

**THE ADMINISTRATIVE OFFICES OF
THE CATHOLIC DIOCESE OF RICHMOND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Administrative Offices of the Catholic Diocese of Richmond
Richmond, Virginia

We have audited the accompanying financial statements of the Administrative Offices of the Catholic Diocese of Richmond (the Administrative Offices), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Administrative Offices of the Catholic Diocese of Richmond

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices of the Catholic Diocese of Richmond as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Statements of Financial Position, Combining Statements of Activities, General Operating Fund Statements of Activities, and Endowment Fund Statements of Activities are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
October 18, 2021

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 882,063	\$ 554,242
Short-Term Investments	3,906,350	3,795,235
Accounts Receivable, Net	4,130,821	5,301,835
Pledges Receivable - Current Portion, Net	772,342	5,686,649
Prepaid Expense and Other Current Assets	1,146,185	1,237,974
Total Current Assets	<u>10,837,761</u>	<u>16,575,935</u>
NONCURRENT ASSETS		
Pledges Receivable - Non Current Portion, Net	553,559	677,166
Investments	80,764,690	61,632,322
Beneficial Interest in Perpetual Trust	744,395	615,392
Property Held for Sale	3,500,000	-
Land, Buildings and Equipment, Less Accumulated Depreciation	16,303,927	16,115,760
Total Noncurrent Assets	<u>101,866,571</u>	<u>79,040,640</u>
Total Assets	<u>\$ 112,704,332</u>	<u>\$ 95,616,575</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,014,111	\$ 5,221,213
Independent Reconciliation Program Payable	-	6,300,000
Parish Share Liability	903,980	5,145,091
Collections Payable	265,091	266,707
Insurance Claims Reserve	1,682,403	1,391,823
Notes Payable	19,128,730	13,373,398
Other Current Liabilities	914,132	480,496
Total Current Liabilities	<u>26,908,447</u>	<u>32,178,728</u>
NONCURRENT LIABILITIES		
Net Unfunded Priest Pension Liability	2,239,311	10,599,873
Net Unfunded Priest Other Postretirement Employee Benefits Liability	8,198,119	10,416,801
Interest Rate Swap Agreement and Other Noncurrent Liabilities	397,225	835,337
Total Noncurrent Liabilities	<u>10,834,655</u>	<u>21,852,011</u>
Total Liabilities	37,743,102	54,030,739
NET ASSETS		
Without Donor Restrictions:		
Operating Fund	(6,011,464)	(4,260,919)
Designated Net Assets:		
Programs	418,186	366,246
Priest Auto Fund	1,568,998	1,258,707
Insurance Fund	10,738,071	4,866,983
Tuition Assistance Fund	(3,534,835)	(3,989,361)
Retirement Fund	(9,489,254)	(20,693,498)
Investments Operating as Endowments	9,523,771	6,758,201
Invested in Property, Plant, and Equipment	19,803,927	16,115,760
Total without donor restrictions	<u>23,017,400</u>	<u>422,119</u>
With Donor Restrictions:		
To be Spent for Specific Purpose	44,186,190	33,536,444
Maintained in Perpetuity	7,757,640	7,627,273
Total Net Assets	<u>74,961,230</u>	<u>41,585,836</u>
Total Liabilities and Net Assets	<u>\$ 112,704,332</u>	<u>\$ 95,616,575</u>

See accompanying Notes to Financial Statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Diocesan Assessments	\$ 8,805,255	\$ 1,009,743	\$ 9,814,998	\$ 8,286,573	\$ 819,024	\$ 9,105,597
Contributions and Collections	4,040,364	294,722	4,335,086	1,472,846	769,695	2,242,541
Contributions from Elderly Housing Facilities	3,938,514	-	3,938,514	4,150,000	-	4,150,000
Realized/Unrealized Gain (Loss) on Investments	7,304,053	10,502,489	17,806,542	(471,757)	320,134	(151,623)
Interest and Dividend Income	455,762	525,896	981,658	572,572	583,253	1,155,825
Program and Fee Revenue	1,508,253	38,681	1,546,934	2,048,147	32,297	2,080,444
Gain on Property Sales	1,360,942	-	1,360,942	-	-	-
Other Income	1,001,526	231,575	1,233,101	941,078	81,076	1,022,154
Total Operating Revenues	<u>28,414,669</u>	<u>12,603,106</u>	<u>41,017,775</u>	<u>16,999,459</u>	<u>2,605,479</u>	<u>19,604,938</u>
OTHER REVENUES						
Insurance Assessments	15,412,177	-	15,412,177	13,625,275	-	13,625,275
Campaign Contributions, Net	-	4,987,890	4,987,890	-	3,966,821	3,966,821
Tuition Assistance Assessments	4,515,459	-	4,515,459	3,899,951	-	3,899,951
PPP Loan Forgiveness	1,999,000	-	1,999,000	-	-	-
Total Other Revenues	<u>21,926,636</u>	<u>4,987,890</u>	<u>26,914,526</u>	<u>17,525,226</u>	<u>3,966,821</u>	<u>21,492,047</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Change in Purpose Restriction	13,446	(13,446)	-	19,546	(19,546)	-
Satisfaction of Purpose Restrictions	5,532,599	(5,532,599)	-	5,854,953	(5,854,953)	-
Total Revenues and Reclassifications	<u>55,887,350</u>	<u>12,044,951</u>	<u>67,932,301</u>	<u>40,399,184</u>	<u>697,801</u>	<u>41,096,985</u>

See accompanying Notes to Financial Statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PROGRAM EXPENSES	12,735,019	-	12,735,019	14,057,014	-	14,057,014
AUXILIARY PROGRAMS AND SERVICES						
Campaign Case Distributions	913,535	-	913,535	1,367,600	-	1,367,600
Tuition Assistance Program	3,961,115	-	3,961,115	4,349,040	-	4,349,040
Insurance Expenses	16,070,475	-	16,070,475	13,898,533	-	13,898,533
Change in Unfunded Priest Pension Liability	(8,360,562)	-	(8,360,562)	3,066,450	-	3,066,450
Change in Unfunded Priest Other Postretirement Health Obligations	(2,218,682)	-	(2,218,682)	1,921,437	-	1,921,437
Total Auxiliary Programs and Services	10,365,881	-	10,365,881	24,603,060	-	24,603,060
ADMINISTRATIVE AND FINANCIAL SERVICES						
General Administration	\$ 8,781,980	-	8,781,980	8,367,595	-	8,367,595
Independent Reconciliation Program	-	-	-	6,300,000	-	6,300,000
Depreciation	988,892	-	988,892	1,088,132	-	1,088,132
Interest	420,065	-	420,065	358,642	-	358,642
Bad Debt Expense	232	1,264,838	1,265,070	50,464	177,935	228,399
Total Administrative and Financial Services	10,191,169	1,264,838	11,456,007	16,164,833	177,935	16,342,768
Total Expenses	33,292,069	1,264,838	34,556,907	54,824,907	177,935	55,002,842
CHANGE IN NET ASSETS	22,595,281	10,780,113	33,375,394	(14,425,723)	519,866	(13,905,857)
Net Assets - Beginning of Year	422,119	41,163,717	41,585,836	14,847,842	40,643,851	55,491,693
NET ASSETS - END OF YEAR	<u>\$ 23,017,400</u>	<u>\$ 51,943,830</u>	<u>\$ 74,961,230</u>	<u>\$ 422,119</u>	<u>\$ 41,163,717</u>	<u>\$ 41,585,836</u>

See accompanying Notes to Financial Statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Program Expenses		
Salary and benefits expense	\$ 6,005,443	\$ 6,403,868
Professional services and legal fees	1,422,354	2,029,590
Travel and meetings	142,223	431,534
Workshops and conferences given	138,764	945,217
Tuition, room & board	774,922	848,151
Newspaper printing	488,581	493,666
Cemetery Cost of Goods Sold	161,588	123,509
Insurance premiums and claims	14,446,347	12,207,586
Insurance administration	112,047	291,846
Contributions, grants, and donations	5,773,265	6,099,229
Settlements	925,000	413,750
Subsidies	2,017,504	2,095,100
Priest Long-Term Care	529,397	532,826
Change in unfunded pension liability, priests	(8,360,562)	3,066,450
Change in unfunded postretirement health obligation, priests	(2,218,682)	1,921,437
Supplies and Other Miscellaneous Expenses	311,623	307,181
Property costs for programs	431,086	449,134
Total Program Expenses	<u>23,100,900</u>	<u>38,660,074</u>
Management and Administrative Expenses		
Salary and benefits expense	3,559,264	3,591,392
Professional services and legal fees	1,086,754	947,089
Travel and meetings	28,770	103,717
Workshops and conferences given	44,192	33,784
Technology support and software expense	199,522	276,330
Contributions, grants, and donations	1,174,099	334,344
Virginia Catholic Conference and USCCB dues	281,836	441,354
Supplies and Other Miscellaneous Expenses	129,493	141,902
Insurance premiums and claims	102,936	80,399
Property costs	430,348	585,803
Independent Reconciliation Program	-	6,300,000
Depreciation expense	988,892	1,088,132
Interest expense	420,065	358,642
Bad debt expense	1,265,070	228,399
Total Management and Administrative Expenses	<u>9,711,241</u>	<u>14,511,287</u>
Fundraising Expenses		
Salary and benefits expense	962,469	1,083,303
Professional services and legal fees	305,521	200,204
Travel and meetings	16,740	57,879
Technology support and software expense	84,562	35,602
Supplies and Other Miscellaneous Expenses	259,531	329,931
Contributions, grants, and donations	115,943	124,562
Total Fundraising Expenses	<u>1,744,766</u>	<u>1,831,481</u>
Total Expenses	<u>\$ 34,556,907</u>	<u>\$ 55,002,842</u>

See accompanying Notes to Financial Statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 33,375,394	\$ (13,905,857)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation Expense	988,892	1,088,132
Forgiveness of PPP Loan	(1,999,000)	-
Gain on Sale of Fixed Assets	(1,360,942)	-
(Gain) Loss on Interest Rate Swap	(409,470)	670,427
Net Realized and Unrealized Gain on Investments	(17,397,072)	(518,804)
Net Realized and Unrealized Gain on Beneficial Interest in Perpetual Trust	(138,941)	(5,530)
Land Converted to Inventory	4,080	4,896
Unfunded Priest Pension Obligation	(8,360,562)	3,066,450
Unfunded Priest Other Postretirement Benefits Obligation	(2,218,682)	1,921,437
Change in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts and Pledges Receivable	6,224,710	7,167,151
Notes Receivable and Other Noncurrent Assets	-	102,763
Prepaid Expenses and Other Current Assets	101,830	(89,405)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(1,207,102)	(1,408,911)
Independent Reconciliation Program Payable	(6,300,000)	6,300,000
Parish Share Liability	(4,241,111)	(6,213,316)
Other Liabilities	453,303	264,661
Collections Payable	(1,616)	(134,729)
Insurance Claims Reserve	290,580	(246,600)
Net Cash Used by Operating Activities	(2,195,709)	(1,937,235)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Building and Equipment	(1,621,302)	(1,854,968)
Proceeds on Sale of Fixed Assets	1,543,282	-
Purchase of Investments	(9,025,182)	(9,223,774)
Proceeds from Sale of Investments	7,188,709	10,790,152
Net Cash Used in Investing Activities	(1,914,493)	(288,590)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	9,800,000	1,999,000
Payments on Notes Payable	(5,313,668)	(635,514)
Principal Payments on Capital Lease Obligations	(48,309)	(44,675)
Net Cash Provided by Financing Activities	4,438,023	1,318,811
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	327,821	(907,014)
Cash and Cash Equivalents, Beginning of Year	554,242	1,461,256
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 882,063	\$ 554,242
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 410,381	\$ 375,104
Purchase of Land, Buildings, and Equipment Included in Accounts Payable	\$ 30,990	\$ 980,972
Note Payable Assumed from Holy Cross Regional School	\$ 3,268,000	\$ -

See accompanying Notes to Financial Statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Catholic Diocese of Richmond (the Diocese) is the geographic area of the Roman Catholic Church defined by the boundaries of the Commonwealth of Virginia except for 21 counties of the northern tier of Virginia, including the Northern Neck. The Administrative Offices of the Catholic Diocese of Richmond (the Administrative Offices) reported in these financial statements includes the Office of the Bishop, his staff, programs, and other services and support offered at the Diocesan level as well as the retreat houses and cemeteries operated by the Diocese.

