u>\$ 5,263,123</u>	<u>\$ 9,656,712</u>
Supplemental disclosure of cash flows information:				
Cash payments of interest			<u>\$ 1,213,953</u>	<u>\$ 1,179,092</u>
Accounts payable for land, buildings and equipment			<u>\$ 707,287</u>	<u>\$ 212,482</u>

See accompanying notes to the combined financial statements.

**CENTRAL ADMINISTRATION FUNDS
AND DIOCESAN CEMETERY OPERATIONS
WITHIN THE DIOCESE OF PROVIDENCE**

Notes to Combined Financial Statements

Note 1 – Description and Basis of Financial Statements Presentation

The accompanying combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the “Funds”) include the following corporations: Diocesan Administration Corporation (“DAC”) (the “General Fund”); the Catholic Charity Fund (“CCF”); the Catholic Foundation of Rhode Island (the “Foundation”); the Catholic Cemeteries (the “Cemeteries”); the Seminary of Our Lady of Providence (the “Seminary”); the Inter-Parish Loan Fund, Inc. (the “Deposit and Loan Fund”); the Vision of Hope Fund, Inc. (“VOH”); Roman Catholic Bishop of Providence (“RCB”), a corporation sole; Parish Investment Group (“Parish Investment”); DiMed Corp.; Financial Aid for Catholic Education of RI (“F.A.C.E. of Rhode Island”); Diocesan Service Corporation (“DSC”); Diocesan Plant Fund, Shepherds of Hope, Inc. and Grateful for God’s Providence (“GGP”). GGP was incorporated on June 30, 2017 (see Note 2). All significant inter-fund balances and transactions have been eliminated in combination.

The Diocese of Providence (the “Diocese”) is a canonical organization and consists of over 250 separate corporations through which the Roman Catholic Church (the “Church”) conducts a portion of its temporal affairs in Rhode Island. The corporations included in these combined financial statements are those organizations that, in addition to carrying out a portion of the mission of the Church in this Diocese, provide fundraising and general and administrative support to other organizations. The combined financial statements are not the general purpose financial statements of the 250 separate corporations of the Diocese of Providence and do not reflect nor include information relating to the other corporations included in the Diocese of Providence, such as parish corporations, institutions, and entities through which various other agencies of the Church carry on their temporal affairs.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying combined financial statements are presented on the accrual basis of accounting and have been prepared to focus on the Funds as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Funds and changes therein are classified and reported as follows:

- *With Donor Restrictions* - Net assets subject to donor-imposed restrictions stipulating how, when and/or if the net assets are available for expenditure. Some donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained into perpetuity. Others are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets are released from restriction and reclassified to net assets without donor restrictions when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
- *Without Donor Restrictions* - Net assets are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying combined statements of financial position, the Funds’ Advisory Board has designated the net assets of certain funds for insurance programs and for modernization and support. The Self Insurance and Workers’ Compensation Self Insurance Funds are designated for insurance deductibles and claims not covered by insurance policies, DiMed Corp. is designated and internally restricted for the operation of group healthcare programs for the various parishes and institutions (these three funds constitute the Insurance Funds). The Modernization and Support Fund has been designated for the purposes of supporting the capital and contingent needs of DAC.

Measure of Operations

The Funds include, in their definition of operations, all revenues and expenses that are an integral part of their programs and supporting activities. Endowment gifts and bequests, beneficial interests in perpetual trusts, unrealized gains and losses, transfers to lay retirement plan, perpetual care fund and priest benefit fund, gain on sale of property, capital additions and certain other income and expense items are not included in operating income.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied. Allowance is made for uncollectible contributions based upon management’s judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

Catholic Charity Fund Appeal

The annual appeal of the CCF starts during the Lenten season and concludes at the end of the fiscal year. The appeal provides support for various programs and agencies. Accordingly, the funds are accounted for as with donor restrictions given the time restriction. Certain of these gifts are further restricted by the donor. Pledges are recorded as revenue when the pledge is made, and allowances are provided for amounts estimated to be uncollectible. Funds from the prior year used in the current year are reflected as net assets released from restrictions in the combined statements of activities and changes in net assets.

Grateful for God’s Providence

The capital campaign of GGP focuses on strengthening the parishes, encouraging vocations to the priesthood by supporting seminarian education endowments, providing for retired priests by expanding the priest retirement endowment funds, supporting the ability to care for the “least of God’s people”, through Catholic Charities and social ministries, tuition assistance endowments for Catholic Schools and continuing to maintain the Cathedral of Saints Peter and Paul. Diocesan parishes will also benefit from the campaign with a minimum of 40% of funds collected returning to them as a parish share. Parish Share expense totaled approximately \$6,013,000 and \$5,940,000 for the years ended June 30, 2020 and 2019, respectively. Prior to the commencement of the campaign, three parishes were granted permission to initiate their own capital campaigns under the GGP. These three parishes each have pledged a specific dollar amount to the Funds as part of the GGP campaign.

Pledges are recorded as revenue per the revenue recognition policy noted above.

Diocesan Cemeteries

Sales of graves and crypts are recorded when interment agreements are signed. The cost of graves and crypts is expensed when the sales are recognized.

Parish and Agency Support

The DAC, CCF and VOH provide support to various Diocesan parishes, programs and agencies. The expenditures related to support are recognized at the time the subsidies are provided. To support such programs, the parishes and agencies of the Diocese are assessed annual fees and the parishes and agencies that participate in the insurance programs sponsored by the Funds are charged risk management premiums. The risk management premiums charged by the Funds to participating parishes and agencies are principally the result of the Funds implementing a self-funded medical program, in an effort to control rising medical costs, whereby all premiums are earned by the Funds rather than earned by an outside insurer. Such amounts totaled approximately \$12.6 million for fiscal 2020 and \$14.5 million for fiscal 2019, and are included in Risk Management Premiums in revenue on the combined statements of activities and changes in net assets, which also included property insurance and workers’ compensation premiums. The related expenses associated with operating this self-funded medical program were approximately \$12.3 million

Note 2 – Summary of Significant Accounting Policies (Continued)

and \$14.5 million in fiscal 2020 and 2019, respectively, and are included in insurance and risk management expense on the combined statements of activities and changes in net assets. These fees and premiums are recognized as revenue at the time they are earned. Medical premium fees received in advance are recorded as deferred revenue until they are earned. Program fees represent monies collected by the Funds for programs and seminars that they provide. Rental income represents charges to Diocesan parishes and agencies for the use of property and buildings that are owned by the Funds.

Cash and Cash Equivalents

Cash equivalents represent short-term, highly-liquid investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents designated and restricted for long-term purposes represent cash that, due to donor-imposed restrictions or Advisory Board designation, is not available for current use. Cash and cash equivalents held by investment managers are considered part of investments.

The Funds maintain their cash and cash equivalents in various financial institutions in accounts, which at times may exceed federally insured limits. Management monitors the risks associated with these accounts and the Funds have not experienced any losses in such accounts.

Allowance and Provision for Uncollectible Receivables

The allowance for uncollectible interest and accounts receivable and loans receivable represents amounts available for credit losses. The allowance for uncollectible receivables and the related provision for uncollectible receivables reflect the Funds' ongoing review of their receivables for principal and interest on loans to parishes and agencies and amounts receivable from parishes and agencies for the various agency support assessments and the evaluation of their potential problem accounts. Receivables are charged off once they are deemed uncollectible, with consideration given to such factors as the financial condition of the parish or institution, current delinquency, and underlying collateral.

The Funds discontinue the accrual of interest on parish loans when collection of principal and interest is considered to be doubtful. Interest income on nonaccrual loans is recognized only to the extent payments are received.

Pledges receivable represent unconditional promises to give. The allowance for uncollectible pledges receivable and the related provision reflect the Funds' estimation of the net realizable value of pledges receivable from the annual CCF Appeal and the GGP campaign based on historical experience. Receivables are charged off once they are deemed uncollectible.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

Dividends, interest and net gains on investments are reported as increases in with donor restrictions, if the terms of the underlying gift required that they be added to the principal, if the terms of the underlying gift or relevant state law impose restrictions on the use of the income or net gains, unless the restriction is released in the same accounting period as the appreciation is earned. If the restriction is released in the same accounting period, the appreciation is recognized as without donor restriction. Income and net gains on board-designated and other funds are reported as an increase in net assets without donor restriction.

Investment managers may utilize hedging strategies, invest in securities denominated in foreign currencies, or invest in options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty to the transactions. At any point during the year, the Funds may have exposure to derivatives primarily through limited liability vehicles.

