

**CATHOLIC DIOCESE OF WILMINGTON, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2023 AND 2022**

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
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BELFINT • LYONS • SHUMAN  
Certified Public Accountants

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*Independent Auditors' Report*

To the Board of Trustees  
Catholic Diocese of Wilmington, Inc.

***Opinion***

We have audited the accompanying financial statements of Catholic Diocese of Wilmington, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of June 30, 2023 and 2022, and the related statements of support, revenue, and expenses - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Catholic Diocese of Wilmington, Inc. as of June 30, 2023 and 2022, and its support, revenue, expenses, and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

***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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Catholic Diocese of Wilmington, 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.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Note 1 of the financial statements discloses the significant differences between the modified cash basis of accounting implemented by Catholic Diocese of Wilmington, Inc. and accounting principles generally accepted in the United States of America. Included among the

To the Board of Trustees  
Catholic Diocese of Wilmington, Inc.

differences is that the organization does not establish accruals under Financial Accounting Standards Board Accounting Standards Codification, 715, *Defined Benefit Plans - Pension*, for employee pension liabilities. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Diocese of Wilmington, 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.

To the Board of Trustees  
Catholic Diocese of Wilmington, Inc.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Diocese of Wilmington, 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.

*Belfint, Lyons & Shuman, P.A.*

February 7, 2024  
Wilmington, Delaware

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2023**

	<u>Net Assets Without Donor Restrictions</u>			<b>Net Assets With Donor Restrictions</b>	<u>Total</u>
	<u>General</u>	<u>Designated</u>	<u>Total</u>		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,413,633	\$ 294,929	\$ 2,708,562	\$ 289,409	\$ 2,997,971
Pooled Investments	5,930,819	8,734,081	14,664,900	11,333,058	25,997,958
Other Investments - Priests' Retirement and Welfare Trust	-	1,243,046	1,243,046	-	1,243,046
Other Investments - Bishop Malooly Scholarship Fund	-	-	-	5,249,283	5,249,283
Other Assets	-	-	-	58,009	58,009
Promises to Give - Net	-	-	-	491,627	491,627
Intrafund Receivable (Payable)	1,050,000	(1,050,000)	-	-	-
Accounts Receivable - Net	4,309,672	5,040,942	9,350,614	-	9,350,614
Real Estate	770,340	-	770,340	-	770,340
Assets Held for Affiliates	-	-	-	32,808,157	32,808,157
<b>TOTAL ASSETS</b>	<u>\$ 14,474,464</u>	<u>\$ 14,262,998</u>	<u>\$ 28,737,462</u>	<u>\$ 50,229,543</u>	<u>\$ 78,967,005</u>
<b>LIABILITIES</b>					
Other Liabilities	\$ 816,530	\$ 815,000	\$ 1,631,530	\$ -	\$ 1,631,530
Assets Owed to Affiliates	-	-	-	32,808,157	32,808,157
<b>TOTAL LIABILITIES</b>	<u>816,530</u>	<u>815,000</u>	<u>1,631,530</u>	<u>32,808,157</u>	<u>34,439,687</u>
<b>NET ASSETS</b>					
Net Assets Without Donor Restrictions	13,657,934	13,447,998	27,105,932	-	27,105,932
Net Assets With Donor Restrictions	-	-	-	17,421,386	17,421,386
<b>TOTAL NET ASSETS</b>	<u>13,657,934</u>	<u>13,447,998</u>	<u>27,105,932</u>	<u>17,421,386</u>	<u>44,527,318</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,474,464</u>	<u>\$ 14,262,998</u>	<u>\$ 28,737,462</u>	<u>\$ 50,229,543</u>	<u>\$ 78,967,005</u>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2022**

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total
	General	Designated	Total		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,383,277	\$ 39,078	\$ 2,422,355	\$ 283,718	\$ 2,706,073
Pooled Investments	5,787,606	10,040,896	15,828,502	10,708,636	26,537,138
Other Investments - Priests' Retirement and Welfare Trust	-	109,032	109,032	-	109,032
Other Investments - Bishop Malooly Scholarship Fund	-	-	-	3,904,683	3,904,683
Other Assets	-	-	-	58,009	58,009
Promises to Give - Net	-	-	-	1,442,740	1,442,740
Intrafund Receivable (Payable)	240,000	(240,000)	-	-	-
Accounts Receivable - Net	4,420,309	4,844,933	9,265,242	-	9,265,242
Real Estate	770,340	-	770,340	-	770,340
Assets Held for Affiliates	-	-	-	29,595,283	29,595,283
<b>TOTAL ASSETS</b>	<b>\$ 13,601,532</b>	<b>\$ 14,793,939</b>	<b>\$ 28,395,471</b>	<b>\$ 45,993,069</b>	<b>\$ 74,388,540</b>
<b>LIABILITIES</b>					
Bank Note Payable	\$ 4,704,588	\$ -	\$ 4,704,588	\$ -	\$ 4,704,588
Other Liabilities	787,310	716,155	1,503,465	-	1,503,465
Assets Owed to Affiliates	-	-	-	29,595,283	29,595,283
<b>TOTAL LIABILITIES</b>	<b>5,491,898</b>	<b>716,155</b>	<b>6,208,053</b>	<b>29,595,283</b>	<b>35,803,336</b>
<b>NET ASSETS</b>					
Net Assets Without Donor Restrictions	8,109,634	14,077,784	22,187,418	-	22,187,418
Net Assets With Donor Restrictions	-	-	-	16,397,786	16,397,786
<b>TOTAL NET ASSETS</b>	<b>8,109,634</b>	<b>14,077,784</b>	<b>22,187,418</b>	<b>16,397,786</b>	<b>38,585,204</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,601,532</b>	<b>\$ 14,793,939</b>	<b>\$ 28,395,471</b>	<b>\$ 45,993,069</b>	<b>\$ 74,388,540</b>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2023**

