

THE HARTFORD BISHOPS' FOUNDATION, INC.

Independent Auditors' Report and Financial Statements

December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Hartford Bishops' Foundation, Inc.

Opinion

We have audited the accompanying financial statements of The Hartford Bishops' Foundation, Inc., (a non-profit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hartford Bishops' Foundation, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Hartford Bishops' Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Prior Period Financial Statements

The financial statements of The Hartford Bishops' Foundation, Inc. as of December 31, 2020, were audited by other auditors whose report dated September 15, 2021, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
July 7, 2022

THE HARTFORD BISHOPS' FOUNDATION, INC.

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets:		
Cash and cash equivalents	\$ 9,084,855	\$ 5,158,709
Contributions receivable, net	901,579	1,304,444
Prepaid expenses	-	1,800
Property and equipment, net	9,430	11,777
Total assets	<u>\$ 9,995,864</u>	<u>\$ 6,476,730</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,442,765	\$ 550,572
Refundable advance - Paycheck Protection Program	-	66,757
Loan payable	500,000	500,000
Total liabilities	<u>1,942,765</u>	<u>1,117,329</u>
Net assets:		
Net assets without donor restrictions	4,526,942	1,888,248
Net assets with donor restrictions	3,526,157	3,471,153
Total net assets	<u>8,053,099</u>	<u>5,359,401</u>
Total liabilities and net assets	<u>\$ 9,995,864</u>	<u>\$ 6,476,730</u>

The accompanying notes are an integral part of the financial statements.

THE HARTFORD BISHOPS' FOUNDATION, INC.

Statements of Activities

For the years ended December 31, 2021 and 2020

	2021			2020		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
Revenues and other support:						
Contributions	\$ 4,990,350	\$ 3,268,868	\$ 8,259,218	\$ 2,781,256	\$ 1,687,665	\$ 4,468,921
In-kind contributions	332,406	-	332,406	330,097	-	330,097
Fundraising events	481,157	-	481,157	232,850	-	232,850
Loss on disposal of fixed asset	(801)	-	(801)	-	-	-
Investment income	954	1,463	2,417	1,501	2,312	3,813
Net assets released from restrictions	3,215,327	(3,215,327)	-	2,629,499	(2,629,499)	-
Total revenues and other support	<u>9,019,393</u>	<u>55,004</u>	<u>9,074,397</u>	<u>5,975,203</u>	<u>(939,522)</u>	<u>5,035,681</u>
Expenses:						
Program	3,919,820	-	3,919,820	2,462,701	-	2,462,701
Management and general	1,018,476	-	1,018,476	1,097,234	-	1,097,234
Fundraising	1,509,815	-	1,509,815	2,079,348	-	2,079,348
Total expenses	<u>6,448,111</u>	<u>-</u>	<u>6,448,111</u>	<u>5,639,283</u>	<u>-</u>	<u>5,639,283</u>
Other changes in net assets						
Paycheck Protection Program	67,412	-	67,412	-	-	-
Total other changes in net assets	<u>67,412</u>	<u>-</u>	<u>67,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	2,638,694	55,004	2,693,698	335,920	(939,522)	(603,602)
Net assets, beginning of year	<u>1,888,248</u>	<u>3,471,153</u>	<u>5,359,401</u>	<u>1,552,328</u>	<u>4,410,675</u>	<u>5,963,003</u>
Net assets, end of year	<u>\$ 4,526,942</u>	<u>\$ 3,526,157</u>	<u>\$ 8,053,099</u>	<u>\$ 1,888,248</u>	<u>\$ 3,471,153</u>	<u>\$ 5,359,401</u>

The accompanying notes are an integral part of the financial statements.

THE HARTFORD BISHOPS' FOUNDATION, INC.