The Funds' investments are pooled to facilitate their management. Investment income is allocated among net assets with and without donor restrictions, based on donor restrictions or the absence thereof, using the market value unit method. Investment income, including net realized gains and losses, is recognized as operating revenue. Net unrealized gains and losses are recorded as other income.

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts represents donations of irrevocable perpetual trusts where the Funds are the sole beneficiary of the trust income. Under these agreements, the Funds are not the trustee and they do not exercise control over the related assets. The Funds record the trusts as an asset, based on the fair value of the underlying assets of the trust (see Note 8). Trust income (loss) is recorded as with donor restricted income (loss) in the period it is earned.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at date of acquisition or fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets that are owned by RCB but used by other Diocesan organizations are recorded on the books of the other organizations. Assets no longer used by other organizations are recorded as a capital property addition to RCB, of which there were none during the years ended June 30, 2020 and 2019.

Institutional Deposits

Institutional deposits include assets of parishes and agencies which are in excess of short-term operating needs and are invested for longer term appreciation in various managed equity and fixed income pools of the Parish Investment Group. Additionally, institutional deposits include noninterest bearing amounts collected by the Funds that are due to third parties.

Split-Interest Agreements

The Funds have received interests in split-interest agreements from donors consisting of irrevocable charitable gift annuities held and administered by the Catholic Foundation of Rhode Island whereby the Foundation is obligated to make specified payments to the donors and other beneficiaries over the agreements' term. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established. The liability is adjusted as distributions are made and for changes in the present value of estimated future distributions using various discount rates based on the beneficiary life expectancies and other actuarial assumptions. The initially recorded fair value of the donated assets are determined based on the underlying nature of the assets received which have generally represented Level 1 measurements while the initial measurements of the related obligations are Level 2 measurements. The Funds have recorded a split-interest agreements liability of approximately \$726,000 and \$711,000 for the years ended June 30, 2020 and 2019, respectively, which is included in accrued expenses and other liabilities in the combined statements of financial position.

Income Taxes

Each of the corporations included in the combined financial statements is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state taxes on related income. Accordingly, no provision for income taxes is made in the combined financial statements.

Uncertain Tax Positions

The Funds account for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Funds have identified their tax status as a tax-exempt entity as their only significant tax position; however, the Funds have determined that such tax position does not result in an uncertainty requiring recognition. The Funds are not currently under examination by any taxing jurisdiction.

Functional Allocation of Expenses

The costs of providing various programs and activities and supporting services have been summarized on a functional basis in Note 18 and this footnote presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on such criteria as building usage. Interest expense is allocated to functional classification that benefited from the use of the proceeds of the debt.

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Funds report certain types of financial instruments at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular instrument. Fair value is defined as 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. Recurring fair value measurements include the Funds' investment accounts, beneficial interests in perpetual trusts, equity investment in the Catholic Umbrella Pool and cash surrender value of life insurance policies. Nonrecurring measurements include pledges receivable and split-interest agreement obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Funds report certain investments using net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Funds to classify recurring fair values of financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. For more information on the fair value of the Funds' financial instruments, see Note 7 - Fair Value and Investments.

Use of Estimates

The preparation of the combined 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 amounts reported in the combined financial statements and accompanying notes. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (ASC 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective for annual periods beginning after December 15, 2018, or fiscal year 2020 for the Funds. The Funds have adopted this ASU as of June 30, 2020.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 eliminates the requirement to disclose (i) transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) the policy for timing of transfers between levels and (iii) valuation processes and change in unrealized gains/losses for Level 3 fair value measurements. The ASU also modifies existing disclosure requirements for the rollforward of Level 3 fair value measurements as well as disclosures of the timing of liquidating distributions from Portfolio Investments. The amendments are effective for annual periods beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosure. The Funds have early adopted all removals and modifications of this ASU for the year ended June 30, 2020. The adoption of ASU 2018-13 did not affect the Funds' financial condition, results of operations or cash flows.

The Funds also adopted Accounting Standards Update No. 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using revenue recognition for exchange transactions. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable.

This standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2019. The impact related to the adopting of the new standard did not have material impact on 2019 results. In evaluating the effects of the change, contributions in process as of the date of adoption were considered. As such no disclosures have been provided on the effect on the June 30, 2019 financial statements.

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

Reclassification

Certain reclassifications have been made to prior year amounts to confirm to current year presentations.

Subsequent Events

The Funds have evaluated subsequent events through January 5, 2021, the date that the combined financial statements were available to be issued.

Subsequent to year end Diocesan Administration Corporation (General Fund) obtained a fifteen year bank loan for \$12,000,000 with a fixed interest rate of 3.15% for the first seven years and a \$5,000,000 line of credit at prime rate minus 0.75%. Both are secured by a mortgage against the property owned on Warwick Neck Avenue, Warwick, Rhode Island. During November 2020, approximately \$2,400,000 of the availability on the line of credit was used to repay the outstanding St Casimir Place, LLC loan disclosed in Note 13.

Note 3 – Liquidity and Availability

The following tables show the total financial assets held by the Funds and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 4,013,813
Cash and cash equivalents designated or restricted for long-term purposes	1,249,310
Accounts and interest receivable, net	3,761,016
Pledge receivable, net	20,537,786
Loan receivable from parishes and others, net	12,001,026
Investments	179,730,384
Other long-term receivables	9,191,000
Beneficial interest in perpetual trust	4,759,786
Total financial assets at year end	\$ 235,244,121

Note 3 – Liquidity and Availability (Continued)

Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	\$ 4,013,813
Accounts and interest receivable, net	2,623,861
Investments	53,553,798
Investments held for others	(25,545,274)
Loan receivable from parishes and others, net	656,411
Endowment distribution required to satisfy donor restrictions	<u>5,339,134</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 40,641,743</u>

The Funds' endowment funds consist of donor-restricted endowments and funds designated by management as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditures and, thus, are not included above.

All endowments are subject to an annual spending rate of 4.5% of the most recent June 30th three-year market average, as prescribed by the Foundation. Only the funds available for distribution in accordance with the Foundation spending rate policy are included above.

The Funds manage liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of our liquidity management plan, cash balances are invested in short-term investments.

Note 4 – Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,008,016	\$ 3,999,400
One year to five years	<u>22,889,475</u>	<u>17,144,219</u>
Gross pledges receivable	<u>24,897,491</u>	<u>21,143,619</u>
Discount to present value	\$ (1,253,588)	\$ (1,314,533)
Allowance for uncollectible pledges	<u>(3,106,117)</u>	<u>(2,496,934)</u>
Pledges receivable, net	<u>\$ 20,537,786</u>	<u>\$ 17,332,152</u>

Pledges receivable are discounted based on the June 30th T bill rate during the fiscal year the pledge is made. The Funds then add 150 basis points for economic uncertainty in 2020 and 2019, respectively

Note 5 – Deposit and Loan Program

The Funds include the Deposit and Loan Fund. This corporation (1) receives money deposited from parishes and institutions with excess funds, and (2) loans monies to parishes and institutions for capital improvements and other needs. The loans receivable are demand notes and generally carry an interest rate of 4.5% as of June 30, 2020 and 2019, unless otherwise authorized by the Funds. Loans receivable from parishes and others, net, totaled \$12,001,026 and \$7,443,146 as of June 30, 2020 and 2019, respectively. Loans receivable are either unsecured or secured by certain assets of the respective parish or institution. In addition, some of the loans are secured by campaign pledges for capital renovation projects at the particular parishes. Any undistributed loan proceeds are invested in vehicles such as government securities, commercial paper, money market funds and securities in the Catholic Investment Trust, Inc. (see Note 7). Deposits are generally repayable upon demand and carry an interest rate of 2.5% at June 30, 2020 and 2019. Deposits totaled \$49,179,902 and \$47,135,197 as of June 30, 2020 and 2019, respectively.

Loans payable to Perpetual Care Endowment represent funds borrowed by the Cemeteries from the Perpetual Care Endowment Fund (see Note 10).

