

Central Office of the Diocese of Manchester

Financial Statements

Years Ended June 30, 2023 and 2022



Diocese of Manchester
The Catholic Church in New Hampshire

WIPFLI

Independent Auditor's Report

Most Reverend Peter A. Libasci
Roman Catholic Bishop of Manchester
Central Office of the Diocese of Manchester
Manchester, New Hampshire

Opinion

We have audited the accompanying financial statements of Central Office of the Diocese of Manchester (the "Central Office"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Central Office of the Diocese of Manchester as of June 30, 2023 and 2022, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Central Office of the Diocese of Manchester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Central Office of the Diocese of Manchester's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Central Office of the Diocese of Manchester'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 Central Office of the Diocese of Manchester'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.



Wipfli LLP

Bedford, New Hampshire
April 11, 2024

Central Office of the Diocese of Manchester

Statements of Financial Position

<i>As of June 30,</i>	2023	2022
Assets		
Diocesan cash and cash equivalents	\$ 934,824	\$ 3,281,256
Cash held for designated purposes	3,294,669	1,086,654
Accounts receivable, net	1,238,300	558,927
Insurance receivable, net	124,004	105,949
Pledges receivable - New Hampshire Catholic Appeal	346,177	143,708
Second injury fund recoverable	555,791	618,427
Due from Diocese of Manchester Central Fund Trust	4,704,531	-
Prepaid expenses	401,318	335,551
Diocesan investments	47,510,434	50,957,467
Notes receivable, net of allowance for losses	1,689,462	1,913,409
Cash held for restrictive purposes	136,082	150,675
Fixed assets, net	1,529,161	555,962
Total assets	\$ 62,464,753	\$ 59,707,985
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,919,958	\$ 948,805
Reserves and other liabilities	457,660	502,045
Funds held for others- special collections	338,168	442,415
Due to Diocese of Manchester Benefit Plans	423,781	50,893
Due to Diocese of Manchester Central Fund Trust	-	789,182
Grants payable - New Hampshire Catholic Appeal	2,243,202	869,668
Pledge payable	150,000	250,000
Insurance liabilities	4,417,138	2,881,833
Priest retirement benefit obligation	7,492,120	11,834,177
Total liabilities	17,442,027	18,569,018
Net assets:		
Without donor restrictions:		
Designated	5,502,397	5,415,384
Undesignated	25,232,969	22,702,776
Without donor restrictions	30,735,366	28,118,160
With donor restrictions	14,287,360	13,020,807
Total net assets	45,022,726	41,138,967
Total liabilities and net assets	\$ 62,464,753	\$ 59,707,985

See accompanying notes to financial statements.

Central Office of the Diocese of Manchester

Statement of Activities

<i>Year Ended June 30,</i>	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues:			
Program revenue and assessments	\$ 7,048,557	\$ -	\$ 7,048,557
Donations and bequests			
General	128,856	-	128,856
New Hampshire Catholic Appeal	3,107,462	-	3,107,462
Insurance	5,489,343	-	5,489,343
Miscellaneous	382,578	-	382,578
Management fee income	835,010	-	835,010
Net assets released from restriction	503,937	(503,937)	-
Total revenues	17,495,743	(503,937)	16,991,806
Expenses:			
Program	18,735,748	-	18,735,748
Supporting services	3,842,581	-	3,842,581
Total expenses	22,578,329	-	22,578,329
Change in net assets before other activities	(5,082,586)	(503,937)	(5,586,523)
Other activities:			
Investment return, net	2,965,410	1,770,490	4,735,900
Interest expense	(24,947)	-	(24,947)
Other components of net periodic retirement cost	(486,183)	-	(486,183)
Retirement-related changes other than net periodic retirement costs	5,245,512	-	5,245,512
Change in net assets from other activities	7,699,792	1,770,490	9,470,282
Change in net assets	2,617,206	1,266,553	3,883,759
Net assets - Beginning of year	28,118,160	13,020,807	41,138,967
Net assets - End of year	\$ 30,735,366	\$ 14,287,360	\$ 45,022,726

See accompanying notes to financial statements.