Statements of Functional Expenses

For the years ended December 31, 2021 and 2020

	2021			
	Program	Management and General	Fundraising	Total
Grants	\$ 3,919,820	\$ -	\$ -	\$ 3,919,820
Professional fees	-	72,645	1,297,102	1,369,747
Fundraising events	-	-	109,359	109,359
Payroll and benefits	-	734,193	-	734,193
Marketing	-	16,900	66,874	83,774
Office and occupancy	-	76,592	36,480	113,072
Depreciation	-	4,444	-	4,444
Bad debt	-	98,047	-	98,047
Interest	-	15,655	-	15,655
Total expenses	<u>\$ 3,919,820</u>	<u>\$ 1,018,476</u>	<u>\$ 1,509,815</u>	<u>\$ 6,448,111</u>

	2020			
	Program	Management and General	Fundraising	Total
Grants	\$ 2,462,701	\$ -	\$ -	\$ 2,462,701
Professional fees	-	304,071	1,921,811	2,225,882
Fundraising events	-	-	46,301	46,301
Payroll and benefits	-	655,563	-	655,563
Marketing	-	57,774	75,660	133,434
Office and occupancy	-	59,983	35,576	95,559
Depreciation	-	4,843	-	4,843
Interest	-	15,000	-	15,000
Total expenses	<u>\$ 2,462,701</u>	<u>\$ 1,097,234</u>	<u>\$ 2,079,348</u>	<u>\$ 5,639,283</u>

The accompanying notes are an integral part of the financial statements.

THE HARTFORD BISHOPS' FOUNDATION, INC.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,693,698	\$ (603,602)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	4,444	4,843
Loss on disposal of fixed assets	801	-
(Increase)/decrease in assets:		
Contributions receivable	402,865	1,201,830
Prepaid expenses	1,800	(1,800)
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses	892,193	242,117
Refundable advance - Paycheck Protection Program	(66,757)	66,757
Net change in cash from operating activities	<u>3,929,044</u>	<u>910,145</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,898)	(3,322)
Net change in cash from investing activities	<u>(2,898)</u>	<u>(3,322)</u>
Change in cash and cash equivalents	3,926,146	906,823
Cash and cash equivalents beginning of year	<u>5,158,709</u>	<u>4,251,886</u>
Cash and cash equivalents end of year	<u><u>\$ 9,084,855</u></u>	<u><u>\$ 5,158,709</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 15,000</u></u>	<u><u>\$ 15,000</u></u>

The accompanying notes are an integral part of the financial statements.

THE HARTFORD BISHOPS' FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 1 - ORGANIZATION

The Hartford Bishops' Foundation, Inc. ("HBF") was established to provide supporting services and assistance to The Hartford Roman Catholic Diocesan Corporation ("Diocesan Corporation"). Also, to those institutions of the Roman Catholic Church affiliated with the Diocesan Corporation within the Archdiocese of Hartford included in The Official Catholic Directory (the "Qualified Entities") with the planning, soliciting, receiving, accepting, accounting, administering, applying, investing, managing, and disbursing of philanthropic gifts. They are designated to financially support the Diocesan Corporation or its affiliated institutions, missions and ministries within the Archdiocese of Hartford and included in The Official Catholic Directory, or designated to provide financial support to one or more of these institutions, or to undertake capital repairs, improvements, renovations, projects, and restorations of their religious, educational, and charitable edifices within the Archdiocese of Hartford.

The accompanying financial statements present the accounts of HBF, an affiliate of the Archdiocese of Hartford (the "Archdiocese"). They are not intended to present the financial position, changes in net assets, and cash flows of the Archdiocese.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – HBF follows the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board ("FASB") Codification. Under this topic, HBF is required to report information regarding its financial position and activities according to two classes net assets as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of HBF. These net assets may be used at the discretion of HBF's management and the board of directors.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HBF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents - HBF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. HBF maintains its cash and cash equivalents in various financial institutions in accounts which at times may exceed federally insured limits. HBF has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable - Contributions receivable, less an appropriate reserve, are recorded at estimated net present value and represent leadership pledges. Amortization of the discount is credited to contribution income. Contributions receivable that are deemed uncollectible are written off against the allowance for doubtful accounts.

Income Taxes - HBF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity in accordance with Section 509(a)(1).

Revenue Recognition - All contributions (which includes the Forward with Faith Campaign), donations, legacies, and gifts are recorded as without donor restrictions, unless specifically restricted by the donor for endowment or capital purposes. These contributions must be unconditional to record as revenue. No revenue is recorded where there is a donor stipulation dependent upon a specific future or uncertain event whose occurrence or failure to occur gives the donor a right of return of the gift or donation. Such stipulated donor imposed gifts would be recorded as deferred revenue should they occur. When the imposed condition is met the contribution would be recorded as revenue in that period. Restricted gifts that impact more than one reporting period are recognized as net assets with donor restrictions and are released to net assets without donor restrictions when the donor restrictions are met.