Note 6 – Allowance for Losses

An analysis of the allowance for losses is as follows at June 30:

	<i>Accounts and Interest Receivable</i>	<i>Pledges Receivable</i>	<i>Parish/ Other Loans Receivable</i>
2020			
Balance at beginning of year	\$ 3,670,397	\$ 2,496,934	\$ 4,010,000
Provision for losses	439,783	988,173	107,238
Charge-offs, net	<u>(86,314)</u>	<u>(378,990)</u>	<u>(47,238)</u>
Balance at end of year	<u>\$ 4,023,866</u>	<u>\$ 3,106,117</u>	<u>\$ 4,070,000</u>
2019			
Balance at beginning of year	\$ 3,277,408	\$ 1,047,631	\$ 3,850,000
Provision for losses	451,130	1,758,296	247,249
Charge-offs, net	<u>(58,141)</u>	<u>(308,993)</u>	<u>(87,249)</u>
Balance at end of year	<u>\$ 3,670,397</u>	<u>\$ 2,496,934</u>	<u>\$ 4,010,000</u>

At June 30, 2020 and 2019, the Funds had parish (and institution) loans receivable totaling \$16,071,026 and \$11,453,146, respectively, of which approximately \$4,819,904 and \$5,070,536 were considered impaired at June 30, 2020 and 2019, respectively. Such impaired loans do not include loans for which sufficient collateral exists. The allowance for loan losses, related to impaired loans and other potential loan exposures, was \$4,070,000 and \$4,010,000 for the years ended June 30, 2020 and 2019, respectively.

Unsecured non-performing loans are those not meeting agreed-upon amortization of principal and interest repayment schedules. Secured non-performing loans are those not meeting agreed-upon repayment schedules that are secured by real estate or other assets with a value in excess of the outstanding loan balance. The total of all nonperforming loans was \$6,845,353 and \$7,139,478 at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the following is an analysis of the gross outstanding loans receivables:

	<i>Performing</i>	<i>Secured Non- Performing</i>	<i>Unsecured Non- Performing</i>	<i>Total Financing Receivable</i>
2020				
Inter-parish loans receivable	\$ 8,895,017	\$ 2,025,949	\$ 4,199,404	\$ 15,120,370
Loans receivable from other agencies	<u>330,656</u>	<u>—</u>	<u>620,000</u>	<u>950,656</u>
Loans receivable from parishes and others	<u>\$ 9,225,673</u>	<u>\$ 2,025,949</u>	<u>\$ 4,819,404</u>	<u>\$ 16,071,026</u>
2019				
Inter-parish loans receivable	\$ 3,999,367	\$ 2,068,942	\$ 4,510,536	\$ 10,578,845
Loans receivable from other agencies	<u>314,301</u>	<u>—</u>	<u>560,000</u>	<u>874,301</u>
Loans receivable from parishes and others	<u>\$ 4,313,668</u>	<u>\$ 2,068,942</u>	<u>\$ 5,070,536</u>	<u>\$ 11,453,146</u>

Note 7 – Fair Value and Investments

The majority of the Funds' investments are maintained in the Catholic Investment Trust, Inc. ("CIT") pool, a separate Diocesan corporation that provides a centralized investment pool for the parishes, agencies and programs of the Diocese of Providence. Income, gains, and losses are allocated to participating funds based upon their units. The participating funds purchase units based upon a per unit value at the time of purchase. The CIT tracks separate investment unit values based upon the type of investment.

The following table presents the Funds' financial assets at June 30, 2020, that are measured at fair value on a recurring basis, by level, within the fair value hierarchy:

Note 7 – Fair Value and Investments (Continued)

	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Cash and cash equivalents	\$ 25,050,648	\$ —	\$ —	\$ —	\$ 25,050,648
Equities:					
Domestic equity funds	14,461,840	—	—	31,731,934	46,193,774
Global equity funds	27,403,119	—	—	18,039,142	45,442,261
Emerging market equity funds	—	—	—	9,977,512	9,977,512
Fixed income:					
Domestic bond funds	21,497,548	—	—	—	21,497,548
Private investment funds	—	—	—	1,834,754	1,834,754
Hedge funds	—	—	—	27,498,234	27,498,234
Real assets funds	—	—	—	2,235,653	2,235,653
Total investments	88,413,155	—	—	91,317,229	179,730,384
Beneficial interest in perpetual trusts	—	—	4,759,786	—	4,759,786
Equity investment in Catholic Umbrella Pool	—	—	1,019,940	—	1,019,940
Cash surrender value of life insurance	—	—	83,162	—	83,162
	<u>\$88,413,155</u>	<u>\$ —</u>	<u>\$ 5,862,888</u>	<u>\$ 91,317,229</u>	<u>\$ 185,593,272</u>

The following table presents the Funds' financial assets at June 30, 2019, that are measured at fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Cash and cash equivalents	\$ 35,379,923	\$ —	\$ —	\$ —	\$ 35,379,923
Equities:					
Domestic equity funds	10,104,867	—	—	24,808,537	34,913,404
Global equity funds	20,172,385	—	—	19,625,129	39,797,514
Emerging market equity funds	—	—	—	13,898,384	13,898,384
Fixed income:					
Domestic bond funds	40,172,915	—	—	—	40,172,915
Private investment funds	—	—	—	1,581,146	1,581,146
Hedge funds	—	—	—	31,015,300	31,015,300
Real assets funds	4,907,460	—	—	3,903,877	8,811,337
Total investments	110,737,550	—	—	94,832,373	205,569,923
Beneficial interest in perpetual trusts	—	—	4,727,146	—	4,727,146
Equity investment in Catholic Umbrella Pool	—	—	960,214	—	960,214
Cash surrender value of life insurance	—	—	88,340	—	88,340
	<u>\$ 110,737,550</u>	<u>\$ —</u>	<u>\$ 5,775,700</u>	<u>\$ 94,832,373</u>	<u>\$ 211,345,623</u>

During 2020 and 2019, the Funds' did not purchase any investments that were valued using Level 3 measurements and there were no amounts transferred into or out of Level 3 during 2020 and 2019.

Components of investment returns, net related to the above investments for the years ended June 30, are as follows:

	2020	2019
Interest and dividends (in operating income)	\$ 1,978,974	\$ 2,189,157
Net realized gains (in operating income)	431,740	9,007,084
Net unrealized gain (loss) (in other income/expense)	118,919	(5,343,219)
	<u>\$ 2,529,633</u>	<u>\$ 5,853,022</u>

Certain parishes and agencies participate in the CIT, whereby the related investments are included in the combined financial statements, but the applicable investment income is distributed to those parishes and agencies; accordingly, \$200,342 and \$469,254 of net realized gains and \$28,157 and \$228,643 of net unrealized gains are excluded from investment income in the combined financial statements for the years ended June 30, 2020 and 2019, respectively.

For the year ended June 30, 2020, custodian fees and investment advisor fees of \$348,327 and \$1,054,011, respectively, were netted against interest and dividend income and net realized gains, respectively. For the year ended June 30, 2019, such fees were \$398,269 and \$869,489, respectively.

At June 30, 2020 and 2019, the Funds had \$35,041,718 and \$37,427,390, respectively, of investments measured at NAV with redemption periods of 90 days or less, and \$56,275,511 and \$57,404,983, respectively, with redemption periods of over 90 days.

At June 30, 2020 and 2019, the Funds had unfunded commitments of \$10,000,000 and \$15,224,384, respectively, relating to certain investment partnerships.

Note 8 – Beneficial Interest in Perpetual Trusts

The Funds are the sole beneficiaries of several longstanding perpetual trusts that are required to be recorded on the Funds' combined financial statements

in accordance with the accounting principles regarding contributions and irrevocable trusts. Accordingly, the fair value of these trusts, which consists principally of equities and fixed income securities of \$4,759,786 and \$4,727,146 are recorded as an asset at June 30, 2020 and 2019, respectively, with related appreciation of the underlying assets recorded as a change in net assets with donor restrictions.

Note 9 – Land, Buildings and Equipment

Land, buildings and equipment of the Funds are comprised of the following at June 30:

	2020	2019
Land and improvements	\$ 6,105,035	\$ 5,694,028
Buildings and improvements	20,999,176	20,798,300
Construction in progress	7,271,567	2,532,469
Furniture and fixtures	1,247,382	1,247,382
Equipment	5,095,857	5,020,952
	40,719,017	35,293,131
Less accumulated depreciation	(23,514,449)	(22,625,249)
Land, buildings and equipment, net	\$ 17,204,568	\$ 12,667,882

During 2020, the Funds sold or disposed of equipment and buildings with a cost of \$92,106 and accumulated depreciation of \$66,519 for cash proceeds of \$873,399 resulting in a net gain of \$847,812.

During 2019, the Funds sold or disposed of fully depreciated equipment and buildings totaling \$1,723,305 for cash proceeds of \$10,106,313 and a note receivable of \$300,000 resulting in a net gain of \$8,683,008.

With the proceeds from the sale of properties during 2019, the Diocese paid off bank debt totaling \$4,100,000, of which \$2,900,000 related to a Diocesan Line of Credit and \$1,200,000 related to debt owed by a non-combined agency on a Diocesan Low Income Housing ministry project that the Funds had guaranteed (see Note 13). In addition, approximately \$4,000,000 was distributed to assist with debt obligations and capital needs for various Diocesan ministries including Diocesan Schools, acute care living facility and other ministry agencies. Remaining proceeds of approximately \$2,000,000 went to assist in building Diocesan reserves for future ministry needs.