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Assets With Donor Restrictions</u>	
	<u>General</u>	<u>Designated</u>	<u>Total</u>	<u>Restrictions</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>					
Assessments	\$ 4,248,710	\$ -	\$ 4,248,710	\$ -	\$ 4,248,710
Annual Appeal	5,289,841	-	5,289,841	-	5,289,841
Pooled Investment Income - Net	647,002	1,114,438	1,761,440	1,187,435	2,948,875
Other Investment Income - Net	-	75,379	75,379	596,746	672,125
Collections	10,327	117,983	128,310	-	128,310
Contributions	36,905	1,150	38,055	733,077	771,132
Contributions from Schools Inc.	4,411,616	4,125,000	8,536,616	-	8,536,616
Priests' Insurance Premiums	-	1,107,681	1,107,681	-	1,107,681
Lay Employee Insurance Premiums	-	9,792,131	9,792,131	-	9,792,131
Property and Liability and Other Insurance Premiums	-	2,631,162	2,631,162	-	2,631,162
Other Program Fees	354,064	36,200	390,264	-	390,264
Recovery of Bad Debt Expense	137,445	-	137,445	-	137,445
Net Assets Released from Restrictions	1,493,658	-	1,493,658	(1,493,658)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>16,629,568</b>	<b>19,001,124</b>	<b>35,630,692</b>	<b>1,023,600</b>	<b>36,654,292</b>
<b>EXPENSES</b>					
Assistance to Catholic Charities	750,000	-	750,000	-	750,000
Catholic Education	933,231	-	933,231	-	933,231
Communication	191,836	-	191,836	-	191,836
Distributions					
Education Fund	-	1,007,495	1,007,495	-	1,007,495
Other Funds	-	732,915	732,915	-	732,915
Clergy Pension	-	899,883	899,883	-	899,883
Assistance to Diocesan Agencies	537,620	-	537,620	-	537,620
Program Expenses for Restricted Purposes	15,149	-	15,149	-	15,149
Pastoral Services	179,518	-	179,518	-	179,518

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



**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS - CONTINUED**  
**YEAR ENDED JUNE 30, 2023**

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total
	General	Designated	Total		
<b>EXPENSES - CONTINUED</b>					
Administration (Including Bad Debts)	\$ 1,431,727	\$ 38,476	\$ 1,470,203	\$ -	\$ 1,470,203
Capital Expenditures	183,681	-	183,681	-	183,681
Development	750,206	-	750,206	-	750,206
Finance	1,308,941	-	1,308,941	-	1,308,941
Lay Employee and Priests' Insurance Expense	-	13,962,147	13,962,147	-	13,962,147
Lay Employee Benefits	3,613,701	2,000,000	5,613,701	-	5,613,701
Property and Liability and Other Insurance Expense	56,698	2,118,954	2,175,652	-	2,175,652
<b>TOTAL EXPENSES</b>	<b>9,952,308</b>	<b>20,759,870</b>	<b>30,712,178</b>	<b>-</b>	<b>30,712,178</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	6,677,260	(1,758,746)	4,918,514	1,023,600	5,942,114
Interfund Transfers	(1,128,960)	1,128,960	-	-	-
<b>CHANGE IN NET ASSETS</b>	5,548,300	(629,786)	4,918,514	1,023,600	5,942,114
<b>NET ASSETS - Beginning of Year</b>	<b>8,109,634</b>	<b>14,077,784</b>	<b>22,187,418</b>	<b>16,397,786</b>	<b>38,585,204</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 13,657,934</b>	<b>\$ 13,447,998</b>	<b>\$ 27,105,932</b>	<b>\$ 17,421,386</b>	<b>\$ 44,527,318</b>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2022**

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total
	General	Designated	Total		
<b>REVENUE AND OTHER SUPPORT</b>					
Assessments	\$ 4,164,100	\$ -	\$ 4,164,100	\$ -	\$ 4,164,100
Annual Appeal	5,017,554	-	5,017,554	-	5,017,554
Pooled Investment Loss - Net	(982,134)	(1,688,968)	(2,671,102)	(1,793,589)	(4,464,691)
Other Investment Income (Loss) - Net	22,688	(181,885)	(159,197)	(546,120)	(705,317)
Collections	17,071	81,351	98,422	-	98,422
Contributions	283,190	165,957	449,147	437,922	887,069
Priests' Insurance Premiums	-	1,064,894	1,064,894	-	1,064,894
Lay Employee Insurance Premiums	-	9,316,170	9,316,170	-	9,316,170
Property and Liability and Other Insurance Premiums	-	2,535,282	2,535,282	-	2,535,282
Other Program Fees	553,848	30,600	584,448	-	584,448
Change in Value of Interest Rate Swap	17,710	-	17,710	-	17,710
Net Assets Released from Restrictions	1,833,553	-	1,833,553	(1,833,553)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>10,927,580</b>	<b>11,323,401</b>	<b>22,250,981</b>	<b>(3,735,340)</b>	<b>18,515,641</b>
<b>EXPENSES</b>					
Assistance to Catholic Charities	699,996	-	699,996	-	699,996
Catholic Education	1,338,858	-	1,338,858	-	1,338,858
Communication	175,961	-	175,961	-	175,961
Distributions					
Education Fund	-	873,375	873,375	-	873,375
Other Funds	-	817,101	817,101	-	817,101
Clergy Pension	-	906,674	906,674	-	906,674
Assistance to Diocesan Agencies	506,156	-	506,156	-	506,156
Program Expenses for Restricted Purposes	2,147	-	2,147	-	2,147
Pastoral Services	179,518	-	179,518	-	179,518

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS - CONTINUED**  
**YEAR ENDED JUNE 30, 2022**

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total
	General	Designated	Total		
<b>EXPENSES - CONTINUED</b>					
Administration (Including Bad Debts)	\$ 1,153,305	\$ -	\$ 1,153,305	\$ -	\$ 1,153,305
Capital Expenditures	110,667	-	110,667	-	110,667
Development	683,088	-	683,088	-	683,088
Finance	1,227,135	-	1,227,135	-	1,227,135
Lay Employee and Priests' Insurance Expense	-	11,896,769	11,896,769	-	11,896,769
Lay Employee Benefits	2,745,536	-	2,745,536	-	2,745,536
Property and Liability and Other Insurance Expense	53,893	1,901,442	1,955,335	-	1,955,335
<b>TOTAL EXPENSES</b>	8,876,260	16,395,361	25,271,621	-	25,271,621
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	2,051,320	(5,071,960)	(3,020,640)	(3,735,340)	(6,755,980)
Interfund Transfers	(2,106,530)	2,106,530	-	-	-
<b>CHANGE IN NET ASSETS</b>	(55,210)	(2,965,430)	(3,020,640)	(3,735,340)	(6,755,980)
<b>NET ASSETS - Beginning of Year</b>	8,164,844	17,043,214	25,208,058	20,133,126	45,341,184
<b>NET ASSETS - End of Year</b>	\$ 8,109,634	\$ 14,077,784	\$ 22,187,418	\$ 16,397,786	\$ 38,585,204