Central Office of the Diocese of Manchester

Statement of Activities

<i>Year Ended June 30,</i>	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Program revenue and assessments	\$ 7,517,639	\$ -	\$ 7,517,639
Donations and bequest			
General	143,710	98,509	242,219
New Hampshire Catholic Appeal	1,136,270	-	1,136,270
Insurance	5,436,259	-	5,436,259
Miscellaneous	150,905	-	150,905
Management fee income	782,972	-	782,972
Net assets released from restriction	407,742	(407,742)	-
Total revenues	15,575,497	(309,233)	15,266,264
Expenses:			
Program	12,273,248	-	12,273,248
Supporting services	3,815,076	-	3,815,076
Total expenses	16,088,324	-	16,088,324
Change in net assets before other activities	(512,827)	(309,233)	(822,060)
Other activities:			
Investment return, net	(3,910,746)	(1,583,504)	(5,494,250)
Interest expense	(34,178)	-	(34,178)
Paycheck Protection Program loan forgiveness	1,044,600	-	1,044,600
Other components of net periodic retirement cost	(243,822)	-	(243,822)
Retirement-related changes other than net periodic retirement costs	2,416,881	-	2,416,881
Change in net assets from other activities	(727,265)	(1,583,504)	(2,310,769)
Change in net assets	(1,240,092)	(1,892,737)	(3,132,829)
Net assets - Beginning of year	29,358,252	14,913,544	44,271,796
Net assets - End of year	\$ 28,118,160	\$ 13,020,807	\$ 41,138,967

See accompanying notes to financial statements.

Central Office of the Diocese of Manchester
Statements of Functional Expenses

Year Ended June 30, 2023

	Program								Supporting Services		
	Canonical Services	Catholic Formation	Development and Communication	Insurance	Ministries	Pastoral services	Seminarian Formation	Other Programs	Total Program	Operations and administration	Total
Benefits and taxes	\$ 125,782	\$ 288,600	\$ 168,948	\$ 57,319	\$ 36,630	\$ 284,225	\$ 87,503	\$ -	\$ 1,049,007	\$ 585,175	\$ 1,634,182
General and administrative	11,611	140,858	105,509	547,433	3,482	69,357	17,613	-	895,863	320,351	1,216,214
Grants and donations - general	-	1,187,933	-	138,541	-	1,657,752	84	383,954	3,368,264	166,520	3,534,784
Grants and donations - NH Catholic Appeal	-	-	2,335,566	-	-	-	-	-	2,335,566	-	2,335,566
Insurance	-	-	-	4,562,161	-	5,489	5,489	-	4,573,139	-	4,573,139
Occupancy	148,676	139,994	111,691	-	34,939	88,782	25,882	-	549,964	405,153	955,117
Other	65	-	29	45,895	-	69,636	-	558,073	673,698	4,966	678,664
Program services	-	707,623	205,703	-	-	759,006	456,427	-	2,128,759	25,806	2,154,565
Salaries and wages	451,870	939,664	572,994	-	122,383	807,083	60,837	-	2,954,831	2,254,143	5,208,974
Supplies and equipment	2,797	66,137	122,353	-	-	14,309	1,061	-	206,657	80,467	287,124
Total functional expenses	\$ 740,801	\$ 3,470,809	\$ 3,622,793	\$ 5,351,349	\$ 197,434	\$ 3,755,639	\$ 654,896	\$ 942,027	\$ 18,735,748	\$ 3,842,581	\$ 22,578,329