These statements exclude the financial position and transactions of the parishes and missions, schools, parish operated cemeteries, individual campus ministries, day care centers, homes for the elderly, the Diocese of Richmond Housing Corporation, the Catholic Community Foundation, military chaplains and installations, monasteries, convents and residences of priests, brothers and sisters, the McMahon-Parater Scholarship Foundation, Commonwealth Catholic Charities, Catholic Charities of Eastern Virginia and the Virginia Catholic Conference. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Administrative Offices and maintains separate accounts and carries on its own services and programs. In the event of the dissolution of one of these entities, the Administrative Offices may or may not be the beneficiary of remaining net assets at the discretion of the Bishop.

All real property of the Diocese is titled in the name of the Bishop of Richmond and his successors in office as a corporation sole under the laws of the Commonwealth of Virginia. For financial accounting, only the operating properties of the Administrative Offices are reported as assets in the Administrative Offices' financial statements. The land, buildings, and equipment at the parishes and missions, schools, rectories, and the like are not included.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent asset and liabilities, and the reported revenues and expenses. Future events and circumstances could alter those estimates.

Income Tax Status

The Administrative Offices are exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(1).

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The Administrative Offices believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Administrative Offices considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Short-Term Investments

Short-term investments are composed of money market and other short-term investments, which are recorded at cost.

Accounts Receivable

Under Canon Law, the Administrative Offices is required to collect all assessments made to its parishes.

Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when received and allowances are provided for amounts estimated to be uncollectible.

Investments

Investments are composed of debt and equity securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statements of activities.

Fair Value Hierarchy

The Administrative Offices have categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Administrative Offices have the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Land, Buildings, and Equipment

Operating property consisting of land, buildings, and equipment is stated at cost or at the fair market value on the date of gift or acquisition. Items greater than \$5,000 are capitalized. Depreciation is recorded based on estimated useful lives using the straight-line method. Buildings are depreciated over estimated lives of 15-70 years and equipment and furnishings over five years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Property held for sale is recorded at the fair market value as of the date of the financial statements.

Net Assets

For financial statement purposes, net assets consist of the following:

Net assets without donor restrictions – Net assets that are those currently available at the discretion of the Administrative Offices for use in operations. This includes net assets designated by management for specific purposes, such as the priests' auto fund, insurance funds, tuition assistance, cemetery income, priest retirement, investments operating as endowments, and invested in property, plant, and equipment.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net assets with donor restrictions – Net assets that are stipulated by donors for specific operating purposes, for the acquisition of property or equipment, or to be maintained permanently, the income from which is expendable in accordance with the conditions of each specific donation. When a donor restriction expires, the net assets are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions. Restricted revenue whose restrictions are met in the same year is reflected as revenue without donor restrictions.

Revenue

Major sources of revenue include Cathedraticum (a tax on parish income), a Parish Sharing Assessment to benefit Catholic Schools, the Annual Diocesan Appeal, the Living Our Mission Campaign, contributions from affiliated elderly housing facilities, income on investments and trust funds, insurance assessments to the parishes of the Diocese, and various other grants and contributions.

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Administrative Offices. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Administrative Offices does not believe they are required to provide additional goods or services to the client. The following revenue streams are recognized over time, within the fiscal year, as the underlying services are rendered: Diocesan Assessments, Insurance Assessments, and Tuition Assistance Assessments. Cemetery Income is recognized at a point in time – specifically at point of sale and as services are rendered. Program and Fee Revenue is recognized at both a point in time and over time depending on the underlying nature of the revenue producing activity.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Expenditures

Program expenses are separated into various categories. Office of Bishop and Vicars includes the offices of the Bishop, Vicar General, and Vicar for Clergy. Pastoral ministries include priest support, seminarian support, continuing education for religious personnel, and retreat centers, as well as the offices of Vocations, Tribunal, Chancellor, Diaconate, Worship, Ecumenical Officer, and the Executive Director of the Diocese of Richmond Housing Corporation. Social and cultural ministries include the offices of Social Ministries, Ethnic Ministries, Black Catholics, and the Fuel and Hunger and Home Missions Programs. Catholic education ministries include the offices of Catholic Schools and Christian Formation along with all related programs and conferences. Evangelization includes Campus field operations, Youth programs and events, Young Adult programs and events, Marriage and Family programs and events, Campus programs and events and the Evangelization Pastoral Plan. Communications includes the Office of Communications and the Catholic Virginian. Administrative and financial services include the offices of Finance, Information Technology, Human Resources, Development, Facilities Management, Copy Services, Archives, Payroll Processing, Bicentennial Celebration, and other general administrative expenses such as regional dues, national dues, legal and professional fees, depreciation and interest expense.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Insurance Fund

The Diocese, and thus the Administrative Offices, participates in a self-insurance plan related to employee insurance whereby certain risks and liabilities are assumed by participating entities. This plan covers health, dental, vision, disability, life insurance, and other supplemental insurance for both lay employees and priests of the Administrative Offices, the parishes, and the Diocese of Richmond Catholic schools within the confines of the Diocese. Premium rates are set by the Administrative Offices with the assistance of USI Consulting using rates provided by the health insurance providers.

Claims are paid to the contracted insurance providers as they are incurred by the insured participants. Based on calculations provided by USI Consulting, the Administrative Offices records a provision for claims that have been incurred but not yet reported by the insured. As of June 30, 2021 and 2020, the reserve for incurred but not reported claims was \$1,340,692 and \$1,250,608, respectively.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions received in the current fiscal year that are donor restricted are reported as increases in net assets without donor restrictions if the restrictions also expire (when a stipulated time restriction ends or purpose restriction is accomplished) within the current fiscal year.

Uniform Prudent Management of Institutional Funds Act

During 2008, the Commonwealth of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In August 2008, the Financial Accounting Standards Board issued FSP FAS 117-1 which provides guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Living Our Mission

In 2014, the Administrative Offices began a capital campaign called Living Our Mission (LOM). Contributions are recognized when the donor makes a promise to give to the LOM fund. Contributions are restricted based on the solicitation materials given to parishes during the campaign. If the donor further restricts a contribution, the amount is recorded in the net assets with donor restrictions account designated by the donor.

The Administrative Offices uses the allowance method to determine uncollectible pledges receivable. The allowance is based on a conservative estimate of the overall pledge balance.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Living Our Mission (Continued)

Management estimates that \$2,421,793 and \$5,718,797 of the pledges are uncollectible as of June 30, 2021 and 2020, respectively. The bad debt expense as a result of this estimate is presented under the donor restricted category in relation to the designation of the pledge made by the donor.

Functional Expenses

The costs of conducting the various programs and functions and the related supporting services have been summarized on a functional basis in the statements of activities. Salary and benefit expenses are allocated between program, fundraising, and administrative expenses based on the time spent by each employee in these categories. As costs are incurred, they are charged to a cost center that determines whether the expense is program, administrative, or fundraising in nature. No additional allocation of expenses occurs.

Subsequent Events

In preparing these financial statements, the Administrative Offices has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available for issuance.

Holy Cross Regional School closed its operations after the end of the 2019-2020 school year. The Administrative Offices served as guarantor of the school's note payable of \$3,200,000. During the fiscal year ended June 30, 2021, after all operating expenses of the school had been satisfied, the Administrative Offices assumed ownership of the school building and related note payable. A sale / purchase agreement has been signed with a potential buyer in an amount that approximates the balance on the note payable and is scheduled to close during the fiscal year ended June 30, 2022. The property has been classified as held for sale and recorded at the market value as substantiated in the purchase agreement as of June 30, 2021.

Change in Accounting Principles

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The financial statements reflect the application of the ASU using a retrospective approach to each period presented.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 CONCENTRATION OF CREDIT AND MARKET RISK

The Administrative Offices maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Administrative Offices also invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 INVESTMENTS

Investments are stated at their readily determinable fair value and are summarized as follows as of June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Equity Method Investments	\$ 4,846,488	\$ 4,178,650	\$ 4,746,958	\$ 4,002,410
Catholic Community Foundation	46,324,667	76,586,040	44,017,672	57,629,912
Total Investments	<u>\$ 51,171,155</u>	<u>\$ 80,764,690</u>	<u>\$ 48,764,630</u>	<u>\$ 61,632,322</u>

Many of the Administrative Offices' investments are held in the Catholic Community Foundation pooled investment fund, which is an investment fund open to all entities within the Diocese.

The investments of the Catholic Community Foundation pooled investment fund consisted of the following at June 30:

	2021		2020	
	Fair Value	Percent	Fair Value	Percent
Cash Equivalents	\$ 7,956,248	3.70%	\$ 8,360,648	5.14%
US Government	19,638,973	9.12%	16,946,333	10.42%
Corporate Obligations	15,786,840	7.34%	15,283,381	9.40%
Common Stocks:				
Energy	5,310,012	2.47%	3,536,420	2.17%
Materials	7,510,855	3.49%	5,042,561	3.10%
Industrials	18,090,812	8.40%	12,332,228	7.58%
Consumer Discretionary	21,575,604	10.02%	14,144,429	8.70%
Consumer Staples	9,793,679	4.55%	8,155,866	5.02%
Health Care	19,410,797	9.02%	15,579,087	9.58%
Financials	29,170,191	13.55%	19,858,865	12.21%
Information Technology	37,053,619	17.21%	27,134,262	16.68%
Communications Services	12,861,814	5.98%	9,388,059	5.77%
Utilities	4,369,667	2.03%	3,942,164	2.42%
Total Common Stocks	<u>165,147,050</u>	<u>76.72%</u>	<u>119,113,941</u>	<u>73.23%</u>
Preferred Securities	24,494	0.01%	23,707	0.02%
Mutual Funds:				
Equity	6,697,516	3.11%	2,916,343	1.79%
Total	<u>\$ 215,251,121</u>	<u>100.00%</u>	<u>\$ 162,644,353</u>	<u>100.00%</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 455,762	\$ 525,896	\$ 981,658
Realized Gain	\$ 244,489	\$ 393,068	\$ 637,557
Unrealized Gain	7,059,564	10,109,421	17,168,985
	<u>\$ 7,304,053</u>	<u>\$ 10,502,489</u>	<u>\$ 17,806,542</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 572,572	\$ 583,253	\$ 1,155,825
Realized Gain	\$ 168,505	\$ 376,601	\$ 545,106
Unrealized Gain	(640,262)	(56,467)	(696,729)
	<u>\$ (471,757)</u>	<u>\$ 320,134</u>	<u>\$ (151,623)</u>

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020, by level within the fair value hierarchy:

	2021			Total
	Level 1	Level 2	Level 3	
Equity-Method Investments	\$ -	\$ -	\$ 4,178,650	\$ 4,178,650
Other Investments - Catholic Community Foundation	76,586,040	-	-	76,586,040
Beneficial Interest in Perpetual Trusts	-	-	744,395	744,395
	<u>\$ 76,586,040</u>	<u>\$ -</u>	<u>\$ 4,923,045</u>	<u>\$ 81,509,085</u>

	2020			Total
	Level 1	Level 2	Level 3	
Equity-Method Investments	\$ -	\$ -	\$ 4,002,410	\$ 4,002,410
Other Investments - Catholic Community Foundation	57,629,912	-	-	57,629,912
Beneficial Interest in Perpetual Trusts	-	-	615,392	615,392
	<u>\$ 57,629,912</u>	<u>\$ -</u>	<u>\$ 4,617,802</u>	<u>\$ 62,247,714</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 INVESTMENTS (CONTINUED)

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Catholic Umbrella Pool	\$ 1,010,965	\$ 854,605	Pro Rata Share of Contributions	Value of Underlying Assets
St. John Neumann	\$ 2,936,586	\$ 2,936,586	Investment in Entity	Time Period of Agreement
National Catholic Risk Retention	\$ 231,099	\$ 211,219	Net Asset Value	Value of Underlying Assets
Beneficial Interest in Perpetual Trusts	\$ 744,395	\$ 615,392	FMV of Trust Investments	Time Period of Trust

	Catholic Umbrella Pool	St. John Neumann	National Catholic Risk Retention	Beneficial Interest in Perpetual Trusts
<u>2021</u>				
Purchases	\$ 99,530	\$ -	\$ -	\$ -
Distributions	-	(90,816)	-	(13,446)
<u>2020</u>				
Purchases	\$ 65,091	\$ -	\$ -	\$ -
Distributions	-	(90,934)	-	(19,548)

Catholic Umbrella Pool is a nonprofit corporation formed by member dioceses in collaboration with Catholic Mutual. Catholic Umbrella Pool provides self-insurance programs for the benefit and education of its members and the Church. The Board of Trustees of the Catholic Umbrella Pool have determined that unrealized gains and losses shall be recognized in valuing Catholic Umbrella Pool surplus for each year and that such gain or loss be allocated among participants in a given participant year.