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries	\$ 827,483	\$ 1,115,297	\$ 249,600	\$ 2,192,380
Employee Benefits	156,469	210,892	47,197	414,558
Payroll Taxes	54,895	73,989	16,559	145,443
<b>Total Salaries and Related Expenses</b>	<b>1,038,847</b>	<b>1,400,178</b>	<b>313,356</b>	<b>2,752,381</b>
Advertising	21,212	3,081	10,896	35,189
Assistance to Diocesan Agencies	1,287,620	-	-	1,287,620
Bad Debt Expense	38,476	-	-	38,476
Clergy Pension	899,883	-	-	899,883
Conferences and Meetings	154,451	119,030	5,225	278,706
Dues and Memberships	16,669	64,297	3,251	84,217
Education	1,202,137	101,771	-	1,303,908
Insurance Settlements Expense	148,280	-	-	148,280
Interest Expense	187,103	2,482	1,336	190,921
Lay Employee and Priest Insurance Expense	13,684,794	180,279	97,074	13,962,147
Lay Employee Long-Term Disability	117,797	1,563	841	120,201
Lay Employee Pension	5,383,630	71,415	38,455	5,493,500
Occupancy	24,417	156,279	345	181,041
Other Expenses	249,428	121,113	1,028	371,569
Payroll Processing and Bank Fees	6,716	28,086	38,058	72,860
Postage and Printing	20,429	26,466	63,169	110,064
Professional Fees	149,365	82,738	434,291	666,394
Property and Liability and Other Insurance	2,175,652	-	-	2,175,652
Repairs and Maintenance	40,544	309,210	1,086	350,840
Supplies	19,161	19,193	5,213	43,567
Technology	31,394	88,538	-	119,932
Travel	12,110	10,767	1,953	24,830
<b>Total Expenses</b>	<b>\$ 26,910,115</b>	<b>\$ 2,786,486</b>	<b>\$ 1,015,577</b>	<b>\$ 30,712,178</b>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries	\$ 798,572	\$ 1,033,731	\$ 293,475	\$ 2,125,778
Employee Benefits	163,958	212,240	60,255	436,453
Payroll Taxes	52,471	67,922	19,283	139,676
<b>Total Salaries and Related Expenses</b>	<b>1,015,001</b>	<b>1,313,893</b>	<b>373,013</b>	<b>2,701,907</b>
Advertising	24,606	2,950	9,957	37,513
Assistance to Diocesan Agencies	1,206,152	-	-	1,206,152
Bad Debt Expense	45,229	-	-	45,229
Clergy Pension	906,674	-	-	906,674
Conferences and Meetings	109,029	108,515	4,164	221,708
Dues and Memberships	5,103	64,426	1,781	71,310
Education	1,391,640	31,984	-	1,423,624
Insurance Settlements Expense	245,966	-	-	245,966
Interest Expense	139,452	1,850	996	142,298
Lay Employee and Priest Insurance Expense	11,662,189	152,477	82,103	11,896,769
Lay Employee Long-Term Disability	121,239	1,608	866	123,713
Lay Employee Pension	2,569,387	34,083	18,353	2,621,823
Occupancy	18,190	146,071	29	164,290
Other Expenses	175,342	317,628	1,220	494,190
Payroll Processing and Bank Fees	-	37,347	37,193	74,540
Postage and Printing	14,726	28,755	48,061	91,542
Professional Fees	101,267	56,095	294,442	451,804
Property and Liability and Other Insurance	1,955,335	-	-	1,955,335
Repairs and Maintenance	17,285	203,001	1,090	221,376
Supplies	15,633	22,903	3,710	42,246
Technology	33,251	77,851	-	111,102
Travel	9,482	8,526	2,502	20,510
<b>Total Expenses</b>	<b>\$ 21,782,178</b>	<b>\$ 2,609,963</b>	<b>\$ 879,480</b>	<b>\$ 25,271,621</b>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 5,942,114	\$ (6,755,980)
Adjustments to Reconcile Changes in Net Assets to Net Cash from Operating Activities		
Net Losses (Gains) on Pooled Investments	(2,355,497)	4,772,761
Net Losses (Gains) on Other Investments	(564,679)	839,930
Change in Value of Interest Rate Swap	-	(17,710)
Bad Debt Expense (Recovery of Bad Debts)	(98,968)	45,229
Amortization of Discount on Promises to Give	(48,887)	(65,202)
Changes in Assets and Liabilities		
Accounts Receivable	(461,134)	(793,666)
Promises to Give	1,000,000	1,000,000
Other Liabilities	128,065	(7,999)
	<b>3,541,014</b>	<b>(982,637)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Amounts Drawn from (Deposited to) Pooled Investments - Net	3,488,055	1,438,370
Amounts Drawn from (Deposited to) Other Investments for		
Priests' Pension Payments - Net	(1,077,866)	327,253
Bishop Malooly Scholarship Fund - Net	(749,290)	(811,283)
Reinvestment of Interest and Dividends into Pooled Investments - Net of Fees	(593,378)	(308,070)
Reinvestment of Interest and Dividends into Other Investments - Net of Fees	(86,779)	(82,552)
Repayments from Affiliated Corporations - Net	474,730	119,745
	<b>1,455,472</b>	<b>683,463</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Bank Note Payable	(4,704,588)	(477,538)
	<b>291,898</b>	<b>(776,712)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>2,706,073</b>	<b>3,482,785</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 2,997,971</b>	<b>\$ 2,706,073</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	<b>\$ 190,921</b>	<b>\$ 142,298</b>

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

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities* - Catholic Diocese of Wilmington, Inc. (Diocese) is a nonprofit corporation having as its purpose the promotion of the teachings of Jesus Christ, as taught and set forth by the Roman Catholic Church throughout the Diocese in the state of Delaware and the nine (9) counties of the state of Maryland's Eastern Shore and such territory over which the Diocese will have jurisdiction as delegated by proper authority of the Universal Roman Catholic Church.