Note 10 – Perpetual Care Endowment Fund

The Cemeteries maintain the Diocesan cemeteries in accordance with the State Cemetery Act. The Cemeteries collect and pay into a perpetual care fund (the "Perpetual Care Endowment Fund", or "PCF") twenty percent (20%) of the gross sales price of each plot and crypt. The PCF is held for the benefit of those interred and their families. As such, the PCF assets are not considered to be the property of the Funds, notwithstanding distributions made available by the Funds, and are not included in these combined financial statements. Distributions to the cemeteries from the PCF are made available and amounted to \$450,000 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, borrowings by the Cemeteries from the Perpetual Care Endowment Fund totaled \$5,580,704 and \$1,380,182, respectively. The loans carry an interest rate of 4.5%. Loan repayments are to be made from all amounts received by St. Ann's Cemetery and St. Joseph Cemetery on new section sales, mausoleum sales and columbaria sales, less the 20% paid into the perpetual care fund, until interest and principal are paid in full. Principal payments made in 2020 and 2019 totaled \$394,720 and \$864,586, respectively. During 2020 and 2019, the Cemeteries borrowed \$4,595,242 and \$994,613, respectively, from the PCF to fund projects.

Note 11 – Multi-employer Retirement Plans

The Funds participate in a Diocesan noncontributory defined benefit pension program for lay employees (a non-electing Church Plan), a multi-employer plan for unionized cemetery workers and in Our Lady Queen of the Clergy. The risks of participating in multi-employer plans, such as these, are different from single employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Funds choose to stop participating in these multi-employer plans, the Funds may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Note 11 – Multi-employer Retirement Plans (Continued)

A summary of significant plan terms is as follows:

Diocesan Administration Corporation Lay Employees’ Retirement Plan

As of July 1, 2019, the date of the latest actuarial report, the defined benefit pension program for lay employees had assets of \$95.1 million (\$96 million in the previous year) and an actuarial present value of accumulated benefits of \$148.6 million (\$150.7 million in the previous year), resulting in a net liability of \$53.5 million (\$54.7 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements. Lay employees working for the Funds account for 1.7% and 1.6% for 2020 and 2019, respectively, of the participants in this plan. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan corporation. Effective December 31, 2018, the plan has been frozen.

In January 2020, the plan offered its’ participants a voluntary lump sum payment of benefits at a reduced rate of 80% of each participants’ accrued benefit at December 31, 2018. The voluntary buy-out was offered for eligible participants as stipulated by the Internal Revenue Service Pension Plan guidelines. The payments to the participants who elected the lump sum payments were funded by existing pension plan assets supplemented first by a transfer of \$20,000,000 of cash and second, by a \$10,000,000 transfer from the General Fund (such monies having been borrowed from the Deposit and Loan Fund), \$9,200,000 of which will be repaid to the General Fund by related nonconsolidated agencies through annual billings for services provided to such agencies by the Funds in future years. This \$30,000,000 cash infusion raised the plan funding level from 62% to approximately 80% of full value of accrued benefits as of December 31, 2018.

As a condition of making this cash infusion, Diocesan management committed to certain changes in their oversight of this plan, including (i) utilizing more conservative assumptions used in estimating the funded status of the plan (ii) annually reviewing the required pension payments and contributions and utilizing excess related funds to first pay down indebtedness associated with this buy-out, and (iii) ensuring future contributions to the plan do not result in an over-funding of the plan to the extent possible.

For the year ended June 30, 2020, the \$20,000,000 is reflected as a transfer out on the combined Statement of Activities, the \$9,200,000 is reflected as other long-term receivables on the combined Statement of Financial Position, and the \$800,000 is included with the transfer on the combined Statement of Activities.

Subsequent to June 30, 2020, this voluntary buy-out was consummated with a payment of \$78,500,000 to electing participants in July 2020, funded by the sale of pension plan investment assets, the \$30,000,000 infusion of cash noted above and a \$12,000,000 subsequent bank debt incurred by the General Fund (Note 2).

The Funds make an annual contribution equal to 12% of eligible wages, which is allocated 10% to the pension program for lay employees and 2% as 403(b) contributions.

Our Lady Queen of the Clergy – Priest Retirement Plan

The Funds participate in Our Lady Queen of the Clergy (“OLQC”), a separate corporation, which maintains both the Priest Retirement Plan and the Priest Health Programs, (multi-employer plans), within the Priest Benefits Fund (formerly known as the Clergy Retirement Plan, Clergy Health Programs and Clergy Benefits Fund, respectively). These plans are noncontributory defined pension and health benefit plans for priests working at the administrative offices and throughout other Diocesan organizations. As of July 1, 2019, the date of the latest actuarial report, the defined benefit pension plan had assets of \$22.4 million (\$21.6 million in the previous year) and an actuarial present value of accumulated benefits of \$28.8 million (\$28.6 million in the previous year), resulting in a net liability of \$6.4 million (\$7.0 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements.

Priests working for the Funds account for 16% and 15% of the participants in this plan for the years ended June 30, 2020 and 2019, respectively. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan corporation.

The Funds also made annual grant distributions to OLQC of \$680,000 and \$720,000 from DAC and CCF during plan years 2020 and 2019, respectively. Grant distributions are included in Diocesan grants on the combined statements of activities and changes in net assets for the years ended June 30, 2020 and 2019.

Laborers’ International Union of North America National (Industrial) Pension Fund

As of January 1, 2019, the date of the latest actuarial report, the defined benefit pension program for unionized cemetery employees had estimated actuarial asset value of \$1,199 million (\$1,160 million in the previous year) and an estimated actuarial present value of accumulated benefits of \$1,513 million (\$1,494 million in the previous year), resulting in an estimated net liability of \$314 million (\$334 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements. Employees working for the Funds account for .07% and .06% of the participants in this plan for the years ended June 30, 2020 and 2019, respectively.

The Funds are required to make a contribution of \$4.66 per hour for each employee covered under the plan.

The Funds’ participation in these plans for the annual period ended June 30, 2019 is outlined in the table below. The “EIN Number” column provides the Employer Identification Number (“EIN”). The most recent Pension Protection Act (“PPA”) zone status available in 2020 and 2019 is for the plans’ year end 2019 and 2018, respectively. The zone status is based on information that the Funds received from the plan and is certified by the plans’ actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

Retirement Plan	EIN Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of the Funds		Expiration Date of Collective-Bargaining Agreement
		2019	2018		2020	2019	
Diocesan Administration Corporation Lay Employees’ Retirement Plan	05-0508345	Red	Red	Yes	\$ 463,772	\$ 486,467	N/A
Laborers’ International Union of North America National (Industrial) Pension Fund	52-6074345	Red	Red	Yes	434,950	320,110	June 30, 2021
Our Lady Queen of the Clergy – Priest Retirement Plan	05-0475273	Yellow	Yellow	Yes	413,092	461,390	N/A
Total Contributions					\$ 1,311,814	\$ 1,267,967	

Contributions to the Lay and OLQC plan by the Funds exceeded 5% of total plan contributions for both 2020 and 2019.

Note 12 – Other Assets

Other assets consist of the following at June 30:

	2020	2019
Equity investment in the Catholic Umbrella Pool	\$ 1,019,940	\$ 960,214
Cash surrender value of donated life insurance policies	83,162	88,340
Other	218,570	225,689

Other assets designated or restricted for long-term purposes **\$ 1,321,672** **\$ 1,274,243**

Note 12 – Other Assets (Continued)

The DSC (“Self Insurance Fund”) participates in the Catholic Umbrella Pool (“CUP”), a self-insurance liability pool of thirty-seven Dioceses and Archdioceses throughout the United States (“Pool”) (see Note 13). The following condensed information relating to the CUP was audited by an independent accounting firm (see discussion of their report below in Note 12):

	2020	2019
	(In Thousands)	
Assets:		
Investments	\$ 40,537	\$ 42,967
Cash and cash equivalents	2,174	1,834
Other	3,997	3,654
	<u>\$ 46,708</u>	<u>\$ 48,455</u>
Liabilities and equity:		
Estimated unpaid claims and expenses	\$ 22,083	\$ 19,295
Other	4,754	3,875
Dividends payable to participants	1,001	2,191
Participants’ equity	18,870	23,094
	<u>\$ 46,708</u>	<u>\$ 48,455</u>