National Catholic Risk Retention Group issues two classes of capital stock, Class A and Class B. Each shareholder owns only one share of Class A stock, and the appropriate number of nonvoting Class B shares to provide ownership interest in proportion to the amount of capital contributed and the amount of premiums paid by each insured. National Catholic Risk Retention Group currently calculates book value per share as total shareholders' equity less Class A shares at par, divided by the total number of Class B shares outstanding. Additionally, effective on September 1, 2007, each new shareholder is required to contribute the greater of 10% of its first year premium or the amount necessary to purchase one full Class A and one full Class B share.

Catholic School Properties LLC is an entity formed for the purpose of providing the capital to construct a permanent home for St. John Neumann Academy. During the year ended June 30, 2017, the Administrative Offices invested \$2.8 million in Catholic School Properties LLC which resulted in 280,000 in Class A Shares of membership in the entity. As Class A shareholders, the Administrative Offices is entitled to an annual 3% dividend and after 10 years the shares will be repurchased in full.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 INVESTMENTS (CONTINUED)

The estimated fair value of derivative assets and liabilities measured using Level 2 inputs, at June 30 are:

	2021		2020	
	Notional Amount	Fair Value Asset	Notional Amount	Fair Value Asset
Interest Rate Swap Agreement, 3/11/20	\$ 2,835,059	\$ (2,296)	\$ 3,124,328	\$ (91,576)
Interest Rate Swap Agreement, 6/19/20	5,424,281	(339,829)	5,600,000	(660,019)
	<u>\$ 8,259,340</u>	<u>\$ (342,125)</u>	<u>\$ 8,724,328</u>	<u>\$ (751,595)</u>

NOTE 4 CHARITABLE REMAINDER TRUST

The Administrative Offices are the sole beneficiary of two charitable remainder trusts. The trust assets are currently held by the trustee and are restricted by the donor. The trusts are carried at fair value, which the Administrative Offices has estimated based upon the current fair value of the investments within the charitable remainder trust. At June 30, 2021 and 2020, the charitable remainder trusts had a value of \$744,395 and \$615,392, respectively, which is reported in the statements of financial position as Beneficial Interest in Perpetual Trust. Changes in the fair value of the trust have been reported with other income in the statements of activities.

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

Operating property consists of the following at June 30:

	2021	2020
Land and Building	\$ 29,746,839	\$ 30,966,859
Equipment	2,141,415	2,139,743
	<u>31,888,254</u>	<u>33,106,602</u>
Less: Accumulated Depreciation	(15,584,327)	(16,990,842)
	<u>\$ 16,303,927</u>	<u>\$ 16,115,760</u>

NOTE 6 ANNUAL DIOCESAN APPEAL

Annually a direct appeal for support is made to the parishioners in the Diocese. Contributions received are restricted based on the case presented to donors as set by the Bishop of Richmond for the benefit of Diocesan organizations and groups.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 ANNUAL DIOCESAN APPEAL (CONTINUED)

A summary of the appeal's financial transactions is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Contributions Received, Net	\$ 4,681,224	\$ 3,626,606
Less Contributions, Parish Share, and Expenses paid	<u>(3,950,261)</u>	<u>(3,369,919)</u>
Net Increase	730,963	256,687
Balance, Beginning of Year	<u>3,205,197</u>	<u>2,948,510</u>
Balance, End of Year	<u><u>\$ 3,936,160</u></u>	<u><u>\$ 3,205,197</u></u>

The balance is included in net assets with donor restrictions.

The amounts of pledges received which are allocated to parishes are based on the annual case established for the campaign. A separate liability, Parish Share Liability, is recorded on the statement of financial position for those amounts pledged that are unpaid to the parishes as of year-end.

As pledge payments are collected, payments are made to the parishes on a quarterly basis. As of June 30, 2021 and 2020, this liability was \$126,469 and \$150,043, respectively.

NOTE 7 LIVING OUR MISSION CAMPAIGN

In 2014, the Administrative Offices began a capital campaign called Living Our Mission (LOM). Contributions are restricted based on the solicitation materials given to parishes during the campaign.

A summary of the campaign's financial transactions is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Contributions Pledged, Net	\$ 113,181	\$ 170,305
Bad Debt Expense	(1,071,353)	(7,604)
Parish Share Portion	459,065	(212,237)
Interfund Transfers to Case Elements:		
Diocesan Capital Fund	122,805	51,298
Distance Learning and Ministry Training Network	61,942	25,648
Priest Pension, Healthcare and Long-Term Care Fund	159,435	102,594
New Evangelization Ministry Fund	61,781	25,648
Contributions to Case Elements:		
Youth, Young Adult and Campus Ministry Endowment	148,157	64,122
McMahon Parater Foundation for Education	(51,538)	(136,183)
Seminarian Education and Advanced Education Endowment	46,478	64,122
Social Ministry Outreach and Mission Parish Endowment	113,190	51,298
Administrative Expenses	<u>(88,142)</u>	<u>(199,011)</u>
Net Change	75,001	-
Balance, Beginning of Year	-	-
Balance, Ending of Year	<u><u>\$ 75,001</u></u>	<u><u>\$ -</u></u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 LIVING OUR MISSION CAMPAIGN (CONTINUED)

The balance is included in net assets with donor restrictions.

The amounts of pledges received which are allocated to parishes are based on the annual case established for the campaign. A separate liability, Parish Share Liability, is recorded on the statement of financial position for those amounts pledged that are unpaid to the parishes as of year-end. As pledge payments are collected, payments are made to the parishes on a quarterly basis. As of June 30, 2021 and 2020, this liability was \$777,511 and \$4,995,048, respectively.

NOTE 8 PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give for the Administrative Offices. Pledges are reflected at the present value of estimated future cash flows using a discount rate of 2.5% for the years ended June 30, 2021 and 2020, and consist of the following:

	<u>2021</u>	<u>2020</u>
Living Our Mission Pledges Due in Less Than One Year	\$ 3,159,792	\$ 10,956,209
Living Our Mission Pledges Due in One to Five Years	256,011	672,778
Living Our Mission Pledges Due in More than Five Years	31,701	61,978
	<u>3,447,504</u>	<u>11,690,965</u>
Less: Discount on Pledges Receivable	(12,819)	(57,590)
Less: Allowance for Doubtful Accounts	<u>(2,421,793)</u>	<u>(5,718,797)</u>
Total Living Our Mission Pledges Receivable	<u>1,012,892</u>	<u>5,914,578</u>
Annual Diocese Appeal Pledges Due in Less than One Year	<u>511,836</u>	<u>619,147</u>
Less: Allowance on Pledges Receivable	<u>(198,827)</u>	<u>(169,910)</u>
Total Annual Diocesan Appeal Pledges Receivable	<u>313,009</u>	<u>449,237</u>
Total Pledges Receivable	<u>\$ 1,325,901</u>	<u>\$ 6,363,815</u>

NOTE 9 NOTES PAYABLE

The Administrative Offices has entered into a line of credit with a commercial bank totaling \$120,000,000 for both the years ended June 30, 2021 and 2020. This unsecured line of credit requires renewal on an annual basis and is available for use by the Administrative Offices as well as parishes, Catholic schools, and other affiliated entities within the Diocese.

At June 30, 2021, the Administrative Offices recognized \$19,128,730 of borrowings under the line of credit of a total available limit of \$36,036,501. As of June 30, 2020, the Administrative Offices recognized \$13,373,398 of borrowings under this line of credit of a total available limit of \$23,105,193. Included in the June 30, 2020 balance is the Paycheck Protection Program loan for \$1,999,000. See Note 19 for additional information. Interest, which is based on 30-day LIBOR plus 95 basis points, is adjusted monthly and payable on a monthly basis.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 NOTES PAYABLE (CONTINUED)

As described further in Note 15, additional borrowings under the line of credit of \$62,222,239 and \$63,536,404 at June 30, 2021 and 2020, respectively, by parishes and other Diocesan organizations have been endorsed by the Bishop and his successors in office. As of June 30, 2021 and 2020, respectively, the line of credit has an unfunded commitment of \$24,369,722 and \$20,912,920. As of June 30, 2021 and 2020, respectively, the remaining amount of uncommitted line of credit available is \$14,279,309 and \$22,177,278.

The line of credit is classified as a current liability due to the associated renewal requirements.

NOTE 10 PENSION PLANS

Pension Plan – Lay Employees

The Diocese has a noncontributory defined benefit pension plan which covers eligible lay employees within the Diocese. The plan provides benefits based on a formula which considers the lay employees' annual compensation and period of service. All full-time lay employees of the Diocese become participants on their date of employment, provided they have not exceeded age 65, and become fully vested at the end of five years.

The lay employees' plan is administered by the Administrative Offices but is considered a multi-employer plan. Information as to vested and nonvested benefits, as well as plan assets and unfunded liabilities, related solely to the Administrative Offices is not readily determinable. In accordance with ASC Paragraph 715-30-55-63, the Administrative Offices accounts for its participation in the plan as a multiemployer plan. The plan covers employees from other diocesan organizations, such as parishes and schools, which as noted in Note 1, are not combined with the Administrative Offices for financial reporting purposes. Annual premiums are actuarially calculated based on eligible participant salaries (7% and 6%, respectively, for the years ended June 30, 2021 and 2020), and are used toward the annual funding of the plan. The cost of the plan for the Administrative Office and charged to expense was \$472,920 and \$370,677 for the years ended June 30, 2021 and 2020, respectively. The plan is not subject to ERISA funding requirements.

The funding status and total contributions for the plan are disclosed in the supplemental disclosures in these financial statements. The Diocese's contribution to the Lay Pension Plan is a percentage of qualified salaries. The Diocese's contributions to the Lay Pension Plan were \$3,450,432 and \$4,321,486 for the years ended December 31, 2020 and 2019, respectively.

Pension Plan – Priests

The Diocese also has a noncontributory defined benefit plan which covers diocesan priests incardinated in the Diocese and provides a standard annual benefit once a priest meets the retirement age of 70. For both the years ended June 30, 2021 and 2020, the annual retiree benefit was \$30,000 each year. As required by GAAP, the full funding status of the defined benefit pension plan, as of the statement of financial position date, has been recognized as an asset (overfunded plan) or as a liability (underfunded plan). The pension benefit obligation for retired priests has been actuarially determined.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 PENSION PLANS (CONTINUED)

Pension Plan – Priests (Continued)

The following amounts relate to the diocesan priests' defined benefit pension plan:

	2021	2020
Change in Benefit Obligation:		
Accumulated Benefit Obligation at Beginning of Year	\$ 31,496,172	\$ 28,548,725
Service Cost	770,652	685,568
Interest Cost	813,890	958,523
Actuarial Loss (Gain)	(2,540,657)	2,874,155
Benefits Paid	(1,558,299)	(1,570,799)
Accumulated Benefit Obligation at End of Year	28,981,758	31,496,172
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	20,896,299	21,015,302
Return on Plan Assets	6,536,874	534,243
Employer Contributions	867,573	917,553
Benefits Paid	(1,558,299)	(1,570,799)
Fair Value of Plan Assets at End of Year	26,742,447	20,896,299
Accrued Pension Liability, Priests	\$ 2,239,311	\$ 10,599,873
	2021	2020
Discount Rate on the Benefit Obligation	2.80%	2.65%
Rate of Expected Return on Plan Assets	6.50%	6.50%

The benefit obligation decreased by \$2.5 million between June 30, 2020 and June 30, 2021, and the unfunded obligation decreased by \$8.4 million between June 30, 2020 and June 30, 2021, due to numerous factors including:

1. The discount rate increased 15 basis points from 2.65% to 2.80%. This decreased the benefit obligation by \$0.5 million.
2. The actuaries incorporated new census data into their valuation. This decreased the benefit obligation by \$0.6 million. This gain comes mostly from mortality experience.
3. New mortality tables were adopted, which decreased the benefit obligation by \$1.4 million.