Year Ended June 30, 2022

	Program								Supporting Services		
	Canonical Services	Catholic Formation	Development and Communication	Insurance	Ministries	Pastoral services	Seminarian Formation	Other Programs	Total Program	Operations and administration	Total
Benefits and taxes	\$ 128,344	\$ 276,879	\$ 180,129	\$ 48,372	\$ 34,392	\$ 308,053	\$ 91,012	\$ -	\$ 1,067,181	\$ 520,078	\$ 1,587,259
General and administrative	27,044	110,780	173,399	354,020	7,205	102,496	15,147	-	790,091	518,127	1,308,218
Grants and donations - general	-	561,823	15,102	48,128	-	375,162	1,849	304,179	1,306,243	178,495	1,484,738
Grants and donations - NH Catholic Appeal	-	-	880,155	-	-	-	-	-	880,155	-	880,155
Insurance	-	-	-	2,588,915	-	7,303	7,168	-	2,603,386	-	2,603,386
Occupancy	110,949	135,389	96,421	16,392	29,730	75,469	21,699	-	486,049	419,442	905,491
Other	22	-	351	7,088	-	68,159	-	707,208	782,828	6,717	789,545
Program services	95	238,743	181,194	-	77,475	436,312	341,823	-	1,275,642	55,777	1,331,419
Salaries and wages	424,492	931,893	507,325	-	110,233	775,397	67,895	-	2,817,235	2,049,117	4,866,352
Supplies and equipment	3,021	40,249	205,982	-	(150)	14,275	1,061	-	264,438	67,323	331,761
Total functional expenses	\$ 693,967	\$ 2,295,756	\$ 2,240,058	\$ 3,062,915	\$ 258,885	\$ 2,162,626	\$ 547,654	\$ 1,011,387	\$ 12,273,248	\$ 3,815,076	\$ 16,088,324

See accompanying notes to financial statements.

Central Office of the Diocese of Manchester

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 3,883,759	\$ (3,132,829)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	92,968	84,314
Loss on disposal of fixed assets	-	2,868
Paycheck Protection Program loan forgiveness	-	(1,044,600)
Net realized and unrealized losses (gains)	(3,999,207)	6,257,374
Provision for losses (recoveries) on notes receivable	337,590	-
Provision for losses (recoveries) on accounts receivable	(204,864)	-
Adjustment for losses on notes receivable	31,004	-
Decrease (increase) in:		
Accounts receivable	(474,509)	32,099
Insurance receivable	(18,055)	379,749
Pledge receivable - New Hampshire Catholic Appeal	(202,469)	(143,708)
Second injury fund recoverable	62,636	(89,563)
Prepaid expenses	(65,767)	(31,250)
Increase (decrease) in:		
Accounts payable and accrued expenses	971,153	81,645
Reserves and other liabilities	(44,385)	(383,114)
Funds held for others- special collections	(104,247)	103,740
Grants payable - New Hampshire Catholic Appeal	1,373,534	869,668
Pledge payable	(100,000)	250,000
Insurance liabilities	1,535,305	(311,274)
Priest retirement benefit obligation	(4,342,057)	(1,612,424)
Net cash flows from operating activities	(1,267,611)	1,312,695
Cash flows from investing activities:		
Purchase of investments	(10,649,800)	(2,700,197)
Proceeds from sale of investments	17,200,535	1,995,008
Due from related parties, net	(4,562,910)	-
Amounts advanced on notes receivable	(146,228)	(72,193)
Collections on notes receivable	339,171	2,024,122
Proceeds from sale of fixed assets	-	25,465
Purchase of fixed assets	(1,066,167)	(176,393)
Net cash flows from investing activities	1,114,601	1,095,812

Central Office of the Diocese of Manchester

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2023	2022
Cash flows from financing activities:		
Due to related parties, net	\$ -	\$ 217,356
Payment of note payable	-	(1,000,000)
Net cash flows from financing activities	-	(782,644)
Net change in cash and cash equivalents	(153,010)	1,625,863
Cash, cash equivalents and restricted cash - Beginning of year	4,518,585	2,892,722
Cash, cash equivalents and restricted cash - End of year	\$ 4,365,575	\$ 4,518,585
Reconciliation to Statements of Financial Position:		
Diocesan cash	\$ 934,824	\$ 3,281,256
Cash held for designated purposes	3,294,669	1,086,654
Cash held for restrictive purposes	136,082	150,675
Total cash, cash equivalents and restricted cash - End of year	\$ 4,365,575	\$ 4,518,585

Supplemental Disclosures:

Interest paid (including interest paid on deposits payable)	\$ 24,947	\$ 34,178
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For the year ended June 30, 2023, net noncash investment activity relating to the due to the Diocese of Manchester Central Fund trust totaled approximately \$895,000.