*Basis of Reporting* - The Diocese reports using a modified cash basis of accounting. Support and expenses are generally recognized on a cash basis; however, certain assets other than cash and certain liabilities are recognized to improve the usefulness of the financial statements to the reader. The following identifies the significant differences between the Diocese's modified cash basis of accounting and accounting principles generally accepted in the United States of America:

- The Diocese does not recognize certain promises to give and grants required under accounting principles generally accepted in the United States of America (Note 7). However, promises to give that are recognized are reported as increases in net assets without donor restrictions or net assets with donor restrictions based upon the absence or existence of donor-imposed restrictions.
- The Diocese does not establish accruals under the Financial Accounting Standard's Board Accounting Standards Codification (ASC) 715, *Defined Benefit Plans - Pension*, for employee pension liabilities and priests' health and welfare liabilities.
- The Diocese has not adopted provisions of ASC 360, *Property, Plant, and Equipment*, which requires nonprofit organizations to capitalize long-lived tangible assets and recognize depreciation as a cost of using up the future economic benefits of those long-lived tangible assets. Depreciation expense is not recognized in the financial statements. Also, certain equipment is expensed at the time of purchase that should be capitalized in order to conform to accounting principles generally accepted in the United States of America.
- The Diocese has not adopted ASC 958-205-50-1A, *Reporting Endowment Funds*, which requires organizations to provide certain expanded disclosures for endowment funds.
- The Diocese has not adopted ASC 958-30, *Split Interest Agreements*, which requires organizations to recognize a beneficial interest in a charitable trust as an asset at fair value and contribution revenue.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Basis of Reporting - Continued***

- The Diocese has not adopted ASC 842, *Leases*, which requires organizations to recognize right of use assets and lease liabilities that arise from substantially all leasing transactions. The Diocese continues to account for lease transactions in accordance with ASC 840.

In addition, the accompanying financial statements reflect only the operations of the Diocese. Certain other entities have not been consolidated in the accompanying statements, the more significant of which are as follows:

Affiliated Parishes and Schools	Catholic Ministry to the Elderly, Inc.
Catholic Cemeteries, Inc.	Catholic Press of Wilmington, Inc.
Catholic Charities, Inc.	Catholic Youth Organization, Inc.
Catholic Diocese Foundation	Diocese of Wilmington Schools, Inc.

The Diocese acts as a fiduciary for these entities by investing funds in its pooled investments and cash management accounts on behalf of these entities. As disclosed in Note 10 to the financial and presented in the statements of assets, liabilities, and net assets, the Diocese holds investments in a pooled account in an agency capacity on behalf of affiliated entities. These amounts are reported as both assets and liabilities in the statements of assets, liabilities, and net assets - modified cash basis. Subsequent to the year ended June 30, 2023, the Diocese transferred all assets held for affiliates to the respective affiliated organizations. As a result, during the year ended June 30, 2024, assets and liabilities decreased as a result of this transfer. This transaction had no impact on total net assets or change in net assets.

***Use of Estimates*** - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

***Financial Statement Presentation*** - Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the two net asset classifications follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although their use may be limited by other factors, such as by contract or board designation.



**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Financial Statement Presentation - Continued***

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Revenue Recognition*** - The Diocese recognizes revenue from exchange transactions as follows:

*Assessments* - Revenue from parish assessments is recognized on a quarterly basis over the calendar year. Parishes are invoiced on a quarterly basis and payment is due 30 days upon receipt of the invoice. The finance council recommends proposed assessments based on parish ordinary income; assessments are then approved by the Bishop.

*Priests' and Lay Employee Insurance Premiums* - The Diocese administers a self-funded insurance plan. Parishes and affiliated corporations pay the Diocese a premium for their portion of the plan's claims and expenses. Parishes are invoiced for clergy health insurance premiums on an annual basis and payment is due in four quarterly installments upon receipt of the invoice. Revenue from priests' insurance premiums is recognized at a point in time when the parishes are invoiced. Affiliated corporations are invoiced for lay health insurance premiums on a monthly basis and payment is due 20 days upon receipt of the invoice. Revenue from lay employee insurance premiums is recognized on a monthly basis over the coverage period.

*Property and Liability and Other Insurance Premiums* - The Diocese maintains property and liability coverage for parishes and affiliated corporations on a limited self-insured basis. Parishes and affiliated corporations are billed a premium directly from Waldorf Risk Solutions (the insurance brokerage firm). Parishes remit payment directly to Waldorf Risk Solutions. Waldorf risk solutions wires money collected from the parishes and affiliated corporations to the Diocese on a regular basis throughout the fiscal year as the Diocese pays the related insurance claims. Revenue from property and liability insurance premiums is recognized on a monthly basis over the coverage period.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Revenue Recognition - Continued***

*Other Program Fees* - Other program fees consist mainly of payments from Catholic schools related to testing and evaluation fees, and fees for the use of educational software. Catholic schools are invoiced for such fees on a regular basis and payment is due 30 days upon receipt of the invoice. The Diocese recognizes revenue from program fees when payment is received.

***Contributions*** - Except for promises to give to the Annual Catholic Appeal and annual grants made by the Catholic Diocese Foundation, Inc., which are accounted for on a cash basis, contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Contributions of cash and other noncapital assets are reported in net assets with donor restrictions if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statements of support, revenue, and expenses - modified cash basis as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Donor-restricted contributions that are received and expended within the same fiscal year are reported in net assets without donor restrictions.

***In-kind Contributions*** - Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Diocese does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute time to program services and administrative activities. Under the modified cash basis of accounting, the financial statements do not reflect the value of these contributed services. No significant contributions of such goods or services were received during the years ended June 30, 2023 and 2022.

***Cash and Cash Equivalents*** - Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents do not include cash management funds held in the pooled investment account.

***Pooled Investments*** - Pooled investments are stated at fair value based on quoted market prices. Pooled investment income (loss) on the statements of support, revenue, and expenses - modified cash basis includes interest, dividends, and realized and unrealized gains and losses, net of consulting and custodial costs.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Pooled Investments - Continued***

The Diocese manages an investment pool for its investments and those of its affiliated organizations. As of June 30, 2023 and 2022, the investment pool was held in a custody account at State Street Global Services (investment custodian). The pool is invested in a combination of fixed income, equity securities, and mutual funds. The Diocese also invests in a variety of alternative investment funds. Such investments are stated at net asset value, as reported by the fund, as a practical expedient for fair value. The investment pool is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the market value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

***Other Investments*** - Other investments consist of investments included in the Diocesan-managed investment pool and Glenmede Trust Company and are segregated for the Revocable Priests' Retirement and Welfare Trust and the Bishop Malooly Scholarship Fund, respectively.