The Administrative Offices measure fair value of the plan's assets using a three-level hierarchy based upon observable inputs.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 PENSION PLANS (CONTINUED)

Pension Plan – Priests (Continued)

Fair values of the plan’s assets, all of which are classified as Level 1 investments as of June 30, 2021 and 2020, are as follows:

	2021	2020
Cash Equivalents	\$ 47,176	\$ 46,990
Short-Term Investments	735,550	613,923
Fixed Income Investments	2,019,908	1,902,642
US Government & Agency Bonds	2,584,272	2,144,286
Equity Securities:		
Energy	428,974	310,054
Materials	482,991	353,715
Industrials	1,607,258	1,179,711
Consumer Discretionary	2,027,247	1,444,797
Consumer Staples	828,228	770,908
Health Care	1,796,567	1,612,899
Financials	1,909,292	1,335,545
Information Technology	3,724,346	3,056,437
Communication Services	1,384,700	1,089,937
Utilities	400,282	400,512
Real Estate	-	-
Foreign	5,049,190	3,685,559
Real Estate Investment Trusts	674,000	533,319
Rights & Warrants	70	23
Preferred Securities	6,270	5,317
Mutual Funds - Alternative Funds	1,036,126	409,725
Total	<u>\$ 26,742,447</u>	<u>\$ 20,896,299</u>

The Administrative Office’s overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation. In general, the Administrative Office’s goal is to maintain the following allocation ranges:

Equity Securities	72.5%
Fixed Income Securities	21.5%
Alternatives	5.0%
Cash	1.0%

The Administrative Office expects to contribute approximately \$437,399 to the plan in fiscal year 2022. This contribution will be funded by collecting \$6,000 per active priest from the parishes.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 PENSION PLANS (CONTINUED)

Pension Plan – Priests (Continued)

Benefits expected to be paid by the plan during the ensuing five years and five years thereafter are approximately as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 1,634,000
2023	1,711,000
2024	1,813,000
2025	1,861,000
2026	1,843,000
2027 and Thereafter	8,810,000

NOTE 11 POSTRETIREMENT BENEFITS

The Administrative Offices sponsors a postretirement health insurance plan for retired priests. The Administrative Offices purchases a Medicare Advantage plan insurance policy for retired priests. The plan is noncontributory for diocesan priests. The plan is funded on a cash basis as benefits are paid. The postretirement obligation for priest retirees has been actuarially determined. The Administrative Offices has taken several steps to fund this liability. During fiscal year 2016, the Future Retired Priest Health Insurance Assessment was established, and each parish pays an assessment per priest per year to fund this liability. For both years ended June 30, 2021 and 2020, the assessment was \$4,770 per priest. In addition, \$1.2 million in contributions from the case for Priest Pension, Healthcare, and Long-Term Care in the Living Our Mission Campaign have been restricted for the postretirement health insurance plan. While these assets are segregated to provide postretirement benefits for priests, they are not held in trust and have not been netted against the related liabilities.

The following amounts relate to the postretirement health obligation:

	<u>2021</u>	<u>2020</u>
Change in Benefit Obligation:		
Accumulated Benefit Obligation at Beginning of Year	\$ 10,416,801	\$ 8,495,364
Service Cost	379,047	294,874
Interest Cost	258,991	283,050
Actuarial Loss (Gain)	(2,665,790)	1,545,470
Benefits Paid	(190,930)	(201,957)
Accumulated Benefit Obligation at End of Year	<u>8,198,119</u>	<u>10,416,801</u>
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	-	-
Employer Contributions	190,930	201,957
Benefits Paid	(190,930)	(201,957)
Fair Value of Plan Assets at End of Year	<u>-</u>	<u>-</u>
Accrued Benefit Liability, Priests	<u>\$ 8,198,119</u>	<u>\$ 10,416,801</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 POSTRETIREMENT BENEFITS (CONTINUED)

The unfunded obligation decreased by approximately \$2.2 million between June 30, 2020 and June 30, 2021, due to numerous factors including:

1. The plan's health care costs decreased more than assumed, producing an experience gain which decreased the benefit obligation by \$2.3 million.
2. The discount rate increased from 2.52% to 2.67%. This decreased the benefit obligation by \$0.2 million.
3. Changes in the plan census produced an experience loss of \$0.1 million. This loss is due to demographic changes during the year that differed from assumed.
4. The mortality table was updated to reflect the most recent Society of Actuaries mortality study. The change reduced the plan obligation by \$0.2 million.
5. The remaining \$0.4 million increase in the unfunded obligation is the result of benefits paid, service cost, and interest cost resulting from the passage of time.

Assumptions used to determine the year-end benefit obligation are as follow:

	2021	2020
Discount Rate on the Benefit Obligation	2.67%	2.52%

The Administrative Offices expect to contribute approximately \$249,703 to the plan in fiscal year 2022. Additionally, the Administrative Offices intends to collect \$5,200 per active priest during fiscal year 2022 to contribute to the related investment account. These funds will not be netted against the unfunded obligation until a trust is established for this purpose.

Benefits expected to be paid by the plan during the ensuing five years and five years thereafter are approximately as follows:

Year	Amount
2022	\$ 249,703
2023	279,844
2024	308,227
2025	328,516
2026	344,768
2027 and Thereafter	1,934,290

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Bishop's Education Fund	\$ 3,977,828	\$ 3,148,839
Retired Priest Health Insurance Fund	6,085,607	4,305,861
Vocations	3,925,610	3,134,679
Diocesan Capital Fund	3,438,265	2,764,082
Priest Long-Term Care Fund	3,196,521	2,238,598
New Evangelization Ministry Fund	1,662,852	1,340,699
Priest Pension Plan	-	186,718
Priest Support	905,450	781,730
Distance Learning and Ministry Training Network	208,559	267,330
Respect Life Fund	482,868	558,461
Office for Evangelization	856,607	758,471
Black Catholics and Ethnic Ministries	308,043	322,625
Office of Christian Formation	867,331	820,564
Segura Initiative	173,872	183,837
Fuel & Hunger Fund	484,878	385,847
Diocesan Home Missions	135,887	288,311
Haiti Ministry	326,292	265,132
Other Annual Diocesan Appeal Case Items	340,403	19,486
Saint Francis Home	100,000	94,856
Reengaging with the Eucharist	100,000	-
Office of Social Ministries	179,198	190,845
Cemeteries	266,095	175,599
Living Our Mission	75,001	-
General Administration and Other Miscellaneous Restrictions	103,826	222,939
Total	<u>\$ 28,200,993</u>	<u>\$ 22,455,509</u>

Expendable Income of Investments in Perpetuity:

	<u>2021</u>	<u>2020</u>
Lawler Trust Fund B - Educational Purposes	\$ 10,932,926	\$ 7,930,505
Lawler Trust Fund C - Missionary Purposes	4,648,325	2,986,275
Seminary Education	31,446	7,179
College Tuition Assistance	330,624	145,885
Haitian Education Fund	41,876	11,091
	<u>15,985,197</u>	<u>11,080,935</u>
 Total Net Assets With Donor Restriction To be Spent for Specific Purpose	 <u>\$ 44,186,190</u>	 <u>\$ 33,536,444</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 NET ASSETS WITH RESTRICTIONS (CONTINUED)

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events as specified by donors. Purpose restrictions accomplished during the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Annual Diocesan Appeal	\$ 3,950,261	\$ 3,369,919
Living Our Mission Campaign	(477,645)	757,217
Endowment Fund Income	809,407	1,006,265
Tuition Assistance	124,359	152,570
Contributions and Grants	<u>1,126,217</u>	<u>568,982</u>
Total	<u>\$ 5,532,599</u>	<u>\$ 5,854,953</u>

Net assets with donor restrictions, required to be maintained in perpetuity, are made up of the following funds at June 30:

	<u>2021</u>	<u>2020</u>
Lawler Trust Fund B - Educational Purposes	\$ 3,168,758	\$ 3,168,758
Lawler Trust Fund C - Missionary Purposes	3,168,757	3,168,757
Seminary Education	83,956	83,956
College Tuition Assistance	486,070	486,070
Haitian Education Fund	<u>105,704</u>	<u>104,340</u>
Total	<u>\$ 7,013,245</u>	<u>\$ 7,011,881</u>

Beneficial Interests in Perpetual Trusts:

	<u>2021</u>	<u>2020</u>
Seminary Education	<u>\$ 744,395</u>	<u>\$ 615,392</u>

NOTE 13 INSURANCE COVERAGE

The Diocese, and thus the Administrative Offices, participates in a property, general liability, and workers' compensation self-insurance plan whereby certain risks and liabilities are assumed by participating entities. The plan covers property and liability insurance and workers' compensation. Under the plan the first \$50,000 of each loss and total annual losses up to \$350,000 are self-insured for all claims other than workers' compensation. For workers' compensation, there is a \$150,000 deductible per claim with an annual aggregate of \$1,000,000.

Each entity participating in the self-insurance plan is charged its share of the estimated losses, administrative costs, and excess coverage insurance policy premium.

Based on information provided by Catholic Mutual Group, the Administrative Offices records a reserve for all property and casualty open claims. As of June 30, 2021 and 2020, the loss reserve for open claims was \$341,711 and \$141,215, respectively.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 ENDOWMENTS

The Administrative Offices endowments consist of eleven individual funds established for the purpose that the principal is to be held indefinitely and income from which is expendable to fund as many sponsorships as possible.

As required by GAAP, net assets associated with endowment funds, including funds (if any) designated by the Bishop of Richmond to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Administrative Offices has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Administrative Offices classifies as net assets with donor restrictions (a) the original value of the gift donated to the endowment, (b) the original value of subsequent gifts (if any) 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, and (d) investment return earned on the gift until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the Administrative Offices considers 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 Administrative Offices 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 Administrative Offices
7. The investment policies of the Administrative Offices

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended June 30 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, June 30, 2019	\$ 6,863,014	\$ 18,459,445	\$ 25,322,459
Investment Return:			
Investment Income	112,938	320,080	433,018
Net Appreciation	63,958	172,755	236,713
Total Return	<u>176,896</u>	<u>492,835</u>	<u>669,731</u>
Contributions	41,271	240	41,511
Appropriation of Endowment Assets for Expenditure	<u>(322,980)</u>	<u>(859,706)</u>	<u>(1,182,686)</u>
Endowment Net Assets, June 30, 2020	6,758,201	18,092,814	24,851,015
Investment Return:			
Investment Income	106,540	275,705	382,245
Net Appreciation	2,119,029	5,304,907	7,423,936
Total Return	<u>2,225,569</u>	<u>5,580,612</u>	<u>7,806,181</u>
Contributions	793,650	1,365	795,015
Appropriation of Endowment Assets for Expenditure	<u>(253,649)</u>	<u>(676,349)</u>	<u>(929,998)</u>
Endowment Net Assets, June 30, 2021	<u>\$ 9,523,771</u>	<u>\$ 22,998,442</u>	<u>\$ 32,522,213</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Administrative Offices to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021 and 2020 no endowments had deficiencies.