For the year ended June 30, 2022, net noncash investment activity relating to the due to the Diocese of Manchester Central Fund trust totaled approximately \$959,000.

See accompanying notes to financial statements.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The accompanying financial statements reflect the application of the accounting policies described in this note.

Basis of Presentation

According to the Code of Canon Law of the Roman Catholic Church, a diocese is a "portion of the people of God which is entrusted for pastoral care to the bishop" (Canon 369). A diocese is normally territorial and is divided into distinct parts called parishes (Canon 374). The territory of the Diocese of Manchester (the Diocese) encompasses the State of New Hampshire. Included in these financial statements are the assets, liabilities, net assets and financial activities of program offices and departments of the Diocese that are fiscally responsible to the Bishop, including the Operating Fund, Insurance Fund, and net assets with donor restrictions as described below, and referred to herein as the Central Office of the Diocese of Manchester (the Central Office). The Central Office provides certain programs and administrative support functions to parishes, schools, and cemeteries within this limited geographic region.

The Operating Fund includes program, administrative and support services of the Central Office which are comprised of canonical services, Catholic formation, development and communication, insurance, ministries, pastoral services, seminarian formation, other programs, and administrative support services. The Insurance Fund administers the insurance program for the Diocese of Manchester as described in Note 9. Revenues are derived primarily from assessments charged to the parishes and schools within the territory of the Diocese.

The accompanying financial statements exclude the assets, liabilities, net assets and financial activities of various parishes, schools, cemeteries, camps, Diocesan benefit plans, Aquinas House and Catholic Student Center, and other entities, except insofar as financial transactions have taken place between them and the Central Office. Although these entities are located in the territory of the Diocese, the entities maintain separate financial records and carry on their own services and programs. The accompanying financial statements also exclude the assets, liabilities, net assets and financial activities of the Diocese of Manchester Central Fund Trust, which holds deposits and investments as well as makes loans to various parishes, schools, and cemeteries within the territory of the Diocese.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 changes in net assets during the reporting period. Actual results could differ from those estimates. Significant estimates used by the Central Office include those used to determine the projected retirement benefit obligation (Note 7), the liability for unpaid insurance claims (Note 9), and losses on accounts, notes and insurance receivable (Notes 1, 3, and 9).

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Central Office considers certificates of deposit and other highly liquid debt instruments with a maturity of three months or less from the date of purchase to be cash equivalents.

The Central Office customarily maintains amounts on deposit in various bank accounts in excess of the Federal deposit insurance coverage amounts. In addition to the above amounts on deposit, the Central Office reports certain cash equivalents managed by its investment advisors as investments and not as cash equivalents in the accompanying statements of financial position, since it is the Central Office's intention to invest these funds for long-term purposes. The Central Office has not experienced any losses in such accounts in the past and believes it is not exposed to any significant credit risk.

Cash and cash equivalents are included in the accompanying financial statements, as follows:

<i>As of June 30,</i>	2023	2022
Diocesan cash	\$ 934,824	\$ 3,281,256
Cash held for designated purposes	3,294,669	1,086,654
Cash held for restrictive purposes	136,082	150,675
Total cash reported on statements of financial position and cash flows	\$ 4,365,575	\$ 4,518,585
Cash held in investment accounts (Note 12)	481,920	3,131,840
Totals	\$ 4,847,495	\$ 7,650,425