***Promises to Give*** - Except for promises to give made to the Annual Catholic Appeal and annual grants made by the Catholic Diocese Foundation, Inc., which are accounted for on a cash basis, unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of support, revenue, and expenses - modified cash basis. The discount rate used on long-term promises to give was 1.69% as of June 30, 2023 and 2022. Long-term promises to give are also recorded net of an allowance for uncollectible accounts. The Diocese takes into consideration an analysis of specific donors, the age of past due amounts and an assessment of the donor's ability to pay. Write-offs of promises to give are made at the discretion of management. There was no allowance for uncollectible promises to give as of June 30, 2023 and 2022. Bad debt expense totaled \$0 for the years ended June 30, 2023 and 2022.

***Accounts Receivable*** - Accounts receivable are stated at estimated net realizable value and consist of receivables for assessments, lay employee insurance premiums, priests' insurance premiums, payroll-related expenses disbursed on behalf of affiliated corporations, and amounts loaned to affiliated corporations. Accounts receivable are considered past due when they become greater than 30 days old. An allowance for doubtful accounts is established at the discretion of management based on an analysis of a receivable's collectability. The total allowance for doubtful accounts receivable as of June 30, 2023 and 2022, was \$9,377,601 and \$9,476,571, respectively. Net bad debt

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Accounts Receivable - Continued* - expense (recovery of bad debts) totaled (\$98,968) and \$45,229 for the years ended June 30, 2023 and 2022, respectively.

*Other Assets* - As of June 30, 2023 and 2022, other assets consisted primarily of the cash surrender value of life insurance.

*Real Estate and Equipment* - Real estate consists of buildings and the related land. All real estate acquisitions are capitalized at cost, or if donated, at fair value on the date of donation. Equipment is expensed at the time of purchase. When real estate is sold or otherwise disposed of, the asset is removed from the statements of assets, liabilities, and net assets - modified cash basis and a corresponding gain or loss is recognized, if needed, in the statements of support, revenue, and expenses - modified cash basis.

*Assets Held for/Owed to Affiliates* - These assets are owned by affiliated corporations and invested for the affiliates by the Diocese in the pooled investments.

*Fair Value* - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Diocese has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, it does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Income Taxes*** - The Diocese is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Diocese qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a)(2) of the IRC.

Income not related to the Diocese’s tax-exempt purpose may be subject to taxation as unrelated business income. The Diocese has determined that no liability for uncertain tax positions is required to be accrued and included in the statements of assets, liabilities, and net assets - modified cash basis as of June 30, 2023 and 2022.

The Diocese believes it is no longer subject to examination by tax authorities for years prior to fiscal year ended June 30, 2020.

***Subsequent Events*** - The Diocese’s policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors’ report, which is the date the financial statements were available to be issued.

***Functional Classification of Expenses*** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses - modified cash basis. Accordingly, certain costs were allocated among the programs and supporting services benefited. Such allocations are determined by management on a reasonable basis that is consistently applied. Costs are assigned to departments based upon the nature of the program or supporting services performed by that department. Certain costs are allocated across departments based on time and effort.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 2: AVAILABILITY AND LIQUIDITY**

The following reflects the Diocese's financial assets as of the date of the statements of assets, liabilities, and net assets - modified cash basis, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the statement of assets, liabilities, and net assets - modified cash basis date:

	<u>2023</u>	<u>2022</u>
Financial Assets as of June 30		
Cash and Cash Equivalents	\$ 2,997,971	\$ 2,706,073
Pooled Investments	25,997,958	26,537,138
Other Investments - Priests' Retirement and Welfare Trust	1,243,046	109,032
Other Investments - Bishop Malooly Scholarship Fund	5,249,283	3,904,683
Other Assets - Cash Value of Life Insurance Policy	58,009	58,009
Promises to Give - Net	491,627	1,442,740
Accounts Receivable - Net	9,350,614	9,265,242
Assets Held for Affiliates	<u>32,808,157</u>	<u>29,595,283</u>
 Total Financial Assets as of June 30	 78,196,665	 73,618,200
 Less: Amounts Not Available to be Used Within a Year		
Donor-Restricted Cash	(289,409)	(283,718)
Donor-Restricted Investment Funds	(16,582,341)	(14,613,319)
Board-Designated Investment Funds	(9,977,127)	(10,149,928)
Other Net Assets, Board-Designated for Specific Purposes	(3,470,871)	(3,927,856)
Other Assets - Cash Value of Life Insurance Policy	(58,009)	(58,009)
Donor-Restricted Promises to Give - Net	(491,627)	(1,442,740)
Noncurrent Portion of Accounts Receivable	(586,713)	(585,224)
Assets Held for Affiliates	<u>(32,808,157)</u>	<u>(29,595,283)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 13,932,411</u>	 <u>\$ 12,962,123</u>

The Diocese's short-term liquidity plan is to maintain readily available resources, including operating cash, to cover expenses as they are incurred.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 2: AVAILABILITY AND LIQUIDITY - CONTINUED**

Per the Diocese's investment policies, donor-restricted and board-designated investment funds are generally not available for operations. Therefore, those investment fund amounts have been reflected as unavailable for general expenditures within one year in the chart above. Although investment funds without donor restrictions or board designations are shown as available in the chart, the Diocese does not intend to spend these funds unless there is an immediate liquidity need.

**NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Subject to Purpose Restriction		
Cash - Restricted for Tuition Assistance and Education	\$ 289,409	\$ 283,718
Promises to Give - Net - Restricted for Tuition Assistance and Education	491,627	1,442,740
Donor-Restricted Investment Funds		
Original Gift Values to be Held in Perpetuity	1,391,209	1,391,209
Amount Above Original Gift Values which is Expendable to Support		
Tuition Assistance and Education	12,334,732	10,671,909
Scholarship Assistance to Various Schools	277,970	245,549
Seminary	314,292	441,503
Mass Stipends	231,490	209,222
Capital Renovations/Maintenance - St. Peter's Cathedral	157,355	146,775
Missions	199,208	180,580
Newman Center - University of Delaware	817,630	714,117
Music Program - Church of the Holy Child	106,727	96,792
Education Fund - Capital Improvements	298,639	268,192
Other Restrictions	<u>453,089</u>	<u>247,471</u>
Total Subject to Purpose Restriction	17,363,377	16,339,777
Subject to Time Restriction		
Cash Surrender Value of Life Insurance Policy	<u>58,009</u>	<u>58,009</u>
Total Net Assets With Donor Restrictions	<u>\$ 17,421,386</u>	<u>\$ 16,397,786</u>