The Administrative Offices has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for sponsorship supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Administrative Offices must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a balanced investment portfolio comprised of 72.5% equity securities, 21.5% fixed income securities, 5% alternatives, and 1% cash, while assuming a moderate level of investment risk. The Administrative Offices expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Administrative Offices relies 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 Administrative Offices targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 ENDOWMENTS (CONTINUED)

The Administrative Offices has adopted a policy of appropriating for distribution each year, a percent the Administrative Offices deems prudent, of its endowment fund's fair value through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Administrative Offices considered the long-term expected return on its endowment. Accordingly, over the long term, the Administrative Offices expects the current spending policy to allow its endowment to grow at an average of 2-3% annually. This is consistent with the Administrative Offices' objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 15 CONTINGENT LIABILITIES

Financial Guarantees and Endorsements

Borrowings of \$62,222,239 and \$63,536,404 at June 30, 2021 and 2020, respectively, by parishes and other Diocesan organizations under the line of credit described in Note 9 have been endorsed by the Bishop and his successors in office. At June 30, 2021 and 2020, the Administrative Offices had \$14,279,309 and \$22,177,278, respectively, available under the line of credit.

The total borrowings endorsed by the Bishop and his successors in office includes a letter of credit for the Administrative Offices as required by our payroll vendor. The letter of credit is for \$4 million with the ability for partial draw down requests per the letter of credit agreement. Should dollars be drawn from this letter of credit, a floating interest rate equal to 1 month LIBOR plus 0.95 with a floor of 2% would be applicable. Interest only payments would be due. There were no draws outstanding on the letter of credit as of June 30, 2021.

Also included in the total borrowings are unfunded swap exposure commitments to parishes and other Diocesan organizations of \$6,639,015 and \$6,798,241 at June 30, 2021 and 2020, respectively.

The following are some details of the more significant guarantees:

Under a Guaranty Agreement dated June 7, 2012, the Administrative Offices will serve as guarantor of Revenue Bonds (Diocese of Richmond Housing Corporation Project) Series 2012 of \$4,446,000 issued by the Commonwealth of Virginia Small Business Financing Authority, on behalf of the Diocese of Richmond Housing Corporation, a corporation formed to oversee the elderly housing facilities owned by the Diocese. As of June 30, 2021 and 2020, the amount outstanding was \$2,377,272 and \$2,669,559, respectively.

Under the guaranty, upon default of the Diocese of Richmond Housing Corporation, and demand by the Bond Trustee, the Administrative Offices is obligated to pay principal and interest as such become due and all other payments of the Diocese of Richmond Housing Corporation, related to the Series 2012 Bond and all other such payments on the bonds until the note is paid in full.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 15 CONTINGENT LIABILITIES (CONTINUED)

Financial Guarantees and Endorsements (Continued)

Under an Agreement to Commercial Note dated July 16, 2012, the Administrative Offices will serve as guarantor of a Commercial Note to SunTrust Bank on behalf of the Diocese of Richmond Housing Corporation. Under the guaranty, upon default of the Diocese of Richmond Housing Corporation, the Administrative Offices is obligated to pay principal and interest as such become due until the note is paid in full. The commercial note expired on September 1, 2013 at which time the note was refinanced as a term loan based on a 15-year amortization and term. The Diocese of Richmond Housing Corporation entered into a commercial note for nontax financing for the chapel dated September 16, 2013 with SunTrust bank when the July 2012 note expired. The note is a commercial note in the amount of \$320,904 with a maturity date of September 1, 2028. The interest rate is fixed at 4.30%. This note is guaranteed by the Administrative Offices. As of June 30, 2021 and 2020, the amount outstanding was \$180,823 and \$201,561, respectively.

Under an agreement dated August 24, 2012, with SunTrust Bank, the Administrative Offices will serve as a guarantor of an interest rate swap agreement on behalf of the Diocese of Richmond Housing Corporation. The agreement is related to the Diocese of Richmond Housing Corporation's bonds payable and was entered into to reduce the impact of changes in interest rates on the Diocese of Richmond Housing Corporation's floating rate loan. The effective date of the agreement is September 1, 2013, with a termination date of September 1, 2028. The notional amount of the swap agreement totals \$4,316,000 and effectively changes the Diocese of Richmond Housing Corporation's interest rate exposure for that portion of its floating rate loan to a fixed rate of 2.80%. The Diocese of Richmond Housing Corporation is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Diocese of Richmond Housing Corporation does not anticipate nonperformance by the counterparties.

Under a Guaranty Agreement dated November 18, 2010, the Administrative Offices will serve as guarantor of Residential and Health Care Facility Refunding Revenue Bond (Series 2010) of \$11,805,680 issued by the City of Virginia Beach, Virginia Development Authority, on behalf of Our Lady of Perpetual Help, Inc., a corporation formed to meet the housing needs of the elderly through construction and operation of a residential facility in the City of Virginia Beach, Virginia.

Under the guaranty, upon default of Our Lady of Perpetual Help, Inc., and demand by the Bond Trustee, the Administrative Offices is obligated to pay principal and interest as such become due and all other payments of Our Lady of Perpetual Help, Inc., related to the Series 2010 Bond and all other such payments on the bonds until the note is paid in full.

Litigation and Claims

From time to time, the Administrative Offices may become subject to legal proceedings in the conduct of its operations. The Administrative Office's policy is to accrue the portion of these costs not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 15 CONTINGENT LIABILITIES (CONTINUED)

Litigation and Claims (Continued)

Currently the Administrative Office is the subject of certain asserted and unasserted claims seeking damages. As of June 30, 2021, the Administrative Office has accrued \$400,000 related to two legal proceedings where it is both probable that a material liability has been incurred and the amount can be reasonably estimated. As of June 30, 2020, no accruals had been made other than those described in Note 20 Independent Reconciliation Program.

The Administrative Offices is unable to reasonably estimate the effect of the ultimate resolution of any additional outstanding or unasserted claims, but believes such claims will not have a material adverse effect on the financial position of the Administrative Offices.

NOTE 16 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Administrative Offices, at the request of the Bishop of Richmond, contributed \$124,359 and \$152,570, respectively, to the McMahon Parater Scholarship Foundation, a charitable foundation for tuition assistance awards to students, both Catholic and non-Catholic, specifically attending an independent, diocesan, regional or parish Catholic school.

The Administrative Offices also has a receivable from the McMahon Parater Scholarship Foundation in the amount of \$28,816 and \$50,242 for the years ended June 30, 2021 and 2020, respectively for administrative expenses incurred on behalf of the McMahon Parater Scholarship Foundation. Total administrative expenses incurred for the years ended June 30, 2021 and 2020 were \$367,828 and \$444,086, respectively. During the fiscal year ended June 30, 2021 the Administrative Offices contributed \$70,552 to the McMahon Parater Scholarship Foundation for administrative expenses related to Paycheck Protection Program loan forgiveness.

During the years ended June 30, 2021 and 2020, the Administrative Offices received a contribution from the Diocese of Richmond Housing Corporation of \$3,938,514 and \$4,150,000, respectively. These funds were utilized by the Bishop of Richmond for the support of retired priests as well as funding portions of the Administrative Offices operational budget.

During the years ended June 30, 2021 and 2020, the Administrative Offices contributed \$180,000 and \$340,000, respectively, to the operations of the Virginia Catholic Conference, an organization owned by the Bishop of Richmond. In accordance with the operating agreement, the Virginia Catholic Conference is operated by a board of managers consisting of the diocesan Bishops of the Catholic Diocese of Richmond and the Catholic Diocese of Arlington.

During the years ended June 30, 2021 and 2020, the Administrative Offices had a payable to the Catholic Community Foundation of \$319,506 and \$982,221, respectively, related to cases included in the Living Our Mission Campaign. In addition, the Administrative Offices incurred administrative expenses on behalf of the Catholic Community Foundation for \$491,953 and \$426,210 for the years ended June 30, 2021 and 2020, respectively.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)

During the fiscal year ended June 30, 2021 the Administrative Offices contributed \$69,503 to the Catholic Community Foundation for administrative expenses related to Paycheck Protection Program loan forgiveness.

During the years ended June 30, 2021 and 2020, the Catholic Community Foundation contributed \$232,551 and \$191,208, respectively, to the Administrative Offices to fund programs as specified by donors through restricted endowments held by the Catholic Community Foundation.

NOTE 17 COMMITMENTS

The Administrative Offices has entered into several agreements with conference centers and vendors providing for room accommodations and services for its meetings and conferences in the future. Some of these agreements contain clauses whereby the Administrative Offices is liable for liquidated damages in the event of cancellation. At June 30, 2021, the commitment is \$444,273.

NOTE 18 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Administrative Offices, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results, including additional costs to the Organization, investment performance, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Administrative Offices is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 19 PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Administrative Offices received a loan from SunTrust Bank totaling \$1,999,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted by the SBA to the lender or, if the Administrative Offices fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts are subject to forgiveness based on compliance with program requirements and approval by the SBA.

The Administrative Offices is following Accounting Standards Codification 470, Debt, to account for the initial receipts related to the PPP Loan.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 19 PAYCHECK PROTECTION PROGRAM (CONTINUED)

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Administrative Offices' financial position.

During the year ended June 30, 2021, the Administrative Offices was notified that the PPP Loan was forgiven in its entirety. Therefore, the Administrative Offices was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in revenue within the Statement of Activities for the year ended June 30, 2021.

NOTE 20 INDEPENDENT RECONCILIATION PROGRAM

The Diocese announced the establishment of an Independent Reconciliation Program (IRP) in February 2020 to assist victim survivors who were sexually abused as minors by Clergy. The IRP is part of an ongoing reconciliation process to assist victim survivors on their path toward healing. The IRP was designed and administered by BrownGreer PLC, a nationally recognized firm headquartered in Richmond, Virginia, specializing in claims administration. Claims were submitted directly to BrownGreer PLC, who then evaluated the claims and independently decided the monetary payment amount of each claim. The IRP concluded in October 2020 and paid out \$6,300,000 to claimants during the fiscal year ended June 30, 2021. To fund these claims, the Administrative Offices opened a line of credit within the overall diocesan line of credit described in footnote 9. As of June 30, 2021 the outstanding line of credit related to the IRP was \$5,055,000.

NOTE 21 AVAILABLE RESOURCES AND LIQUIDITY

The Administrative Offices regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Administrative Offices has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. See footnote 9 for information about the Administrative Office's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Administrative Offices considers all expenditures related to its ongoing activities as described in footnote 1 to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Administrative Offices operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 21 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

The table below presents financial assets available for general expenditures within one year as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 882,063	\$ 554,242
Short term investments	3,906,350	3,795,235
Accounts receivable	4,130,821	5,301,835
Current pledges receivable, net	772,342	5,686,649
Beneficial Interest in Perpetual Trust	744,395	615,392
Investments	<u>80,764,690</u>	<u>61,632,322</u>
Total financial assets	<u>91,200,661</u>	<u>77,585,675</u>
Less: Parish Share Liability (Corresponding Asset Shown Above		
Pledges Receivable - Current Portion, Net)	(903,980)	(5,145,091)
Less amounts not available to be used within one year:		
Investments designated for insurance obligations	(15,404,347)	(11,707,721)
Net assets with donor restrictions	(51,943,830)	(41,163,717)
Net assets designated by board for programs	(418,186)	(352,285)
Investments with board designations	(685,851)	(471,690)
Designated investments operating as endowments	(9,523,771)	(6,758,201)
Level 3 Equity method investments	<u>(4,178,650)</u>	<u>(4,002,410)</u>
Financial assets not available to be used within one year	<u>(83,058,615)</u>	<u>(69,601,115)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,142,046</u>	<u>\$ 7,984,560</u>

NOTE 22 INTEREST RATE SWAP AGREEMENT

The Administrative Offices entered into an interest rate swap agreement dated March 11, 2020 with SunTrust Bank related to the line of credit outlined in Note 9, to reduce the impact of changes in interest rates on its floating rate loan. The effective date of the agreement is March 13, 2020, with a termination date of March 13, 2030. The notional amount of the swap agreement totals \$3,196,227 and effectively changes the Administrative Office's interest rate exposure for that portion of its floating rate loan to a fixed rate of 2.304%. As of June 30, 2021 the notional amount outstanding was \$2,835,059.