Receivables

Accounts receivable

Accounts receivable are reported at estimated net collectible amounts. The accounts receivable arise in the normal course of the operation of the Central Office and are primarily due from parishes and schools within the territory of the Diocese. Credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest. The Central Office periodically reviews the outstanding accounts receivable for the purposes of establishing an allowance for uncollectible accounts based on the average bad debt write-offs experienced in the past and its current knowledge of the accounts. It is management's policy to convert delinquent accounts receivable to notes receivable or, in rare circumstances, to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable at June 30, 2023 and 2022 are reported net of an allowance for uncollectible accounts of \$64,580 and \$269,444, respectively. The accounts receivable at June 30, 2021 was \$591,026, net of an allowance for uncollectible accounts of \$269,444.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables (Continued)

Aggregate accounts receivable past due 90 days or more were approximately \$177,000 and \$446,000 as of June 30, 2023 and 2022, respectively. Delinquency status is based on normal credit terms. The Central Office does not generally require collateral for the extension of credit.

Notes receivable

Notes receivable from various parishes, cemeteries, and schools within the territory of the Diocese are unsecured and are reported at their unpaid principal balances, less an allowance for losses. However, if property of an entity within the territory of the Diocese were to be liquidated, proceeds from the sale of the assets would be required to be applied to any outstanding balance on notes receivable, including any accounts receivable, due to the Central Office.

Interest on notes receivable is recognized over the term of the loan and is calculated using either the simple interest method or the amortization method on principal amounts outstanding.

The Central Office has been willing, under appropriate circumstances, to make concessions for borrowers whose payments were not current or to refinance outstanding obligations. At the time of restructuring, the loan is evaluated for an allowance for credit losses. The Central Office continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. There were no troubled debt restructurings for the years ended June 30, 2023 and 2022.

Notes receivable are evaluated for impairment annually and are placed on non-accrual status on a case-by-case basis. Interest income on non-accrual loans is recognized only to the extent that cash payments are received. Loans are classified as impaired when they are greater than 60 days past due, on non-accrual status, or additional borrowing is needed due to operational deficits. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with contractual terms for a reasonable period of time as determined by the Central Office, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Central Office reviews each outstanding note receivable and has provided an allowance for losses at a level that the Central Office believes to be representative of inherent losses estimated on the basis of factors, such as the risk characteristics of the borrower, average historical bad debt write-offs, and current economic conditions that may affect the borrower's ability to pay. Delinquency status is determined based on contractual terms. It is the Central Office's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. Additionally, on the aggregate remaining balance of notes receivable the Central Office estimates an additional allowance covering those amounts not specifically identified (see Note 3).

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments represent marketable securities and alternative investments. Investments in marketable securities are valued at their fair values in the statements of financial position. The measurement of fair value is made using the fair value hierarchy established under current accounting standards (Note 12). Net asset value ("NAV") is used as a practical expedient to estimate fair value of the alternative investments (Note 12).

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses. For purposes of determining realized gains and losses, the cost of securities sold is based on average cost.

Fixed Assets

It is the Central Office's policy to capitalize fixed assets with a cost of at least \$2,500. Lesser amounts are charged to operations.

Fixed assets are recorded at cost, if purchased, or at estimated fair market value as of the date of donation, if donated. The composition of net fixed assets at June 30, 2023 and 2022 is, as follows:

	2023	2022
Land	\$ 2,129	\$ 2,129
Buildings	1,637,545	651,646
Building improvements	1,784,792	1,711,792
Furniture and other equipment	349,470	342,202
Computer equipment and software	369,971	369,971
Total fixed assets	4,143,907	3,077,740
Less - Accumulated depreciation	2,614,746	2,521,778
Fixed assets, net	\$ 1,529,161	\$ 555,962

The Central Office provides for depreciation on the straight-line method by charges to income in amounts estimated to amortize the cost or donated value of the assets over the periods of their useful lives.

Depreciation expense was \$92,968 and \$84,314 during 2023 and 2022, respectively.