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 4: NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 13,657,934	\$ 8,109,634
Board-Designated Investment Funds		
Diocesan Reserve Fund	6,027,115	7,264,443
Priest Health and Welfare Fund	1,243,046	109,032
Seminary Fund	1,947,910	-
Property and Liability Insurance Fund	-	196,867
Lay and Clergy Healthcare Fund	556,842	2,397,010
High School Allocations	194,003	174,948
Other Designations	8,211	7,628
	<u>9,977,127</u>	<u>10,149,928</u>
Board-Designated for Specific Purposes		
Lay and Clergy Healthcare	<u>3,470,871</u>	<u>3,927,856</u>
Total Net Assets Without Donor Restrictions	<u>\$ 27,105,932</u>	<u>\$ 22,187,418</u>

**NOTE 5: POOLED INVESTMENTS**

The composition of Pooled Investments as of June 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 929,670	\$ 1,835,797
Fixed Income	5,794,109	6,784,576
Domestic Equity	10,468,212	9,551,018
International Equity	8,805,967	8,365,747
Pooled Investments	<u>\$ 25,997,958</u>	<u>\$ 26,537,138</u>

Pooled Investment Income (Loss) - Net for the years ended June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 646,970	\$ 531,515
Custodial and Advisory Fees	(53,592)	(223,445)
Net Gains (Losses)	<u>2,355,497</u>	<u>(4,772,761)</u>
Pooled Investment Income (Loss) - Net	<u>\$ 2,948,875</u>	<u>\$ (4,464,691)</u>



**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 6: OTHER INVESTMENTS**

The composition of Other Investments - Priests' Retirement and Welfare Trust as of June 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 23,194	\$ (582,173)
Fixed Income	281,948	189,849
Domestic Equity	509,395	267,261
International Equity	<u>428,509</u>	<u>234,095</u>
Other Investments - Priests' Retirement and Welfare Trust	<u>\$ 1,243,046</u>	<u>\$ 109,032</u>

The composition of Other Investments - Bishop Malooly Scholarship Fund as of June 30, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 326,414	\$ 207,250
Fixed Income	1,317,585	1,029,804
Domestic Equity	3,309,128	2,450,612
International Equity	<u>296,156</u>	<u>217,017</u>
Other Investments - Bishop Malooly Scholarship Fund	<u>\$ 5,249,283</u>	<u>\$ 3,904,683</u>

Other Investment Income (Loss) - Net - Priests' Retirement and Welfare Trust for the years ended June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 6,487	\$ 37,263
Custodial and Advisory Fees	(1,792)	(14,856)
Net Gains (Losses)	<u>51,453</u>	<u>(224,250)</u>
Other Investment Income (Loss) - Net - Priests' Retirement and Welfare Trust	<u>\$ 56,148</u>	<u>\$ (201,843)</u>

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 6: OTHER INVESTMENTS - CONTINUED**

Other Investment Income (Loss) - Net - Bishop Malooly Scholarship Fund for the years ended June 30, 2023 and 2022, consisted of the following:

	2023	2022
Interest and Dividends	\$ 106,252	\$ 83,141
Custodial and Advisory Fees	(24,168)	(22,996)
Net Gains (Losses)	513,226	(615,680)
 Other Investment Income (Loss) - Net - Bishop Malooly Scholarship Fund	 \$ 595,310	 \$ (555,535)

In addition to Other Investment Income (Loss) - Net from the Priests' Retirement and Welfare Trust and the Bishop Malooly Scholarship Fund, Other Investment Income (Loss) - Net on the statements of support, revenue, and expenses - modified cash basis includes trust income.

**NOTE 7: PROMISES TO GIVE**

During the year ended June 30, 2020, the Diocese received a \$5,000,000 promise to give from a donor. Proceeds from the promise to give are restricted for the use of providing financial assistance to families who cannot afford the full cost of tuition at Catholic schools. Payments totaling \$4,500,000 were received from this donor as of June 30, 2023. The remaining balance of the promise to give will be paid in the amount of \$500,000 during the year ended June 30, 2024.

The following promises to give were outstanding as of June 30:

	2023	2022
Receivable in Less than One Year	\$ 500,000	\$ 500,000
Receivable in One to Five Years	-	1,000,000
Gross Promises to Give	500,000	1,500,000
Discount to Net Present Value	(8,373)	(57,260)
Allowance for Uncollectible Promises to Give	-	-
Promises to Give - Net	\$ 491,627	\$ 1,442,740

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 8: BANK NOTE PAYABLE**

As set forth in the Plan of Reorganization, the Diocese entered into a loan agreement with RBS Citizens in December 2011 to borrow \$10,000,000 to fund a required pension plan contribution and obligations incurred resulting from legal fees. Prior to January 2022, the note bore interest at LIBOR plus 2.25% and required monthly payments of principal and interest calculated based on a 20-year amortization period.

During January 2022, the loan agreement was amended and restated. Under the restated terms of the loan agreement, monthly payments of \$39,534 plus interest were required. Interest was calculated using the one-month Bloomberg Short-Term Bank Yield Index (BSBY) plus 2.25%. The effective rate of the note payable as of June 30, 2022, was 3.13%. The outstanding balance due on the note payable as of June 30, 2022, was \$4,704,588. The note was scheduled to mature on January 31, 2027. An entity related to the Diocese agreed to pledge as collateral of the note payable unencumbered real property on behalf of the Diocese. During the year ended June 30, 2023, the Diocese satisfied the note payable in full.

In accordance with the note payable, the Diocese was required to comply with the following financial covenants:

***Fixed Charge Coverage Ratio*** - The Diocese was to maintain a fixed charge coverage ratio of 1.15 to 1.00, determined quarterly on a rolling four-quarter basis. The ratio is calculated by the sum of (i) change in net assets without donor restrictions plus (ii) interest expense plus (iii) fund distributions accounted for as an expense plus (iv) nonrecurring bankruptcy-related costs plus/minus (v) net investment depreciation/appreciation divided by the sum of (i) current payments on long-term debt plus (ii) interest expense.