The Administrative Offices entered into an interest rate swap agreement dated June 19, 2020 with SunTrust Bank related to the line of credit outlined in Note 9, to reduce the impact of changes in interest rates on its floating rate loan. The effective date of the agreement is July 1, 2020, with a termination date of July 1, 2030. The notional amount of the swap agreement totals \$5,600,000 and effectively changes the Administrative Office's interest rate exposure for that portion of its floating rate loan to a fixed rate of 3.48%. As of June 30, 2021, the notional amount outstanding was \$5,424,281. The Administrative Offices is exposed to a credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Administrative Offices does not anticipate nonperformance by the counterparties.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund	Endowments Fund	Plant Fund	Health Insurance Fund	Property and Casualty Insurance Fund	Pension and Retirement Accounting Fund	Tuition Assistance Fund	Annual Diocesan Appeal Fund	Custodial Fund	Living Our Mission Fund	Cemeteries Fund	Eliminating Entries	Combined
CURRENT ASSETS													
Cash and Cash Equivalents	\$ 870,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,426	\$ -	\$ 882,063
Short-term Investments	3,906,350	-	-	-	-	-	-	-	-	-	-	-	3,906,350
Accounts Receivable	2,249,363	-	1,383,738	21,696	138,086	-	-	-	20	-	337,918	-	4,130,821
Pledges Receivable - Current Portion, Net	-	-	-	-	-	-	-	313,009	-	459,333	-	-	772,342
Due From Other Fund	1,338,448	48,980	-	1,399,712	129,138	165,859	-	3,749,620	379,510	149,554	-	(7,360,821)	-
Prepaid Expenses and Other Current Assets	245,745	-	3,004	34,843	127,408	-	-	-	-	-	735,185	-	1,146,185
Total Current Assets	8,610,543	48,980	1,386,742	1,456,251	394,632	165,859	-	4,062,629	379,530	608,887	1,084,529	(7,360,821)	10,837,761
NONCURRENT ASSETS													
Pledges Receivable - Noncurrent Portion, Net	-	-	-	-	-	-	-	-	-	553,559	-	-	553,559
Investments	8,528,338	33,833,320	11,041,479	13,043,872	3,602,539	10,064,445	-	-	-	-	650,697	-	80,764,690
Beneficial Interest in Perpetual Trust	-	744,395	-	-	-	-	-	-	-	-	-	-	744,395
Property Held for Sale	-	-	3,500,000	-	-	-	-	-	-	-	-	-	3,500,000
Land, Buildings and Equipment, Net	-	-	14,862,307	-	-	-	-	-	-	-	1,441,620	-	16,303,927
Total Noncurrent Assets	8,528,338	34,577,715	29,403,786	13,043,872	3,602,539	10,064,445	-	-	-	553,559	2,092,317	-	101,866,571
Total Assets	\$ 17,138,881	\$ 34,626,695	\$ 30,790,528	\$ 14,500,123	\$ 3,997,171	\$ 10,230,304	\$ -	\$ 4,062,629	\$ 379,530	\$ 1,162,446	\$ 3,176,846	\$ (7,360,821)	\$ 112,704,332
CURRENT LIABILITIES													
Accounts payable and accrued expenses	\$ 2,477,572	\$ 1,208	\$ 45,764	\$ 572,967	\$ 441,409	\$ -	\$ 158,143	\$ -	\$ -	\$ 309,934	\$ 7,114	\$ -	\$ 4,014,111
Parish Share Liability	-	-	-	-	-	-	-	126,469	-	777,511	-	-	903,980
Collections Payable	-	-	-	-	-	-	-	-	265,091	-	-	-	265,091
Due to Other Fund	-	-	6,246,912	-	-	-	515,463	-	-	-	598,446	(7,360,821)	-
Insurance Claims Reserve	-	-	-	1,340,692	341,711	-	-	-	-	-	-	-	1,682,403
Notes Payable	-	-	10,771,511	-	5,055,000	-	2,835,058	-	-	-	467,161	-	19,128,730
Other Current Liabilities	286,104	-	28,642	7,444	-	-	-	-	114,439	-	477,503	-	914,132
Total Current Liabilities	2,763,676	1,208	17,092,829	1,921,103	5,838,120	-	3,508,664	126,469	379,530	1,087,445	1,550,224	(7,360,821)	26,908,447
NONCURRENT LIABILITIES													
Net Unfunded Priest Pension Liability	-	-	-	-	-	2,239,311	-	-	-	-	-	-	2,239,311
Net Unfunded Priest Other Postretirement Benefits Liability	-	-	-	-	-	8,198,119	-	-	-	-	-	-	8,198,119
Interest Rate Swap Agreement and Other Noncurrent Liabilities	-	-	394,929	-	-	-	2,296	-	-	-	-	-	397,225
Total Current Liabilities	-	-	394,929	-	-	10,437,430	2,296	-	-	-	-	-	10,834,655
Total Liabilities	2,763,676	1,208	17,487,758	1,921,103	5,838,120	10,437,430	3,510,960	126,469	379,530	1,087,445	1,550,224	(7,360,821)	37,743,102
NET ASSETS													
Without Donor Restrictions:													
Operating Fund	2,657,219	-	(8,668,683)	-	-	-	-	-	-	-	-	-	\$ (6,011,464)
Designated:													
Programs	464,279	-	35,000	-	-	-	-	-	-	-	(81,093)	-	418,186
Priest Auto Fund	1,568,998	-	-	-	-	-	-	-	-	-	-	-	1,568,998
Insurance Fund	-	-	-	12,579,020	(1,840,949)	-	-	-	-	-	-	-	10,738,071
Tuition Assistance Fund	-	-	-	-	-	-	(3,534,835)	-	-	-	-	-	(3,534,835)
Retirement Fund	-	-	-	-	-	(9,489,254)	-	-	-	-	-	-	(9,489,254)
Investments Operating as Endowments	8,475,140	1,048,631	-	-	-	-	-	-	-	-	-	-	9,523,771
Invested in Property, Plant, and Equipment	-	-	18,362,307	-	-	-	-	-	-	-	1,441,620	-	19,803,927
With Donor Restrictions:													
To be Spent for Specific Purpose	1,209,569	25,819,216	3,574,146	-	-	9,282,128	23,875	3,936,160	-	75,001	266,095	-	44,186,190
Maintained in Perpetuity	-	7,757,640	-	-	-	-	-	-	-	-	-	-	7,757,640
Total Net Assets	14,375,205	34,625,487	13,302,770	12,579,020	(1,840,949)	(207,126)	(3,510,960)	3,936,160	-	75,001	1,626,622	-	74,961,230
Total Liabilities and Net Assets	\$ 17,138,881	\$ 34,626,695	\$ 30,790,528	\$ 14,500,123	\$ 3,997,171	\$ 10,230,304	\$ -	\$ 4,062,629	\$ 379,530	\$ 1,162,446	\$ 3,176,846	\$ (7,360,821)	\$ 112,704,332

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund	Endowments Fund	Plant Fund	Health Insurance Fund	Property and Casualty Insurance Fund	Pension and Retirement Accounting Fund	Tuition Assistance Fund	Annual Diocesan Appeal Fund	Custodial Fund	Living Our Mission Fund	Cemeteries Fund	Eliminating Entries	Combined
CURRENT ASSETS													
Cash and Cash Equivalents	\$ 546,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,392	\$ -	\$ 554,242
Short-term Investments	3,795,235	-	-	-	-	-	-	-	-	-	-	-	3,795,235
Accounts Receivable	3,589,515	-	954,677	8,310	11,640	-	403,492	-	3,056	-	331,145	-	5,301,835
Pledges Receivable - Current Portion, Net	-	-	-	-	-	-	-	449,237	-	5,237,412	-	-	5,686,649
Due From Other Fund	2,060,258	126,111	-	788,838	-	438,295	-	2,906,003	373,045	57,691	-	(6,750,241)	-
Prepaid Expenses and Other Current Assets	233,255	-	2,920	13,854	99,664	-	124,478	-	-	-	763,803	-	1,237,974
Total Current Assets	10,225,113	126,111	957,597	811,002	111,304	438,295	527,970	3,355,240	376,101	5,295,103	1,102,340	(6,750,241)	16,575,935
NONCURRENT ASSETS													
Pledges Receivable - Noncurrent Portion, Net	-	-	-	-	-	-	-	-	-	677,166	-	-	677,166
Investments	6,700,225	25,850,373	9,339,015	9,910,756	2,862,789	6,616,058	-	-	-	-	353,106	-	61,632,322
Beneficial Interest in Perpetual Trust	-	615,392	-	-	-	-	-	-	-	-	-	-	615,392
Land, Buildings and Equipment, Net	-	-	14,713,973	-	-	-	-	-	-	-	1,401,787	-	16,115,760
Total Noncurrent Assets	6,700,225	26,465,765	24,052,988	9,910,756	2,862,789	6,616,058	-	-	-	677,166	1,754,893	-	79,040,640
Total Assets	\$ 16,925,338	\$ 26,591,876	\$ 25,010,585	\$ 10,721,758	\$ 2,974,093	\$ 7,054,353	\$ 527,970	\$ 3,355,240	\$ 376,101	\$ 5,972,269	\$ 2,857,233	\$ (6,750,241)	\$ 95,616,575
CURRENT LIABILITIES													
Accounts Payable and Accrued Expenses	\$ 2,563,459	\$ -	\$ 639,109	\$ -	\$ 647,821	\$ -	\$ 382,228	\$ -	\$ 5,132	\$ 977,221	\$ 6,243	\$ -	\$ 5,221,213
Independent Reconciliation Program Payable	-	-	-	-	6,300,000	-	-	-	-	-	-	-	6,300,000
Parish Share Liability	-	-	-	-	-	-	-	150,043	-	4,995,048	-	-	5,145,091
Collections Payable	-	-	-	-	-	-	-	-	266,707	-	-	-	266,707
Due to Other Fund	-	-	4,867,503	-	478,686	-	894,974	-	-	-	509,078	(6,750,241)	-
Insurance Claims Reserve	-	-	-	1,250,608	141,215	-	-	-	-	-	-	-	1,391,823
Notes Payable	1,999,000	-	7,770,035	-	-	-	3,124,328	-	-	-	480,035	-	13,373,398
Other Current Liabilities	46,858	-	48,309	10,538	-	-	-	-	104,262	-	270,529	-	480,496
Total Current Liabilities	4,609,317	-	13,324,956	1,261,146	7,567,722	-	4,401,530	150,043	376,101	5,972,269	1,265,885	(6,750,241)	32,178,728
NONCURRENT LIABILITIES													
Net Unfunded Priest Pension Liability	-	-	-	-	-	10,599,873	-	-	-	-	-	-	10,599,873
Net Unfunded Priest Other Postretirement Benefits Liability	-	-	-	-	-	10,416,801	-	-	-	-	-	-	10,416,801
Interest Rate Swap Agreement and Other Noncurrent Liabilities	-	-	743,761	-	-	-	91,576	-	-	-	-	-	835,337
Total Noncurrent Liabilities	-	-	743,761	-	-	21,016,674	91,576	-	-	-	-	-	21,852,011
Total Liabilities	4,609,317	-	14,068,717	1,261,146	7,567,722	21,016,674	4,493,106	150,043	376,101	5,972,269	1,265,885	(6,750,241)	54,030,739
NET ASSETS													
Without Donor Restrictions:													
Operating Fund	2,484,656	-	(6,745,575)	-	-	-	-	-	-	-	-	-	(4,260,919)
Designated:													
Programs	352,285	-	-	-	-	-	-	-	-	-	13,961	-	366,246
Priest Auto Fund	1,258,707	-	-	-	-	-	-	-	-	-	-	-	1,258,707
Insurance Fund	-	-	-	9,460,612	(4,593,629)	-	-	-	-	-	-	-	4,866,983
Tuition Assistance Fund	-	-	-	-	-	-	(3,989,361)	-	-	-	-	-	(3,989,361)
Retirement Fund	-	-	-	-	-	(20,693,498)	-	-	-	-	-	-	(20,693,498)
Investments Operating as Endowments	6,659,638	98,563	-	-	-	-	-	-	-	-	-	-	6,758,201
Invested in Property, Plant, and Equipment	-	-	14,713,973	-	-	-	-	-	-	-	1,401,787	-	16,115,760
With Donor Restrictions:													
To be Spent for Specific Purpose	1,560,735	18,866,040	2,973,470	-	-	6,731,177	24,225	3,205,197	-	-	175,600	-	33,536,444
Maintained in perpetuity	-	7,627,273	-	-	-	-	-	-	-	-	-	-	7,627,273
Total Net Assets	12,316,021	26,591,876	10,941,868	9,460,612	(4,593,629)	(13,962,321)	(3,965,136)	3,205,197	-	-	1,591,348	-	41,585,836
Total Liabilities and Net Assets	\$ 16,925,338	\$ 26,591,876	\$ 25,010,585	\$ 10,721,758	\$ 2,974,093	\$ 7,054,353	\$ 527,970	\$ 3,355,240	\$ 376,101	\$ 5,972,269	\$ 2,857,233	\$ (6,750,241)	\$ 95,616,575