Included in fixed assets in the accompanying statements of financial position are assets with a net book value of \$83,729 and \$97,887 as of June 30, 2023 and 2022, respectively, which are restricted by the donor for use as the Bishop's residence.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Changes in Accounting Policy

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Central Office adopted this guidance for the year ended June 30, 2023 resulting in no material impact to the financial statements or the related disclosure notes.

ASC 842 Lease Accounting

For all underlying classes of assets, the Central Office has elected to not recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Central Office is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Central Office recognizes short-term lease cost on a straight-line basis over the lease term.

For all underlying classes of assets, the Central Office separates lease and non-lease components to determine the lease payment.

Restricted Support

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and designated net assets, which are revenues not restricted by outside sources and revenues designated by the Central Office for special purposes and their related expenses.

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. Restricted contributions that are received and utilized in accordance with donor stipulations in the same year are reported as contributions without donor restrictions. The Central Office follows a similar policy for investment return on these funds.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Support (Continued)

Net assets have been designated by the Central Office for the following purposes at June 30, 2023 and 2022:

	2023	2022
Priest housing	\$ 757,310	\$ 920,188
School education fund	148,163	209,153
Priests continuing formation	1,263,575	1,145,912
Medical needs of priests	785,736	764,501
Worship and world youth day	10,070	10,070
Campus ministry	124,925	124,925
Youth ministry	442,705	442,705
St. Joseph Cathedral	40,716	40,716
Priests medical fund	262,620	247,034
Permanent Diaconate Continuing Formation	1,666,577	1,510,180
Totals	\$ 5,502,397	\$ 5,415,384

Net assets with donor restrictions as of June 30, 2023 and 2022 are restricted for the following purposes:

	2023	2022
Seminarians	\$ 87,056	\$ 81,889
Missionary support	687,852	656,224
Parish masses	405,133	383,619
Priests medical fund	1,079,293	1,015,237
Non-capital purposes	247,163	246,581
For specific geographical region	156,726	154,225
Other various purposes	322,213	333,489
Totals	\$ 2,985,436	\$ 2,871,264

Net assets released from restriction in 2023 and 2022 were used primarily for parish and clergy support.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Support (Continued)

Endowments restricted in perpetuity (including amounts above the original gift amount of \$7,805,209 in 2023 and \$6,747,015 in 2022):

	2023	2022
Missionary, Catholic education, retired priests and parish support	\$ 5,127,409	\$ 5,219,089
Seminarians	739,900	698,186
Priests medical fund	2,536,800	2,402,680
Scholarships, education and tuition	2,725,663	1,652,469
Other various purposes	172,152	177,119
Totals	\$ 11,301,924	\$ 10,149,543
Total net assets with donor restrictions	\$ 14,287,360	\$ 13,020,807

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and other activities as benefited.

The Central Office allocates the salary of each Diocesan employee to various salary expense classifications. This allocation is based on an estimate made by management of the percentage of time each individual devotes to each type of service. The percentages used to allocate salaries in each year vary depending upon the Central Office's estimate. The Central Office also allocates administrative expenses to the various programs based on estimates of square footage and number of employees.

Federal and State Income Taxes

The Diocese is exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese must, however, pay income taxes on the net profit from its unrelated business activities, if any.

The Central Office recognizes the tax benefit of an uncertain tax position only if management determines that it is more likely than not that the tax position would be sustained upon examination by taxing authorities based on the technical merit of the position. Management has determined that through June 30, 2023, the Central Office did not take any material tax positions which meet the criteria for recognition.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Assessments

The Central Office provides administrative services throughout the fiscal year for parishes and schools within the territory of the Diocese. There is one performance obligation, which is to provide administrative services. Revenue is recognized over time because the parishes and schools simultaneously receive and consume the services provided by the Central Office. The passage of time is used as management considers that to be the best available measure of progress on the Central Office's delivery of services. At the beginning of each fiscal year, the Central Office determines the annual assessment fees (Development Fund, Permanent Deacon, Priest Retirement, Cathedraicum, Priests Medical Fund, Catholic Schools, School Administrative Fee) to each parish and school within the territory of the Diocese of Manchester as permitted by Canon law. Statements are sent to parishes and schools on a monthly basis.