***Cash on Hand*** - The loan agreement required the Diocese to maintain cash on hand, the sum of cash without donor restrictions plus investments without donor restrictions multiplied by 365 and divided by total operating expenses, of at least 90 days.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 9: FAIR VALUE MEASUREMENT**

Assets measured at fair value on a recurring basis consist of investments. Investments are presented in the statements of assets, liabilities, and net assets - modified cash basis as follows:

	<u>2023</u>	<u>2022</u>
Pooled Investments	\$ 25,997,958	\$ 26,537,138
Other Investments - Priests' Retirement and Welfare Trust	1,243,046	109,032
Other Investments - Bishop Malooly Scholarship Fund	5,249,283	3,904,683
Assets Held for Affiliates	<u>32,808,157</u>	<u>29,595,283</u>
 Total Investments	 <u>\$ 65,298,444</u>	 <u>\$ 60,146,136</u>

Fair values of assets and liabilities measured on a recurring basis as of June 30 were as follows:

	<u>2023</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets, at Fair Value				
Investments Using Fair Value Hierarchy				
Cash and Cash Equivalents	\$ 3,428,892	\$ 3,428,892	\$ -	\$ -
Fixed Income	14,479,844	14,479,844	-	-
Domestic Equity	12,744,147	12,744,147	-	-
International Equity	<u>12,720,954</u>	<u>12,720,954</u>	-	-
 Total Investments Using Fair Value Hierarchy	 43,373,837	 43,373,837	 -	 -
Investments Measured at Net Asset Value				
Alternative Investment Funds	<u>21,924,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets, at Fair Value	 <u>\$ 65,298,444</u>	 <u>\$ 43,373,837</u>	 <u>\$ -</u>	 <u>\$ -</u>
Liabilities, at Fair Value				
Assets Owed to Affiliates	<u>32,808,157</u>	<u>-</u>	<u>32,808,157</u>	<u>-</u>
 Total Liabilities, at Fair Value	 <u>\$ 32,808,157</u>	 <u>\$ -</u>	 <u>\$ 32,808,157</u>	 <u>\$ -</u>

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 9: FAIR VALUE MEASUREMENT - CONTINUED**

	2022			
	Fair Value	Level 1	Level 2	Level 3
Assets, at Fair Value				
Investments Using Fair Value Hierarchy				
Cash and Cash Equivalents	\$ 4,761,345	\$ 4,761,345	\$ -	\$ -
Fixed Income	15,226,475	15,226,475	-	-
Domestic Equity	11,094,366	11,094,366	-	-
International Equity	11,470,037	11,470,037	-	-
Total Investments Using Fair Value Hierarchy	42,552,223	42,552,223	-	-
Investments Measured at Net Asset Value				
Alternative Investment Funds	17,593,913	-	-	-
Total Assets, at Fair Value	<u>\$ 60,146,136</u>	<u>\$ 42,552,223</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, at Fair Value				
Assets Owed to Affiliates	29,595,283	-	29,595,283	-
Total Liabilities, at Fair Value	<u>\$ 29,595,283</u>	<u>\$ -</u>	<u>\$ 29,595,283</u>	<u>\$ -</u>

The Diocese participates with other affiliated organizations in an investment pool which is held in a custody account. The investments in the chart above represent pooled investments, other investments - priests' retirement and welfare trust, other investments - Bishop Malooly scholarship fund, and assets held for affiliates. The pool is invested in a combination of money market, fixed income, equity securities, and mutual funds. The fair value of these investments was primarily determined based on quoted market prices as of June 30, 2023 and 2022.

Investments in alternative investment funds that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets, liabilities, and net assets - modified cash basis.

The fair value of assets owed to affiliates, a liability, is based on the net asset value of the total investment pool. The fair value of these investments was primarily determined based on quoted market prices as of June 30, 2023 and 2022, which would normally be considered a Level 1 input on the fair value hierarchy. However, the existence of pool allocations in determining each organization's share of the pool is considered to be a Level 2 input, which results in the classification as shown above.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 10: RELATED-PARTY TRANSACTIONS**

Certain members of the Diocese's board are also board members of certain affiliated corporations.

The Diocese includes on its statements of assets, liabilities, and net assets - modified cash basis, assets held for/owed to affiliated corporations, which are reported as restricted assets and liabilities. These assets are owned by the affiliated corporations and are included in the financial statements of the Diocese to portray the fiduciary relationship on these assets.

In years prior to the years ended June 30, 2023 and 2022, the Diocese loaned funds to St. Thomas More Academy to help fund their operations. This non-interest-bearing loan had no stated repayment terms. The balance due to the Diocese was \$0 and \$560,891 as of June 30, 2023 and 2022, respectively. Management established a reserve of \$0 and \$130,308 for this balance as an uncollectible account as of June 30, 2023 and 2022, respectively. In years prior to the years ended June 30, 2023 and 2022, the Diocese loaned funds to All Saints School to help fund their operations. This non-interest-bearing loan has no stated repayment terms. The balance due to the Diocese was \$263,000 as of June 30, 2023 and 2022, respectively. Management has established a reserve of \$175,000 for this balance as an uncollectible account as of June 30, 2023 and 2022. In years prior to the years ended June 30, 2023 and 2022, the Diocese loaned funds to Most Blessed Sacrament School to help fund their operations. This non-interest-bearing loan has no stated repayment terms. The balance due to the Diocese was \$321,000 as of June 30, 2023 and 2022. In years prior to the years ended June 30, 2023 and 2022, the Diocese loaned funds to St. Mark's High School to help fund their operations. This non-interest-bearing loan has no stated repayment terms. The balance due to the Diocese was \$706,114 as of June 30, 2023 and 2022, and management has established a reserve for this balance as an uncollectible account.

The Diocese recognized assessment revenue from its parishes and other affiliated entities in the amounts of \$4,248,710 and \$4,164,100 for the years ended June 30, 2023 and 2022, respectively. In relation to assessments, amounts due to the Diocese from affiliated entities as of June 30, 2023 and 2022, were \$5,308,655 and \$5,124,724, respectively. Management reserved \$2,627,102 and \$2,507,163 as of June 30, 2023 and 2022, respectively, for assessment receivables from entities that management has deemed uncollectible. Write-offs of the receivables are made at the discretion of management. The receivables, net of an allowance, are reported on the statements of assets, liabilities, and net assets - modified cash basis as accounts receivable - net.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 10: RELATED-PARTY TRANSACTIONS - CONTINUED**

During the years ended June 30, 2023 and 2022, the Diocese provided funding to certain affiliated corporations. The more significant funding provided was as follows:

	2023	2022
Catholic Press of Wilmington, Inc.	\$ 209,820	\$ 178,356
Catholic Charities, Inc.	750,000	699,996
Catholic Schools	327,800	327,800

During the years ended June 30, 2023 and 2022, the Diocese disbursed funds on behalf of certain affiliated corporations for expenses including wages, payroll taxes, health benefits, and other miscellaneous expenses. Amounts unreimbursed as of June 30, 2023 and 2022, are included in accounts receivable - net on the statements of assets, liabilities, and net assets - modified cash basis.