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund	Endowments Fund	Plant Fund	Health Insurance Fund	Property and Casualty Insurance Fund	Pension and Retirement Accounting Fund	Tuition Assistance Fund	Annual Diocesan Appeal Fund	Custodial Fund	Living Our Mission Fund	Cemeteries Fund	Eliminating Entries	Combined
OPERATING REVENUES													
Diocesan Assessments	\$ 8,740,407	\$ -	\$ -	\$ -	\$ -	\$ 1,009,743	\$ -	\$ -	\$ -	\$ -	\$ 64,848	\$ -	\$ 9,814,998
Contributions and Collections	1,429,461	806,169	140,156	-	954,704	500,000	-	-	492,994	-	11,602	-	4,335,086
Contributions from Elderly Housing Facilities	3,938,514	-	-	-	-	-	-	-	-	-	-	-	3,938,514
Realized/Unrealized Gain (Loss) on Investments	1,966,994	7,727,631	2,196,203	2,973,269	615,360	2,116,650	89,280	-	-	-	121,155	-	17,806,542
Interest and Dividend Income	111,244	386,356	183,103	159,846	24,860	110,237	-	-	-	-	6,012	-	981,658
Program and Fee Revenue	990,583	-	-	-	180	-	-	-	-	-	556,171	-	1,546,934
Gain on Property Sales	-	-	1,360,942	-	-	-	-	-	-	-	-	-	1,360,942
Other Income	385,934	142,449	166,627	10,527	523,170	-	-	-	-	-	4,394	-	1,233,101
Transfers From Other Funds	(1,347,929)	(61,781)	3,317	(16,198)	1,373,219	(304,691)	(110,084)	-	-	409,473	54,674	-	-
Total Operating Revenues	16,215,208	9,000,824	4,050,348	3,127,444	3,491,493	3,431,939	(20,804)	-	492,994	409,473	818,856	-	41,017,775
OTHER REVENUES													
Insurance Assessments	-	-	-	13,652,674	3,005,899	-	-	-	-	-	-	(1,246,396)	15,412,177
Campaign Contributions, Net	-	-	-	-	-	-	-	4,874,709	-	113,181	-	-	4,987,890
Tuition Assistance Assessments	-	-	-	-	-	-	4,515,459	-	-	-	-	-	4,515,459
PPP Loan Forgiveness	1,999,000	-	-	-	-	-	-	-	-	-	-	-	1,999,000
Total Other Revenues	1,999,000	-	-	13,652,674	3,005,899	-	4,515,459	4,874,709	-	113,181	-	(1,246,396)	26,914,526
NET ASSETS RELEASED FROM RESTRICTIONS													
Satisfaction of Purpose Restrictions	3,354,302	(794,263)	17,323	-	-	(137,988)	-	(2,439,374)	-	-	-	-	-
Total Revenues and Reclassifications	21,568,510	8,206,561	4,067,671	16,780,118	6,497,392	3,293,951	4,494,655	2,435,335	492,994	522,654	818,856	(1,246,396)	67,932,301
Program Expenses (See operating fund detail on page 44)	11,325,550	171,742	-	-	-	-	-	-	492,994	-	744,733	-	12,735,019
AUXILIARY PROGRAMS AND SERVICES													
Campaign Case Distributions	-	-	-	-	-	118,000	-	1,510,887	-	(715,352)	-	-	913,535
Tuition Assistance Program	-	-	-	-	-	-	3,961,115	-	-	-	-	-	3,961,115
Insurance Expenses	-	-	-	13,661,710	3,655,161	-	-	-	-	-	-	(1,246,396)	16,070,475
Change in Unfunded Priest Pension Liability	-	-	-	-	-	(8,360,562)	-	-	-	-	-	-	(8,360,562)
Change in Unfunded Priest Other Postretirement	-	-	-	-	-	(2,218,682)	-	-	-	-	-	-	(2,218,682)
Health Obligations	-	-	-	-	-	(2,218,682)	-	-	-	-	-	-	(2,218,682)
Total Auxiliary Programs and Services	-	-	-	13,661,710	3,655,161	(10,461,244)	3,961,115	1,510,887	-	(715,352)	-	(1,246,396)	10,365,881
ADMINISTRATIVE AND FINANCIAL SERVICES													
General Administration	8,183,021	1,208	506,099	-	-	-	-	-	-	91,652	-	-	8,781,980
Depreciation	-	-	961,459	-	-	-	-	-	-	-	27,433	-	988,892
Interest	755	-	239,211	-	89,551	-	79,364	-	-	-	11,184	-	420,065
Bad Debt Expense	-	-	-	-	-	-	-	193,485	-	1,071,353	232	-	1,265,070
Total Administrative and Financial Services	8,183,776	1,208	1,706,769	-	89,551	-	79,364	193,485	-	1,163,005	38,849	-	11,456,007
Total Expenses	19,509,326	172,950	1,706,769	13,661,710	3,744,712	(10,461,244)	4,040,479	1,704,372	492,994	447,653	783,582	(1,246,396)	34,556,907
CHANGE IN NET ASSETS	2,059,184	8,033,611	2,360,902	3,118,408	2,752,680	13,755,195	454,176	730,963	-	75,001	35,274	-	33,375,394
Net Assets - Beginning of Year	12,316,021	26,591,876	10,941,868	9,460,612	(4,593,629)	(13,962,321)	(3,965,136)	3,205,197	-	-	1,591,348	-	41,585,836
NET ASSETS - END OF YEAR	\$ 14,375,205	\$ 34,625,487	\$ 13,302,770	\$ 12,579,020	\$ (1,840,949)	\$ (207,126)	\$ (3,510,960)	\$ 3,936,160	\$ -	\$ 75,001	\$ 1,626,622	\$ -	\$ 74,961,230

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund	Endowments Fund	Plant Fund	Health Insurance Fund	Property and Casualty Insurance Fund	Pension and Retirement Accounting Fund	Tuition Assistance Fund	Annual Diocesan Appeal Fund	Custodial Fund	Living Our Mission Fund	Cemeteries Fund	Eliminating Entries	Combined
OPERATING REVENUES													
Diocesan Assessments	\$ 8,210,282	\$ -	\$ -	\$ -	\$ -	\$ 819,023	\$ -	\$ -	\$ -	\$ -	\$ 76,292	\$ -	\$ 9,105,597
Contributions and Collections	1,775,377	60,129	-	-	-	41,371	-	-	355,024	-	10,640	-	2,242,541
Contributions from Elderly Housing Facilities	4,150,000	-	-	-	-	-	-	-	-	-	-	-	4,150,000
Realized/Unrealized Gain (Loss) on Investments	71,697	245,736	(520,564)	100,769	(11,785)	51,533	(91,576)	-	-	-	2,567	-	(151,623)
Interest and Dividend Income	214,028	438,446	198,103	168,647	28,446	103,956	-	-	-	-	4,199	-	1,155,825
Program and Fee Revenue	1,681,913	-	-	-	1,105	-	-	-	-	-	397,426	-	2,080,444
Other Income	686,933	4,750	242,100	44,447	34,228	-	-	-	9,445	-	251	-	1,022,154
Transfers From Other Funds	808,141	(70,084)	(53,220)	(24,769)	(420,837)	(403,947)	(90,200)	-	-	205,188	49,728	-	-
Total Operating Revenues	17,598,371	678,977	(133,581)	289,094	(368,843)	611,936	(181,776)	-	364,469	205,188	541,103	-	19,604,938
OTHER REVENUES													
Insurance Assessments	-	-	-	12,099,789	2,837,727	-	-	-	-	-	-	(1,312,241)	13,625,275
Campaign Contributions, Net	-	-	-	-	-	-	-	3,796,516	-	170,305	-	-	3,966,821
Tuition Assistance Assessments	-	-	-	-	-	-	3,899,951	-	-	-	-	-	3,899,951
Total Other Revenues	-	-	-	12,099,789	2,837,727	-	3,899,951	3,796,516	-	170,305	-	(1,312,241)	21,492,047
NET ASSETS RELEASED FROM RESTRICTIONS													
Satisfaction of Purpose Restrictions	3,416,012	(1,007,398)	10,583	-	-	-	-	(2,419,197)	-	-	-	-	-
Total Revenues and Reclassifications	21,014,383	(328,421)	(122,998)	12,388,883	2,468,884	611,936	3,718,175	1,377,319	364,469	375,493	541,103	(1,312,241)	41,096,985
Program Expenses (See operating fund detail on Page 44)	12,878,348	165,341	-	-	-	-	-	-	364,469	-	648,856	-	14,057,014
AUXILIARY PROGRAMS AND SERVICES													
Campaign Case Distributions	-	-	-	-	-	248,000	-	950,722	-	168,878	-	-	1,367,600
Tuition Assistance Program	-	-	-	-	-	-	4,349,040	-	-	-	-	-	4,349,040
Insurance Expenses	-	-	-	12,009,500	3,201,274	-	-	-	-	-	-	(1,312,241)	13,898,533
Change in Unfunded Priest Pension Liability	-	-	-	-	-	3,066,450	-	-	-	-	-	-	3,066,450
Change in Unfunded Priest Other Postretirement Health Obligations	-	-	-	-	-	1,921,437	-	-	-	-	-	-	1,921,437
Total Auxiliary Programs and Services	-	-	-	12,009,500	3,201,274	5,235,887	4,349,040	950,722	-	168,878	-	(1,312,241)	24,603,060
ADMINISTRATIVE AND FINANCIAL SERVICES													
General Administration	7,694,726	1,206	472,652	-	-	-	-	-	-	199,011	-	-	8,367,595
Independent Reconciliation Program	-	-	-	-	6,300,000	-	-	-	-	-	-	-	6,300,000
Depreciation	-	-	1,065,316	-	-	-	-	-	-	-	22,816	-	1,088,132
Interest	328	-	248,336	-	-	-	97,021	-	-	-	12,957	-	358,642
Bad Debt Expense	-	-	46,637	-	-	-	-	169,910	-	7,604	4,248	-	228,399
Total Administrative and Financial Services	7,695,054	1,206	1,832,941	-	6,300,000	-	97,021	169,910	-	206,615	40,021	-	16,342,768
Total Expenses	20,573,402	166,547	1,832,941	12,009,500	9,501,274	5,235,887	4,446,061	1,120,632	364,469	375,493	688,877	(1,312,241)	55,002,842
CHANGE IN NET ASSETS	440,981	(494,968)	(1,955,939)	379,383	(7,032,390)	(4,623,951)	(727,886)	256,687	-	-	(147,774)	-	(13,905,857)
Net Assets - Beginning of Year	11,875,040	27,086,844	12,897,807	9,081,229	2,438,761	(9,338,370)	(3,237,250)	2,948,510	-	-	1,739,122	-	55,491,693
NET ASSETS - END OF YEAR	\$ 12,316,021	\$ 26,591,876	\$ 10,941,868	\$ 9,460,612	\$ (4,593,629)	\$ (13,962,321)	\$ (3,965,136)	\$ 3,205,197	\$ -	\$ -	\$ 1,591,348	\$ -	\$ 41,585,836