Insurance programs

The Central Office acts on behalf of participating parishes, schools and other entities within the territory of the Diocese to provide adequate property and casualty insurance coverage. The arrangements with the covered entities contain one performance obligation, which is providing insurance coverage. At the beginning of each fiscal year, the fiscal year's property and casualty insurance coverage is billed at rates set by the Central Office. Revenue from the insurance program is recognized over time because the participant simultaneously receives and consumes the benefit provided by the Central Office. Changes to coverage are recognized in the month the Central Office is notified of the change.

Nature, amount, timing and uncertainty of revenue

The Central Office has determined that the nature, amount, timing, and uncertainty of assessments and insurance program revenue and cash flows are most significantly affected by the financial position of the parishes, schools and other entities within the Diocese of Manchester's territory. Adverse changes in the local economy may have an adverse impact on the ability of these parishes, schools and other entities to pay the Central Office.

Management fee revenue

The Central Office receives revenue from fees charged to schools, parishes and other entities within the territory of the Diocese for general management and administration of investment funds. There is one performance obligation, which is to provide management services. Revenue is recognized over time because the schools, parishes and other entities simultaneously receive and consume the services provided by the Central Office. The passage of time is used as management considers that to be the best available measure of progress on the Central Office's delivery of services. The fees are based on a tiered structure as determined by the fund balance.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Donations and pledges

Donations received, including unconditional promises to give, are recognized as revenue in the period received at fair value. Conditional donations, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position. The Central Office reports gifts of cash and other assets as contribution revenue with donor restrictions, if they 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Support, as well as any related investment income, that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

The Central Office reports gifts of land, buildings and equipment as contribution revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contribution revenue with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Central Office reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Upcoming Accounting Pronouncement

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, will significantly change how financial assets measured at amortized cost are presented. Such assets, which includes most loans, will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard will also change the accounting for credit losses related to securities available for sale and purchased financial assets with a more than insignificant amount of credit deterioration since origination. This accounting standard is effective for financial statements issued for interim and annual periods beginning after December 15, 2022 (effective for the Central Office year ending June 30, 2024). The Central Office is evaluating the impact this new standard will have on its financial statements.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 2: Investments

The Central Office invests in marketable securities and hedge funds, primarily consisting of cash and cash equivalents, equities, fixed income securities, and alternative investments.

The Central Office's policy is to invest in a manner consistent with teachings of the Roman Catholic Church, as expressed in guidelines published by the US Conference of Catholic Bishops, in order to preserve capital and realize a sufficient return with minimal risk. In general, the Central Office's current policy is to maintain the following allocations:

Equity securities - domestic	10% - 40%
Equity securities - international and emerging markets	10% - 30%
Fixed income securities	30% - 40%
Alternative investments	5% - 25%
Private equities	0% - 10%
Cash and cash equivalents	.5% - 5%

The Diocese is the sole remainder beneficiary of an irrevocable charitable remainder trust. Under the terms of the trust, the income beneficiaries of the trust receive a unitrust amount equal to 8% of the fair market value of the trust assets determined annually, paid in equal monthly installments. Upon the death of the surviving income beneficiary, the trustee is to distribute all remaining principal and income of the trust to the Diocese to be used to establish a scholarship fund to benefit students in Catholic regional schools within New Hampshire. The Diocese was informed subsequent to June 30, 2023 that the last income beneficiary had passed away. The investments were liquidated by the trustee and the Diocese received a distribution of the remaining trust funds in the amount of \$2,725,633 in November 2023. The amount of the distribution is deemed to be equal to the net present value of the beneficial interest in the trust at June 30, 2023 and is included in Diocesan investments in the accompanying financial statements.

The net present value of the beneficial interest in the trust for 2022 used an assumed rate of return of 6.35% in 2022 and was discounted at 4.40% (\$1,652,469 at June 30, 2022). The fair value of the trust assets was \$2,233,761 at June 30, 2022.