Note 13 – Contingencies

Catholic Umbrella Pool

The Funds are a participant in the CUP. The CUP provides excess insurance liability coverage and morality coverage for its membership. This coverage is placed through the administrator, Catholic Mutual Relief Society of America. As a participant, the Funds obtain insurance for certain risk levels that are not provided by its other insurance programs, thus mitigating their overall risk. The Funds make annual premium contributions to the CUP for the insurance provided. The CUP is responsible for the following liability coverages:

July 1, 1987 to July 1, 1988	\$3,700,000 in excess of \$1,300,000
July 1, 1988 to July 1, 1999	\$3,500,000 in excess of \$1,500,000
July 1, 1999 to July 1, 2002	No Exposure (Reinsurance purchased)
July 1, 2002 to July 1, 2003	46% of \$3,500,000 in excess of \$1,500,000 10% of \$15,500,000 in excess of \$5,000,000
July 1, 2003 to January 1, 2005	50% of \$3,500,000 in excess of \$1,500,000 20% of \$15,500,000 in excess of \$5,000,000
January 1, 2005 to January 1, 2007	74.995% of \$3,500,000 in excess of \$1,500,000 25% of \$15,500,000 in excess of \$5,000,000
January 1, 2007 to January 1, 2013	74.996% of \$3,500,000 in excess of \$1,500,000 30% of \$15,500,000 in excess of \$5,000,000
January 1, 2013 to January 1, 2014	74.998% of \$3,500,000 in excess of \$1,500,000 70.831% of \$3,500,000 in excess of \$1,500,000 (Nursing Home Liability)
January 1, 2014 to January 1, 2019	40% of \$5,000,000 in excess of \$5,000,000 30% of \$10,500,000 in excess of \$10,000,000 75% of \$3,500,000 in excess of \$1,500,000 (Includes Nursing Home Liability)
January 1, 2019 to January 1, 2020	40% of \$5,000,000 in excess of \$5,000,000 30% of \$10,500,000 in excess of \$10,000,000 100% of \$3,500,000 in excess of \$1,500,000 75% of \$3,500,000 in excess of \$1,500,000 (Nursing Home Liability)
January 1, 2020 to present	40% of \$5,000,000 in excess of \$5,000,000 10% of \$10,500,000 in excess of \$10,000,000 100% of \$3,500,000 in excess of \$1,500,000 (Includes Nursing Home Liability)

The CUP provides insurance coverage of \$150,000 for morality claims in excess of \$100,000 for the period July 1, 1987 through July 1, 1990.

As a participant in the CUP, the Funds are liable for any losses beyond the Pool’s ability to fund such losses after total participants’ equity is liquidated (\$18,870,000 and \$23,094,000 as of June 30, 2020 and 2019, respectively).

The Funds receive an annual dividend from the CUP. Dividends totaled approximately \$32,119 and \$69,756 for the years ended June 30, 2020 and 2019, respectively.

Guarantees

RCB is contingently liable as guarantor of two financing arrangements in order to facilitate needed construction by two related and uncombined corporations. CIT is a guarantor of one construction loans for low income apartments/condominiums.

The guarantees are as follows at June 30:

	2020	2019
RCB		
Saint Antoine Residence and The Frassati Residence	\$ 700,000	\$ 900,000
Immaculate Conception Church Corporation	3,818,750	4,143,750
Total	<u>\$ 4,518,750</u>	<u>\$ 5,043,750</u>
Catholic Investment Trust, Inc.		
St. Casimir Place, LLC		
- Low Income Apartments/Condominiums	\$ 2,423,240	\$ 2,448,240
Total	<u>\$ 2,423,240</u>	<u>\$ 2,448,240</u>

The obligations of both RCB and CIT above are collateralized by the land and buildings at the residences/schools/organizations/apartments/condominiums. In the event of default, these assets would be sold, with the net proceeds used to reduce the related obligations. If such proceeds were not sufficient to repay the entire obligation, RCB and CIT would be required to fulfill its guarantee.

The Funds’ recorded an estimated liability of \$1,496,000 under the Pleasant View, LLC and St. Casimir Place guarantees. During 2019, one payment of \$1,206,000 was made in connection with a property sale to satisfy the Pleasant View guarantee. At June 30, 2019, the Funds’ re-evaluated the remaining guarantee and determined a liability of \$1,496,000 was necessary, resulting in \$1,206,000 of guarantee expenses being recorded at June 30, 2019. The Funds maintained a guarantee reserve of \$1,496,000 at June 30, 2020. See Note 2 for subsequent events related to the St. Casimir Place guarantee.

In addition to the guarantees outlined above, RCB has guaranteed sufficient financial support necessary to maintain a debt service coverage ratio of 1.00:1, annually, for both St. Raphael Academy and Monsignor Clarke School. Additionally, RCB has committed to provide financial support for capital expenditures exceeding \$10,000, on an annual basis, for Monsignor Clarke School.

Other Contingencies

From time to time, the Funds are involved in legal proceedings. While it is not feasible to predict or determine the outcome of such proceedings, management of the Funds, under the advice of counsel, believes that they will not result in a material adverse effect on the Fund’s financial position, results of operations or liquidity based on the nature of the claims, other than as disclosed below.

RCB has been named as the defendant in several matters relating to the alleged misconduct of priests along with other affiliated entities through which the Church conducts its temporal affairs in Rhode Island. Although it is believed that these cases would result in a favorable judgment for RCB, from time to time, RCB has agreed to settle claims relating to such matters utilizing the assets of RCB. The settlement reserve is \$350,000 at June 30, 2020 and 2019 and is included in accrued expenses and other liabilities on the combined statements of financial position, representing the balance expected to be settled and legal costs incurred or expected to be incurred. Management believes that the amount accrued is the best estimate of probable losses based upon the current facts and circumstances. It is possible, however, that future results of RCB activities may be materially affected by changes in circumstances regarding these matters.

Management is currently unable to accurately forecast the future impact on fundraising and campaign revenues, collections from parishes, loan receivables and pledges receivables resulting from the Coronavirus (COVID-19) pandemic which could impact quantity of donors, donation level trends, parish assessments and other facilities of the Funds on a forward basis. The effects of these matters could impact future results of operations.

Note 14 – Loan payable to bank

The Funds applied for and received a forgivable Paycheck Protection Loan of approximately \$1,401,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on May 1, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through

Note 14 – Loan payable to bank (Continued)

October 16, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on May 1, 2022 and carries an interest rate of 1%. The Funds anticipate using all of the proceeds for eligible costs and expect the entire loan to be forgiven.

Note 15 – Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following at June 30:

	2020	2019
Catholic Charity Fund	\$ 3,976,279	\$ 5,744,327
Grateful for God's Providence	17,704,806	9,887,815
Fiduciary:		
Vision of Hope Fund	586,077	599,055
F.A.C.E. of Rhode Island	662,584	595,095
Shepherds of Hope Campaign	26,277	32,808
Subtotal	<u>1,274,938</u>	<u>1,226,958</u>
Accumulated Unspent Gains:		
Catholic Foundation of Rhode Island	32,654,946	33,539,692
Cutting Trust	980,368	964,755
Seminary of Our Lady of Providence	1,898,758	1,943,498
Mission Fund	990,743	1,043,744
Subtotal	<u>36,524,815</u>	<u>37,491,689</u>
Endowment Corpus:		
Catholic Foundation of Rhode Island	74,709,519	73,789,497
Cutting Trust	115,889	115,889
Seminary of Our Lady of Providence	783,118	783,118
Mission Fund	500,000	500,000
Subtotal	<u>76,108,526</u>	<u>75,188,504</u>
Total	<u>\$ 135,589,364</u>	<u>\$ 129,539,293</u>

Note 16 – Net Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes at June 30:

	2020	2019
Vision of Hope Fund Programs	\$ 11,033	\$ 90,426
Catholic Charity Fund Programs	6,511,275	7,558,992
Catholic Foundation of Rhode Island	4,809,653	4,524,737
Grateful for God's Providence	8,674,930	9,673,395
Cutting Trust	40,146	2,602
F.A.C.E. of Rhode Island	393,270	272,261
Mission Fund	8,135	7,869
Seminary of Our Lady of Providence	104,120	93,125
Total	<u>\$ 20,552,562</u>	<u>\$ 22,223,407</u>

Note 17 – Net Assets and Endowment Matters

The Advisory Board has designated the Foundation, Seminary, and Cutting Trust as endowment funds and those functioning as endowment funds. The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at June 30, 2020 and 2019:

	<i>Without Donor Restriction Net Assets</i>	<i>With Donor Restriction Net Assets</i>	<i>Total</i>
2020			
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 106,909,303	\$ 106,909,303
Gifts and additions	—	2,062,939	2,062,939
Investment returns:			
Interest and dividends	—	980,305	980,305
Net realized/unrealized gains	—	1,870,839	1,870,839
Total investment returns	—	2,851,144	2,851,144
Expenditures:			
Amounts appropriated under endowment spending policy:			
Operations	—	(4,953,918)	(4,953,918)
Total amounts appropriated under endowment spending policy	—	(4,953,918)	(4,953,918)

Net investment returns and expenditures	—	(2,102,774)	(2,102,774)
Other changes:			
Reclassification of net assets	—	13,344	13,344
Endowment assets and those functioning as endowment assets, end of year	<u>\$ —</u>	<u>\$ 106,882,812</u>	<u>\$ 106,882,812</u>
2019			
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 101,330,585	\$ 101,330,585
Gifts and additions	—	6,018,285	6,018,285
Investment returns:			
Interest and dividends	—	1,127,544	1,127,544
Net realized/unrealized gains	—	2,861,623	2,861,623
Total investment returns	—	3,989,167	3,989,167
Expenditures:			
Amounts appropriated under endowment spending policy:			
Operations	—	(4,608,266)	(4,608,266)
Total amounts appropriated under endowment spending policy	—	(4,608,266)	(4,608,266)
Net investment returns and expenditures	—	(619,099)	(619,099)
Other changes:			
Reclassification of net assets	—	179,532	179,532
Endowment assets and those functioning as endowment assets, end of year	<u>\$ —</u>	<u>\$ 106,909,303</u>	<u>\$ 106,909,303</u>

Endowment

The Funds' endowment consists of approximately 466 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Advisory Board of the funds (the Advisory Board) to function as endowments. Such designated funds include the Foundation, Seminary, and Cutting Trust. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Advisory Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Advisory Board has interpreted the Rhode Island Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Funds retain in perpetuity: (a) the original value of gifts donated to the endowment, (b) the original gift value of subsequent gifts to the endowment, and (c) accumulations to the 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 restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Funds in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Funds consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Funds 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 the appreciation of investments
- (6) Other resources of the Funds
- (7) The investment policies of the Funds

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, realized and unrealized gains. The Advisory Board has established a spending rate of 4½% of a rolling three-year average fair market value of the

Note 17 – Net Assets and Endowment Matters (Continued)

long-term investments of the Foundation. Investment income is appropriated up to this spending rate approved by the Advisory Board. The Foundation has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Funds to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Funds' investment portfolio is managed to provide for the long-term support of the Funds. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return that exceeds the spending/payout rate plus inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Funds rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Funds target an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Funds seek a broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 18– Transfers To (From)

During fiscal 2019, net amounts of \$135,465 were transferred from without donor restrictions to with donor restrictions in accordance with donors' intent. There were no such transfers during fiscal 2020.

Note 19 – Natural Classification of Expenses

Expenses presented by natural classification and function are as follows for the year ended June 30:

2020									
	Catholic Charity		Insurances and Other						
	Administration	Missions	Cemetery		Fudiciary	Endowment	Grateful	Plant	Total
Personnel Costs	\$ 1,714,684	\$ 1,225,663	\$ 4,270,884	\$ 590,450	\$ —	\$ 490,458	\$ —	\$ —	\$ 8,292,139
Occupancy Costs	714,040	251,977	230,859	593,500	114,000	51,477	50,536	500	2,006,889
Office/Program Expenses	228,479	457,328	201,619	426,125	6,755	106,494	149,388	1,854	1,578,042
Professional Services	622,011	336,957	84,110	1,532,606	13,056	22,690	1,392,165	—	4,003,595
Professional Development	83,538	74,311	10,099	—	—	188,739	—	—	356,687
Endowment Distributions	—	9,680	—	—	379,000	4,362,872	—	—	4,751,552
Insurance-Property/Medical/ Worker's Comp	304,425	5,463	126,771	15,065,190	21,400	30,103	7,100	100	15,560,552
Interest Expense/IPL Program Interest	5,531	1,840	219,363	17,844	1,213,953	607	—	—	1,459,138
Maintenance of PP&E	1,853	(1,998)	52,858	—	—	34,466	—	—	87,179
Cemetery Expenses	—	—	1,007,600	—	—	—	—	—	1,007,600
Cemetery Burial Assistance	—	—	513,474	—	—	—	—	—	513,474
Ministry Subsidies	61,000	3,301,252	—	—	—	—	—	—	3,362,252
Rhode Island Catholic Support	478,426	—	—	—	—	—	—	—	478,426
Regional, Diocesan & Parish Grants	460,558	640,638	—	—	—	3,000	—	—	1,104,196
Program Grant/Contributions	8,313	20,000	—	2,313,735	—	—	—	—	2,342,048
Underfunded Retirement Liability Paid	—	—	—	—	—	—	—	—	—
Parish Fundraising Share	—	50,537	—	—	—	—	6,013,193	—	6,063,730
Cathedral Restricted Funds Expended	—	—	—	—	—	—	194,717	—	194,717
Vision of Hope distribution	—	—	—	—	—	—	—	—	—
Reserve for uncollectible receivables	121,316	120,342	21,446	357,021	47,239	—	867,831	—	1,535,195
Depreciation	58,359	17,285	357,771	—	—	128,305	—	393,999	955,719
	\$ 4,862,533	\$ 6,511,275	\$ 7,096,854	\$ 20,896,471	\$ 1,795,403	\$ 5,419,211	\$ 8,674,930	\$ 396,453	\$ 55,653,130

2019									
	Catholic Charity		Insurances and Other						
	Administration	Missions	Cemetery		Fudiciary	Endowment	Grateful	Plant	Total
Personnel Costs	\$ 1,790,769	\$ 1,255,102	\$ 3,818,532	\$ 776,741	\$ —	\$ 562,106	\$ —	\$ —	\$ 8,203,250
Occupancy Costs	860,542	270,047	249,738	545,000	131,000	54,246	49,913	2,000	2,162,486
Office/Program Expenses	265,572	499,337	203,571	491,615	5,222	117,448	167,259	1,456	1,751,480
Professional Services	453,834	380,963	82,149	1,867,614	12,190	25,506	1,863,114	—	4,685,370
Professional Development	92,081	76,400	17,244	—	—	33,856	—	—	219,581
Endowment Distributions	—	3,083	—	—	259,000	4,263,226	—	—	4,525,309
Insurance-Property/Medical/ Worker's Comp	302,114	12,676	125,856	17,538,764	21,400	29,680	7,100	100	18,037,690
Interest Expense/IPL Program Interest	—	—	94,179	68,648	1,130,206	—	28,701	—	1,321,734
Maintenance of PP&E	217,937	7,275	58,546	—	—	98	—	—	283,856
Cemetery Expenses	—	—	1,029,113	—	—	—	—	—	1,029,113
Cemetery Burial Assistance	—	—	407,991	—	—	—	—	—	407,991
Ministry Subsidies	82,423	3,984,590	—	—	—	—	—	—	4,067,013
Rhode Island Catholic Support	463,511	—	—	—	—	—	—	—	463,511
Regional, Diocesan & Parish Grants	500,581	704,888	—	—	—	3,000	—	—	1,208,469
Program Grant/Contributions	9,860	20,000	—	1,581,728	—	12,004	—	—	1,623,592
Underfunded Retirement Liability Paid	—	—	—	721,178	—	—	—	—	721,178
Parish Fundraising Share	—	101,376	—	—	—	—	5,939,499	—	6,040,875
Cathedral Restricted Funds Expended	—	—	—	—	—	—	89,809	—	89,809
Vision of Hope distribution	—	—	—	—	62,441	—	—	—	62,441
Reserve for uncollectible receivables	—	223,409	40,361	570,769	94,136	—	1,528,000	—	2,456,675
Depreciation	67,674	19,846	379,697	—	—	126,240	—	399,010	992,467
	\$ 5,106,898	\$ 7,558,992	\$ 6,506,977	\$ 24,162,057	\$ 1,715,595	\$ 5,227,410	\$ 9,673,395	\$ 402,566	\$ 60,353,890

Other Financial Information

Independent Auditors' Report on Other Financial Information

The Most Reverend Thomas J. Tobin
Bishop of Providence

We have audited the combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Funds") as of and for the years ended June 30, 2020 and 2019, and our report thereon dated January 5, 2021, which expressed an unmodified opinion on those financial statements appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2020 and the related combining statements of activities and changes in net assets, for the year then ended as well as summary information as of and for the year ended June 30, 2019 and the note to other financial information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Maya Hoffman McCann P.C.