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
GENERAL OPERATING FUND STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021				2020			
	Without Donor Restrictions	Without Donor Restrictions - Designated	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions - Designated	With Donor Restrictions	Total
OPERATING REVENUES								
Diocesan Assessments	\$ 8,141,467	\$ 598,940	\$ -	\$ 8,740,407	\$ 7,726,751	\$ 483,531	\$ -	\$ 8,210,282
Contributions and Collections	873,429	279,300	276,732	1,429,461	920,917	107,500	746,960	1,775,377
Contributions from Elderly Housing Facilities	3,938,514	-	-	3,938,514	4,150,000	-	-	4,150,000
Realized/Unrealized Gain on Investments	1,476	1,953,363	12,155	1,966,994	7,901	63,402	394	71,697
Interest and Dividend Income	14,999	95,788	457	111,244	101,407	112,098	523	214,028
Program and Fee Revenue	840,437	142,157	7,989	990,583	1,664,170	8,230	9,513	1,681,913
Other Income	316,808	-	69,126	385,934	599,617	10,990	76,326	686,933
Transfers From Other Funds	(1,347,929)	-	-	(1,347,929)	808,141	-	-	808,141
Total Operating Revenues	12,779,201	3,069,548	366,459	16,215,208	15,978,904	785,751	833,716	17,598,371
OTHER REVENUES								
PPP Loan Forgiveness	1,999,000	-	-	1,999,000	-	-	-	-
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of Purpose Restrictions	4,973,743	(901,816)	(717,625)	3,354,302	4,847,387	(1,040,137)	(391,238)	3,416,012
Total Revenues and Reclassifications	19,751,944	2,167,732	(351,166)	21,568,510	20,826,291	(254,386)	442,478	21,014,383
Program Expenses (See detail on page 44)	11,395,605	(70,055)	-	11,325,550	12,947,535	(69,187)	-	12,878,348
ADMINISTRATIVE AND FINANCIAL SERVICES								
General Administration	8,183,021	-	-	8,183,021	7,694,726	-	-	7,694,726
Interest	755	-	-	755	328	-	-	328
Total Administrative and Financial Services	8,183,776	-	-	8,183,776	7,695,054	-	-	7,695,054
Total Expenses	19,579,381	(70,055)	-	19,509,326	20,642,589	(69,187)	-	20,573,402
CHANGE IN NET ASSETS	172,563	2,237,787	(351,166)	2,059,184	183,702	(185,199)	442,478	440,981
Net Assets - Beginning of Year	2,484,656	8,270,630	1,560,735	12,316,021	2,300,954	8,455,829	1,118,257	11,875,040
NET ASSETS - END OF YEAR	\$ 2,657,219	\$ 10,508,417	\$ 1,209,569	\$ 14,375,205	\$ 2,484,656	\$ 8,270,630	\$ 1,560,735	\$ 12,316,021

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
ENDOWMENT FUND STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Contributions and Collections	\$ 793,650	\$ 12,519	\$ 806,169	\$ 41,271	\$ 18,858	\$ 60,129
Realized/Unrealized Gain on Investments	165,666	7,561,965	7,727,631	555	245,181	245,736
Interest and Dividend Income	10,753	375,603	386,356	840	437,606	438,446
Other Income	-	142,449	142,449	-	4,750	4,750
Transfers From Other Funds	-	(61,781)	(61,781)	(44,436)	(25,648)	(70,084)
Total Operating Revenues	<u>970,069</u>	<u>8,030,755</u>	<u>9,000,824</u>	<u>(1,770)</u>	<u>680,747</u>	<u>678,977</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Change in Purpose Restriction	13,446	(13,446)	-	19,546	(19,546)	-
Satisfaction of Purpose Restrictions	139,503	(933,766)	(794,263)	191,438	(1,198,836)	(1,007,398)
Total Revenues and Reclassifications	<u>1,123,018</u>	<u>7,083,543</u>	<u>8,206,561</u>	<u>209,214</u>	<u>(537,635)</u>	<u>(328,421)</u>
PROGRAM EXPENSES	171,742	-	171,742	165,341	-	165,341
ADMINISTRATIVE AND FINANCIAL SERVICES						
General Administration	1,208	-	1,208	1,206	-	1,206
Total Administrative and Financial Services	<u>1,208</u>	<u>-</u>	<u>1,208</u>	<u>1,206</u>	<u>-</u>	<u>1,206</u>
Total Expenses	<u>172,950</u>	<u>-</u>	<u>172,950</u>	<u>166,547</u>	<u>-</u>	<u>166,547</u>
CHANGE IN NET ASSETS	950,068	7,083,543	8,033,611	42,667	(537,635)	(494,968)
NET ASSETS, BEGINNING OF YEAR	<u>98,563</u>	<u>26,493,313</u>	<u>26,591,876</u>	<u>55,896</u>	<u>27,030,948</u>	<u>27,086,844</u>
NET ASSETS, END OF YEAR	<u>\$ 1,048,631</u>	<u>\$ 33,576,856</u>	<u>\$ 34,625,487</u>	<u>\$ 98,563</u>	<u>\$ 26,493,313</u>	<u>\$ 26,591,876</u>



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Administrative Offices of the Catholic Diocese of Richmond
Richmond, Virginia

We have audited the financial statements of the Administrative Offices of the Catholic Diocese of Richmond as of and for the year ended June 30, 2021, and our report thereon dated October 18, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Disclosures for Retirement Plan for Lay Employees, Analysis of Collections Payable, and Operating Fund Program and Administrative Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 18, 2021

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
DISCLOSURES FOR RETIREMENT PLAN FOR LAY EMPLOYEES
YEARS ENDED JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

The following disclosures relate to the Catholic Diocese of Richmond Retirement Plan for Lay Employees (as described in Note 10). The actuarial report used for these disclosures was based on data as of December 31, 2020 and 2019 and was calculated in accordance with accounting principles generally accepted in the United States of America for reporting by defined benefit pension plans and not in accordance with accounting principles generally accepted in the United States of America associated with reporting by plan sponsors.

	<u>2021</u>	<u>2020</u>
Change in Benefit Obligation:		
Accumulated Benefit Obligation at Beginning of Year	\$ 148,403,155	\$ 143,129,722
Benefits accumulated and losses	1,151,779	4,284,294
Interest Cost	9,371,419	9,045,715
Assumption Changes	(3,422,312)	-
Benefits Paid	(8,504,035)	(8,056,576)
Lump Sum Payouts to Deferred Vested Participants	<u>(6,942,757)</u>	<u>-</u>
Accumulated Benefit Obligation at End of Year	140,057,249	148,403,155
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	137,510,391	116,020,666
Return on Plan Assets	18,951,117	25,715,950
Employer Contributions	3,450,432	4,321,486
Benefits Paid	(8,504,035)	(8,056,576)
Lump Sum Payouts to Deferred Vested Participants	(6,942,757)	-
Plan expenses	<u>(614,859)</u>	<u>(491,135)</u>
Fair Value of Plan Assets at End of Year	<u>143,850,289</u>	<u>137,510,391</u>
Accrued Pension Liability, Lay Employees	<u>\$ (3,793,040)</u>	<u>\$ 10,892,764</u>
Percentage Funded	<u>2021</u> 102.71%	<u>2020</u> 92.66%
Discount Rate on the Benefit Obligation	<u>2021</u> 6.50%	<u>2020</u> 6.50%
Rate of Expected Return on Plan Assets	6.50%	6.50%

The Diocese as a whole expects to contribute approximately \$4,202,169 to the plan in 2022. This contribution will be funded by collecting 7% of eligible employee salary expense from each affiliated entity.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
ANALYSIS OF COLLECTIONS PAYABLE
YEARS ENDED JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Name of Collection	6/30/2019 Balance	Cash Received	Cash Forwarded	6/30/2020 Balance	Cash Received	Cash Forwarded	6/30/2021 Balance
Catholic Charities of Eastern Virginia	\$ 2,156	\$ 164,191	\$ 153,639	\$ 12,708	\$ 103,840	\$ 114,844	\$ 1,704
Commonwealth Catholic Charities	9,050	172,822	175,087	6,785	97,395	100,331	3,849
Campaign for Human Development	828	16,878	17,582	124	10,681	10,510	295
Retired Religious	57,037	236,470	269,522	23,985	174,854	150,724	48,115
Catholic Relief Services	124,825	123,298	190,272	57,851	143,443	116,931	84,363
Holy Land	5,282	22,160	26,244	1,198	24,133	19,406	5,925
Peter's Pence	44,030	135,642	159,440	20,232	106,990	82,565	44,657
World Mission Sunday	61,707	147,929	163,167	46,469	98,865	118,362	26,972
Disaster Relief	2,954	22,105	-	25,059	99,046	120,686	3,419
Operation Rice Bowl	21,773	35,004	40,589	16,188	27,146	21,528	21,806
St. Mary's Health Wagon	68,923	26,274	47,000	48,197	11,027	45,000	14,224
Military Services	2,871	141,844	136,804	7,911	53,422	51,571	9,762
Total Collections Payable	<u>\$ 401,436</u>	<u>\$ 1,244,617</u>	<u>\$ 1,379,346</u>	<u>\$ 266,707</u>	<u>\$ 950,842</u>	<u>\$ 952,458</u>	<u>\$ 265,091</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
OPERATING FUND PROGRAM AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2021</u>	<u>2020</u>
Office of Bishop and Vicars		
Bishop's Office	\$ 276,328	\$ 385,241
Vicar General	207,620	255,572
Vicar for Clergy	171,723	166,645
Total Office of Bishop and Vicars	<u>655,671</u>	<u>807,458</u>
Pastoral Ministries		
Support for Priests:		
Diocesan support for priests	959,428	960,825
International priests enculturation and mentorship	599,145	703,062
Priest auto fund grants	288,649	600,556
Retired priests health care and support	256,740	260,268
Priests long-term care	529,397	532,826
Priests convocation and formation	3,031	73,069
Vocations	1,312,286	1,356,285
Tribunal and Chancellor's Office	472,349	557,286
Retreat Centers	236,411	278,072
Permanent Diaconate	146,235	154,330
Diocese of Richmond Housing Corporation	55,896	41,586
Diocesan Theologian, Worship, Priests Council and Other	136,072	138,772
Total Pastoral Ministries	<u>4,995,639</u>	<u>5,656,937</u>
Catholic Education Ministries		
Office of Catholic Schools	846,173	877,100
Christian Formation	510,369	645,616
Total Catholic Education Ministries	<u>1,356,542</u>	<u>1,522,716</u>
Social and Cultural Ministries		
Social Ministries	421,368	309,129
Ethnic Ministries	263,854	464,804
Fuel and Hunger Fund	402,922	325,200
Home Missions Program	288,222	10,000
Total Social and Cultural Ministries	<u>1,376,366</u>	<u>1,109,133</u>
Office for Evangelization		
Campus field operations	1,227,516	1,379,040
Youth programs and events	30,122	540,580
Administration and cross-office programs	353,008	407,130
Young Adult programs and events	1,403	15,883
Marriage and Family	97,259	189,683
Campus programs and events	32,434	114,326
Total Evangelization of Youth and Young Adult	<u>1,741,742</u>	<u>2,646,642</u>
Communications		
Office of Communications	380,207	314,642
Catholic Virginian	819,383	820,820
Total Communications	<u>1,199,590</u>	<u>1,135,462</u>
Total Program Expenses	<u><u>11,325,550</u></u>	<u><u>12,878,348</u></u>

**ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND
 OPERATING FUND PROGRAM AND ADMINISTRATIVE EXPENSES
 YEARS ENDED JUNE 30, 2021 AND 2020
 (SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	<u>2021</u>	<u>2020</u>
Administrative and Financial Services		
Finance, Real Estate, and Risk Management	1,312,130	1,300,698
Human Resources and Safe Environment	960,175	897,690
Information Technology	906,521	929,376
Professional fees and general administration	1,424,593	722,754
Facility operations, repairs and maintenance	567,473	612,919
Development	1,155,276	1,167,416
Annual Diocesan Appeal	497,838	465,054
Bicentennial Celebration	182,605	129,964
Payroll Processing	486,022	508,146
ParishSoft Accounting	182,480	176,890
USCCB and Virginia Catholic Conference Dues	281,836	441,354
Copy Services	115,405	146,495
Archives and Museum	111,422	196,298
Total Administrative and Financial Services	<u>8,183,776</u>	<u>7,695,054</u>