Contribution revenue for the years ended December 31, 2021 and 2020 is comprised of leadership gifts of \$752,933 and \$704,880, parishioner contributions of \$7,464,435 and \$3,369,381, and other contributions of \$41,850 and \$394,660, respectively.

Functional Allocation of Expenses - The costs of operations and other activities have been summarized on the statements of functional expenses according to their natural expense classification and across their functional categories. Natural expenses are accounted for on a direct cost basis to the function upon which the expense is incurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Services Received from Personnel of an Affiliate - HBF follows FASB Accounting Standards Update 2013-06 *Services Received from Personnel of an Affiliate*. The Archdiocese provides administrative staffing to HBF at no cost. Wage expense and the corresponding in-kind contribution from the Archdiocese have been included in the statements of activities. Total salaries provided by the Archdiocese totaled \$325,750 and \$323,600 for the years ended December 31, 2021 and 2020, respectively.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events - HBF monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2021 through July 7, 2022, the date on which the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The following represents HBF's financial assets available to meet general expenditures in the next twelve month as of December 31,:

	2021	2020
Cash and cash equivalents, at year-end	\$ 9,084,855	\$ 5,158,709
Contributions receivable, net	901,579	1,304,444
Total financial assets	9,986,434	6,463,153
Less those unavailable for general expenditures within one year, due to:		
Cash restricted for purpose	(2,624,578)	(2,166,709)
Contributions receivable due in greater than one year	(339,598)	(606,562)
Assets available to meet cash needs for general expenditures within one year	<u>\$ 7,022,258</u>	<u>\$ 3,689,882</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31,:

	2021	2020
Gross pledges receivable:		
Due within one year	\$ 660,028	\$ 697,882
Due within two to five years	346,300	618,600
Total contributions receivable	1,006,328	1,316,482
Less: discount to present value	(6,702)	(12,038)
Less: allowance for doubtful accounts	(98,047)	-
Total contributions receivable, net	<u>\$ 901,579</u>	<u>\$ 1,304,444</u>

The discount rate applied to long-term pledges was 1.2% for 2021 and 2020. Gross contributions receivable does not include parishioner pledges.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31,:

	2021	2020
Pledges	\$ 901,579	\$ 1,304,444
Education to Reignite the Faith	645,197	720,198
Vibrant Parishes	1,917,196	1,389,790
Champions in Service to Others	48,000	44,000
Other	14,185	12,721
	<u>\$ 3,526,157</u>	<u>\$ 3,471,153</u>

Net assets with the following time and purpose restrictions were released from restrictions for the years ended December 31,:

	2021	2020
Pledges	\$ 410,814	\$ 678,798
Education to Reignite the Faith	75,000	170,000
Vibrant Parishes	2,729,513	1,780,701
	<u>\$ 3,215,327</u>	<u>\$ 2,629,499</u>

NOTE 6 – LOAN PAYABLE

HBF secured a \$500,000 three-year loan from the Diocesan Corporation which bears interest at a rate of 3% per annum. The loan commenced on September 1, 2019 with monthly interest only payments in the amount of \$1,250 due through February 1, 2021. Monthly principal and interest payments of \$28,442 were set to commence March 1, 2021 through August 1, 2022.

In 2021, principal payments required to be made from March 1, 2021 through August 1, 2022 were suspended. Payments were subsequently set to begin March 1 2022 and end August 1, 2023.

Subsequent to year end, payments were further suspended to September 1, 2023, ending February 1, 2025. Principal and interest payments will total \$27,777.

Future minimum principal payments are scheduled as follows for the years ending December 31,:

2022	\$ -
2023	111,111
2024	333,333
2025	<u>55,556</u>
	<u>\$ 500,000</u>

NOTE 7 - PAYCHECK PROTECTION PROGRAM

During May 2020, HBF received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$67,412. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period of the loan (interest will accrue). The full balance was forgiven on May 6, 2021 and is therefore recorded as income on the statement of activities for the year ended December 31, 2021.

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