The Diocese pays claims and other expenses related to their self-insurance plan. The self-insurance plan covers health insurance for lay employees and priests. Each affiliated corporation pays the Diocese a premium for their portion of the plan's claims and expenses. The Diocese recognized approximately \$10,900,000 and \$10,380,000, respectively, in premium revenue from affiliated corporations and incurred expenses of approximately \$13,960,000 and \$11,900,000, respectively, in actual claims and administrative costs for the years ended June 30, 2023 and 2022.

As of June 30, 2023 and 2022, insurance receivables due from affiliated corporations totaled \$9,338,518 and \$9,593,724, respectively, and are included in accounts receivable - net. As of June 30, 2023 and 2022, insurance receivables that management has deemed uncollectible were reserved in the amount of \$5,024,673 and \$4,995,320, respectively. Write-offs of the receivables are made at the discretion of management.

The Diocese provides long-term disability for all full-time employees of the Diocese, parishes, and certain affiliated corporations, at no cost to those entities since these amounts were not significant. The Diocese also provides a pension benefit for all full-time employees of the Diocese, parishes, and certain affiliated corporations (Note 11).

During the year ended June 30, 2023, Diocese of Wilmington Schools, Inc. disbursed \$9,530,511 to the Diocese of which \$8,536,616 was recognized as contributions from Schools Inc. in the statement of support, revenue, and expenses - modified cash basis for the year ended June 30, 2023, and \$993,895 was used to satisfy the Diocese's insurance premium receivables and operational loans due from Diocese of Wilmington Schools, Inc.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 11: PENSION PLANS**

The Diocese sponsors a noncontributory defined benefit pension plan (Lay Pension Plan) covering certain full-time employees of the Diocese, parishes, and affiliated corporations. The Lay Pension Plan calls for benefits to be paid to eligible employees at retirement based on compensation, as defined in the plan documents.

On July 28, 2011, the United States Bankruptcy Court for the District of Delaware executed an order confirming the *Second Amended Chapter 11 Plan of Reorganization of Catholic Diocese of Wilmington, Inc.* (Plan). The Plan provided for several settlement mechanisms and the continued corporate existence of the Diocese as a Reorganized Debtor. A principal term of this settlement agreement required the Diocese to provide the Lay Pension Trust a fully secured, unsubordinated promissory note in the amount of \$15,000,000. An entity related to the Diocese agreed to pledge as collateral unencumbered real property on behalf of the Diocese.

The Lay Pension Plan benefits froze based on accrued service earned at December 31, 2011. The unvested benefits were permitted to vest upon satisfaction of the ordinary conditions for vesting. The following funded status of the Lay Pension Plan is based on actuarial valuations as of:

	January 1	
	2023	2022
Market Value of Assets	\$ 26,930,701	\$ 33,792,006
Actuarial Liability	81,904,805	82,375,672
Funded Status Percentage	32.88%	41.02%

During the years ended June 30, 2023 and 2022, the Diocese contributed \$5,680,000 and \$2,897,323, respectively, to the Lay Pension Plan. Lay pension expense reported in the statements of support, revenue, and expenses - modified cash basis and functional expenses - modified cash basis for the years ended June 30, 2023 and 2022, are shown net of pension contributions collected by affiliated entities.

For fiscal years ending after June 30, 2015, the Diocese will make annual contributions to the Lay Pension Plan Trust equal to the lesser of \$2,200,000 (plus 2.5% compounded annually) or the amortized annual contribution required to achieve fully funded status on an actuarial basis by June 30, 2060.

The Diocese also has a Revocable Priests' Retirement and Welfare Trust to cover the health and retirement cost of the clergy of the Diocese. As of June 30, 2023 and 2022, the fund assets totaled \$1,243,046 and \$109,032, respectively. This balance is included in other investments - priests' retirement and welfare trust on the statements of assets, liabilities, and net assets - modified cash basis.

Under the modified cash basis of accounting, there is no liability recognized in the financial statements related to future obligations under the plan or future obligations related to health and retirement costs of the clergy.



**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 12: TAX-SHELTERED ANNUITY RETIREMENT PLAN**

Effective February 1, 2013, the Diocese adopted a 403(b) tax-sheltered annuity plan. Generally, employees are eligible to participate in the plan if they normally work more than 20 hours per week. Eligible employees are able to make elective deferrals beginning on their date of hire. Eligible employees may participate in employer-matching contributions upon the satisfaction of applicable service requirements. The service requirement for matching contributions is one year of service defined as at least 1,000 hours of service in a year for employees hired before July 1, 2007, or 1,300 hours of service in a year for employees hired after July 1, 2007. Employees are vested in matching contributions at a rate of 0% for less than three years of credited service or 100% for three or more years of credited service. The Diocese, at its discretion, may make a matching contribution equal to a percentage of an employee's elective deferrals. The Diocese determines whether, and at what rate, it will make matching contributions on an annual basis. For the years ended June 30, 2023 and 2022, matching contributions were \$76,703 and \$65,973, respectively.

**NOTE 13: CONCENTRATION OF CREDIT RISK**

The Diocese maintains cash balances at one financial institution, where balances are insured by the Federal Deposit Insurance Corporation. Uninsured cash balances as of June 30, 2023 and 2022, totaled \$2,938,412 and \$2,869,587, respectively.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

*Unpaid Health Insurance Claims* - The Diocese sponsors self-insurance plans which cover health insurance for lay and religious employees of the Diocese and affiliated entities (Note 10). A liability for unpaid claims, including incurred but not reported losses, is reflected in the statements of assets, liabilities, and net assets - modified cash basis as other liabilities in the amount of \$815,000 and \$716,155 as of June 30, 2023 and 2022, respectively.

*Litigation Claims* - Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Diocese but which only will be resolved when one or more future events occur or fail to occur. The Diocese's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Diocese or unasserted claims that may result in such proceedings, the Diocese's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

**CATHOLIC DIOCESE OF WILMINGTON, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 15: LEASES**

The Diocese leases office equipment under noncancelable leases expiring at various dates through July 2028. Rent expenses related to these leases were \$11,312 and \$10,303 for the years ended June 30, 2023 and 2022, respectively.

Future minimum lease payments under noncancelable lease agreements as of June 30, 2023 are as follows for the five succeeding fiscal years ending June 30:

2024	\$	12,648
2025		11,168
2026		7,809
2027		6,166
2028		<u>328</u>
	\$	<u><u>38,119</u></u>