January 5, 2021
Providence, Rhode Island

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Financial Position

June 30, 2020

(with comparative totals for June 30, 2019)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Grateful	Plant Fund	Total 2020	Total 2019
Assets										
Cash and cash equivalents	\$ 322,288	\$ —	\$ 806,196	\$ —	\$2,882,585	\$ —	\$ —	\$ 2,744	\$4,013,813	\$7,368,180
Cash and cash equivalents designated or restricted for long-term purposes	—	—	—	775,435	3,175	464,595	6,105	—	1,249,310	2,288,532
Accounts and interest receivable, net	322,368	18,670	932,028	1,208,006	1,272,992	6,952	—	—	3,761,016	3,725,353
Pledges receivable, net	—	1,872,246	—	—	27,299	—	18,638,241	—	20,537,786	17,332,152
Loans receivable from parishes and others, net	—	—	—	330,656	11,670,370	—	—	—	12,001,026	7,443,146
Due from (to) other funds	(10,287,593)	203,018	20,379	2,806	10,066,317	36,933	(40,006)	(1,854)	—	—
Investments	2,701,709	2,377,556	—	25,306,815	33,661,344	109,099,340	6,544,517	39,103	179,730,384	205,569,923
Other long-term receivables	9,191,000	—	—	—	—	—	—	—	9,191,000	—
Beneficial interest in perpetual trusts	—	—	—	—	—	4,759,786	—	—	4,759,786	4,727,146
Land and buildings held for interments	—	—	1,428,721	—	—	—	—	—	1,428,721	1,532,538
Land, buildings and equipment, net	155,588	120,237	10,778,252	77,100	—	1,376,854	—	4,696,537	17,204,568	12,667,882
Other assets designated or restricted for long-term purposes	17,116	6,536	—	1,211,293	22,619	60,543	3,565	—	1,321,672	1,274,243
Total assets	<u>2,422,476</u>	<u>4,598,263</u>	<u>13,965,576</u>	<u>28,912,111</u>	<u>59,606,701</u>	<u>115,805,003</u>	<u>25,152,422</u>	<u>4,736,530</u>	<u>255,199,082</u>	<u>263,929,095</u>
Liabilities and Net Assets										
Accounts payable	732,941	222,017	1,262,752	594,860	1,030	10,310	783,847	—	3,607,757	1,976,730
Accrued expenses and other liabilities	806,589	198,794	189,276	5,287,146	73	743,317	6,663,769	—	13,888,964	14,112,401
Deferred income	21,087	15,300	2,161,444	424,682	—	—	—	—	2,622,513	1,635,012
Institutional deposits	—	—	—	38,730	8,125,229	—	—	—	8,163,959	8,599,742
Installment loans - equipment	—	—	—	—	—	—	—	—	—	157,259
Loan payable to bank	558,613	185,873	595,564	—	—	61,318	—	—	1,401,368	—
Loans payable to Perpetual Care Endowment	—	—	5,580,704	—	—	—	—	—	5,580,704	1,380,182
Deposits payable to parishes and agencies	—	—	—	—	49,179,902	—	—	—	49,179,902	47,135,197
Total liabilities	<u>2,119,230</u>	<u>621,984</u>	<u>9,789,740</u>	<u>6,345,418</u>	<u>57,306,234</u>	<u>814,945</u>	<u>7,447,616</u>	<u>—</u>	<u>84,445,167</u>	<u>74,996,523</u>
<i>Contingencies (Note 13)</i>										
Net assets										
Without donor restrictions:										
Internally designated for:										
Insurance	—	—	—	16,471,105	—	—	—	—	16,471,105	35,605,486
Modernization and support	—	—	—	3,909,983	—	—	—	—	3,909,983	4,347,435
Without restrictions	303,246	—	4,175,836	2,185,605	1,025,529	2,356,717	—	4,736,530	14,783,463	19,440,358
Total without donor restrictions	303,246	—	4,175,836	22,566,693	1,025,529	2,356,717	—	4,736,530	35,164,551	59,393,279
With donor restrictions	—	3,976,279	—	—	1,274,938	112,633,341	17,704,806	—	135,589,364	129,539,293
Total net assets	<u>303,246</u>	<u>3,976,279</u>	<u>4,175,836</u>	<u>22,566,693</u>	<u>2,300,467</u>	<u>114,990,058</u>	<u>17,704,806</u>	<u>4,736,530</u>	<u>170,753,915</u>	<u>188,932,572</u>
Total liabilities and net assets	<u>\$2,422,476</u>	<u>\$4,598,263</u>	<u>\$13,965,576</u>	<u>\$28,912,111</u>	<u>\$ 59,606,701</u>	<u>\$ 115,805,003</u>	<u>\$ 25,152,422</u>	<u>\$ 4,736,530</u>	<u>\$ 255,199,082</u>	<u>\$ 263,929,095</u>

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets

June 30, 2020

(with comparative totals for June 30, 2019)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Grateful	Plant Fund	Total 2020	Total 2019
Revenues										
Interest and dividend income	\$16,247	\$ 8,830	\$ 7,297	\$ 561,931	\$1,149,481	\$ 999,864	\$(2,209)	\$31	\$2,741,472	\$2,722,796
Gifts and bequests	450	21,386	—	—	—	19,352	—	—	41,188	1,473,872
Trust income	—	146,919	—	—	—	22,287	—	—	169,206	162,845
Realized gains (losses) on investments	(71,343)	(51,123)	—	202,277	(2,032,097)	2,415,878	(31,852)	—	431,740	9,007,084
Parish assessment	3,245,038	—	—	—	—	—	—	—	3,245,038	3,316,917
Risk management premiums	—	—	—	19,265,029	—	—	—	—	19,265,029	20,885,466
Agency administrative assessment	275,546	—	—	—	—	—	—	—	275,546	275,634
Major Seminarian program	—	—	—	—	—	155,052	—	—	155,052	140,737
Program support receipts	103,372	140,546	—	—	—	—	—	—	243,918	217,250
Mission receipts	—	—	—	—	—	52,432	—	—	52,432	106,127
Human development collection	—	30,068	—	—	—	—	—	—	30,068	55,985
Communications collection	48,683	—	—	—	—	—	—	—	48,683	56,594
Program grants/contracts	—	2,566	—	—	—	—	—	—	2,566	18,639
Catholic Charity Fund Appeal	—	4,246,812	—	—	—	—	—	—	4,246,812	7,020,019
Lumen Gentium fundraising	40,600	—	—	—	—	—	—	—	40,600	148,950
Diocesan cemeteries	—	—	6,442,212	—	—	—	—	—	6,442,212	5,984,393
Rental, lease and other income	339,170	3,576	—	35,331	894	6,803	—	—	385,774	428,921
Total revenues	3,997,763	4,549,580	6,449,509	20,064,568	(881,722)	3,671,668	(34,061)	31	37,817,336	52,022,229
Program expenses										
Communications and telecommunications	379,249	—	—	—	—	—	—	—	379,249	382,872
The Tribunal	298,846	—	—	—	—	—	—	—	298,846	278,804
Rhode Island Catholic	478,426	—	—	—	—	—	—	—	478,426	463,511
Director of Religious	—	15,748	—	—	—	—	—	—	15,748	18,605
Spiritual Development	—	24,650	—	—	—	—	—	—	24,650	23,684
Youth Ministry	—	359,360	—	—	—	—	—	—	359,360	570,512
Multicultural Ministry	—	182,572	—	—	—	—	—	—	182,572	180,229
Christian Education	—	937,619	—	—	—	—	—	—	937,619	981,852
Campus Ministry	—	157,766	—	—	—	—	—	—	157,766	198,218
Apostolate for the Handicapped	—	96,132	—	—	—	—	—	—	96,132	112,774
Diocesan Schools	—	540,430	—	—	—	—	—	—	540,430	492,222
Community Services and Advocacy	—	861,495	—	—	—	—	—	—	861,495	1,047,858
Advocacy and Emergency Shelter	—	219,110	—	—	—	—	—	—	219,110	198,150
Life and Family Ministry	—	245,355	—	—	—	—	—	—	245,355	284,039
St. Antoine Residence	—	71,250	—	—	—	—	—	—	71,250	71,250
St. Clare's Home	—	47,500	—	—	—	—	—	—	47,500	47,500
Ministries and Clergy personnel	372,289	473,334	—	—	—	—	—	—	845,623	842,064
Parish share support	—	50,537	—	—	—	—	6,013,193	—	6,063,730	6,040,875
Grants:										
National grants	167,475	—	—	—	—	—	—	—	167,475	164,939
Diocesan grants	255,608	640,638	—	—	—	—	—	—	896,246	992,979
Parish grants	42,474	—	—	—	—	—	—	—	42,474	47,551
Vision of Hope:										
Program Services	—	—	—	—	—	—	—	—	—	62,441
Mission support	—	—	—	—	—	4,133	—	—	4,133	3,869
Contributions and gifts	8,313	—	—	32,000	—	—	—	—	40,313	82,860
Restricted Funds expended	—	—	—	—	—	4,989,681	194,717	—	5,184,398	4,967,294
Seminarian support	56,000	98,000	—	—	—	297,092	—	—	451,092	689,246
Insurance and risk management	—	—	—	17,384,270	—	—	—	—	17,384,270	20,443,229
Inter-Parish loan program interest	—	—	—	—	1,213,953	—	—	—	1,213,953	1,130,206
Diocesan Cemeteries	—	—	6,717,637	—	—	—	—	—	6,717,637	6,086,919
Total program expenses	\$ 2,058,680	\$ 5,021,496	\$ 6,717,637	\$17,416,270	\$ 1,213,953	\$ 5,290,906	\$ 6,207,910	\$ —	\$ 43,926,852	\$ 46,906,552

See independent auditors' report on other financial information and accompanying note.

(continued on next page)

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets (Continued)

June 30, 2020

(with comparative totals for June 30, 2019)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Grateful	Plant Fund	Total 2020	Total 2019
General and administrative expenses										
Financial affairs	\$ 77,524	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 77,524	\$ 150,654
Provision for uncollectible receivables	121,316	120,342	21,446	357,021	47,239	—	867,831	—	1,535,195	2,456,675
Administration	1,058,994	393,567	—	—	—	—	—	—	1,452,561	1,531,619
Support services	972,101	58,803	—	3,123,180	534,211	—	—	2,454	4,690,749	4,602,691
Property expenses	507,791	—	—	—	—	—	—	—	507,791	550,207
Depreciation	58,359	17,285	357,771	—	—	128,305	—	393,999	955,719	992,467
Interest	—	—	—	—	—	—	—	—	—	48,886
Total general and administrative expenses	2,796,085	589,997	379,217	3,480,201	581,450	128,305	867,831	396,453	9,219,539	10,333,199
Fundraising expenses										
Catholic Charity Fund Appeal	—	887,858	—	—	—	—	—	—	887,858	788,272
Anchor of Hope - Schools	—	11,924	—	—	—	—	—	—	11,924	147,146
Grateful for God's Providence campaign	—	—	—	—	—	—	1,599,189	—	1,599,189	2,116,087
Lumen Gentium Event	7,768	—	—	—	—	—	—	—	7,768	62,634
Total fundraising expenses	7,768	899,782	—	—	—	—	1,599,189	—	2,506,739	3,114,139
Total expenses	4,862,533	6,511,275	7,096,854	20,896,471	1,795,403	5,419,211	8,674,930	396,453	55,653,130	60,353,890
Deficiency of revenues over expenses before capital additions and other income (expense)	(864,770)	(1,961,695)	(647,345)	(831,903)	(2,677,125)	(1,747,543)	(8,708,991)	(396,422)	(17,835,794)	(8,331,661)
Capital additions and other income (expense)										
Endowment gifts and bequests	—	—	—	—	451,968	1,929,927	—	—	2,381,895	3,095,179
Shepherds of Hope campaign	—	—	—	—	1,813	—	—	—	1,813	2,611
Grateful for God's Providence campaign	—	—	—	—	—	160,000	16,473,058	—	16,633,058	22,714,335
Beneficial interest in perpetual trusts	—	—	—	—	—	32,640	—	—	32,640	40,365
Financial Guarantee expense	—	—	—	—	—	—	—	—	—	(1,206,126)
Transfers from Perpetual Care Fund	—	—	450,000	—	—	—	—	—	450,000	450,000
Transfers to Lay Retirement Plan	(809,000)	—	—	(20,000,000)	—	—	—	—	(20,809,000)	—
Transfers (to) from	1,138,337	150,000	—	(1,312,120)	(8,344)	(136,656)	(5,000)	173,783	—	—
Gain on sale of property	(13,090)	—	385,853	475,049	—	—	—	—	847,812	8,683,008
Unrealized gain on investments	57,536	43,647	—	(448,840)	895,154	(486,502)	57,924	—	118,919	(5,343,219)
Total capital additions and other income (expense)	373,783	193,647	835,853	(21,285,911)	(1,340,591)	1,499,409	16,525,982	173,783	(342,863)	28,436,153
Increase (decrease) in net assets	(490,987)	(1,768,048)	188,508	(22,117,814)	(1,336,534)	(248,134)	7,816,991	(222,639)	(18,178,657)	20,104,492
Net assets, beginning of year	794,233	5,744,327	3,987,328	44,684,507	3,637,001	115,238,192	9,887,815	4,959,169	188,932,572	168,828,080
Net assets, end of year	\$303,246	\$3,976,279	\$4,175,836	\$22,566,693	\$2,300,467	\$114,990,058	\$17,704,806	\$4,736,530	\$170,753,915	\$188,932,572

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Note to Other Financial Information

The assets, liabilities, and net assets of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence are reported in self-balancing fund groups as follows:

The General Fund records the daily unrestricted operating activities and its operations are part of the Diocesan Administration Corporation.

The Catholic Charity Fund raises funds that are used for the support of a broad range of community services and programs run by other organizations and entities.

The Cemetery Fund accounts for the operations of the Catholic Cemeteries.

Other Funds: These Funds and a description of their operations follows:

The Insurance Funds are Board restricted for Diocesan insurance deductibles and for a partial self-insured workers' compensation program for the parishes and various institutions, and for claims not covered by insurance policies.

The Diocesan Service Corporation, a separate legal entity, was established for the purposes of providing administrative, bookkeeping and other support services to various corporations organized to conduct temporal affairs for the Roman Catholic Church in the Diocese of Providence.

DiMed Corp. is Board restricted for the operation of group healthcare programs for the various Parishes and Institutions.

Modernization and Support Fund and RCB are restricted by the Board to support the capital and contingent needs of DAC.

The Fiduciary Fund: These funds account for money received from other funds, parishes and institutions that are held in a Trustee capacity. These funds include:

The Deposit and Loan Fund acts as a revolving loan fund for participating parishes and institutions. Loans are made for capital improvement needs and are funded by deposits from parishes.

The Parish Investment Group represents assets of Parishes and Institutions which are in excess of short-term operating needs and are invested for the longer term in various managed equity and fixed income pools.

F.A.C.E. of Rhode Island is the Diocesan Scholarship Granting Organization, which has been certified by the State Department of Taxation to receive from Rhode Island corporations tax credits, which in turn will be used to support students who attend catholic schools.

See independent auditors' report on other financial information.

Shepherds of Hope, is a multi-year campaign raising funds to be endowed for the support of our seminarians and retired priests. The campaign is a vital part of a comprehensive Diocesan plan for fiscal responsibilities and stewardship.

The Vision of Hope Fund (VOH) was a multi-year fund raising effort that was completed in 2003. The Capital Campaign continues to provide capital improvements for various parishes and institutions, establish endowments, and fund start-up costs for programs developed by the Diocesan Strategic Plan Case Statement.

Custodian Funds represent institutional deposits held on behalf of agencies, programs or Diocesan and national collections awaiting disbursement or transmittal.

The Endowment Fund: These represent funds that are subject to restrictions of gift instruments requiring that the principal be invested and the income only be used. They also include funds that are functioning as endowments and have been so designated by appropriate internal authority. These funds include:

Catholic Foundation, whose endowments are restricted to support specific parishes, Catholic education, certain agencies, programs, and services.

Seminary of Our Lady of Providence, whose endowment supports seminarians and vocation efforts.

The Mission Fund, whose endowment is used for the support of the missionary efforts of the Church of Providence.

The Cutting Trust holds an endowment for the St. Clare's Home, a separate corporation.

Grateful for God's Providence is a multi-year Diocesan capital campaign with an overall goal of \$50,000,000. It's purposes are to provide greatly needed funding for several causes; support of seminarians and retired priests, tuition assistance for Catholic Schools, support for Catholic charities and social ministry, funding for the preservation of the cathedral, and for various needs of our parishes.

The Plant Fund includes two funds: the RCB-Plant Fund and the Diocesan Plant Fund. The RCB-Plant Fund accounts for expenditures for land, buildings, furniture, and equipment used by the Central Administration Funds. The Diocesan Plant Fund is used to provide funding for future maintenance and repair of Diocesan Properties.

Prior to July 1, 1997, property, plant and equipment for the Funds, exclusive of Catholic Cemeteries, were accounted for in the Plant Fund. Subsequent to that date, all capital additions have been recorded in the specific funds that acquired them, along with the related depreciation expense for each period.