Net investment return in the statements of activities is comprised of the following:

<i>As of June 30,</i>	2023	2022
Dividends, interest and other income	\$ 1,001,046	\$ 1,061,389
Investment management fees	(264,353)	(298,265)
Net realized and unrealized gains (losses)	3,999,207	(6,257,374)
Totals	\$ 4,735,900	\$ (5,494,250)

See Note 12 for fair value measurements and the fair value of investments classified by major type.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 2: Investments (Continued)

Investment income earned on certain net assets with donor restrictions is restricted as to use. All other investment income is without donor restrictions as to use. The Central Office follows the guidance established by the Financial Accounting Standards Board when accounting for losses in donor-restricted endowment funds (see Note 13).

Note 3: Notes Receivable

In assessing performance of notes receivable on an annual basis, the Central Office considers notes receivable less than 30 days past due to be current and classified as performing. The Central Office also classifies loans which have contractual terms that require no payments in a given year as current and performing. Performing notes receivable as of June 30, 2023 and 2022 were \$1,689,462 and \$2,250,999, respectively. There were no non-performing notes receivable as of June 30, 2023 and 2022.

The following reflects the age analysis of notes receivable as of June 30, 2023 and 2022, respectively:

	2023	2022
Current	\$ 1,689,462	\$ 2,250,999
Total notes receivable	\$ 1,689,462	\$ 2,250,999
Total notes receivable on non-accrual status	\$ -	\$ 675,181

The following provides informative data at June 30, 2023 and 2022 and for the years then ended, separately presented based on whether or not management has recognized an allowance for credit losses with respect to the impaired loans:

	2023	2022
Impaired loans for which an allowance for credit losses is recognized:		
Recorded investment	\$ -	\$ 675,181
Unpaid principal balance	-	675,181
Average recorded investment	337,591	675,181

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 3: Notes Receivable (Continued)

The following reflects the allowance for losses and the related recorded investment in notes receivable as of June 30, 2023 and 2022, respectively:

	2023	2022
Allowance for losses:		
Beginning balance	\$ 337,590	\$ 337,590
Provision (recovery)	(337,590)	-
Ending balance	\$ -	\$ 337,590
Ending balance: Individually evaluated for impairment	-	337,590
Ending balance	\$ -	\$ 337,590
Recorded investment in notes receivable:		
Ending balance: Individually evaluated for impairment	-	675,181
Ending balance - Aggregate remaining balance evaluated for impairment	1,689,462	1,575,818
Ending balance	1,689,462	2,250,999
Less - Allowance for losses	-	(337,590)
Notes receivable, net of allowance for losses	\$ 1,689,462	\$ 1,913,409

There were no changes to the accounting policy for notes receivable for the years ended June 30, 2023 and 2022. There were no purchases, sales, or reclassifications of notes receivables for the years ended June 30, 2023 and 2022.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 4: Related Party Transactions

The Central Office receives assessment revenue from parishes for specific programs and administrative and other services. In addition, the Central Office receives revenue from other entities within the territory of the Diocese (parishes, schools, cemeteries and Diocesan employee benefit plans) and Catholic Charities New Hampshire ("CCNH") for insurance coverage. The Central Office provides grants and subsidies to certain parishes, schools and mission churches to support the programs of these entities. The Central Office also receives investment management fees from the Diocese of Manchester Central Fund Trust (Diocese CFT). A summary of these transactions is, as follows:

<i>Years Ended June 30,</i>	2023	2022
Assessments revenue received (excluding insurance)	\$ 6,164,279	\$ 6,769,698
Insurance revenue (see Note 9)	5,489,343	5,436,259
Grants and donations expended	(534,895)	(462,538)
Grants to schools expended	(1,500,572)	(565,969)
Grants to plans	(288,954)	(209,179)
Investment management fees earned	835,010	782,972

Amounts due from the parishes and other entities within the Diocese territory, primarily for assessments, insurance and interest (net of allowance) were \$540,168 and \$828,371 at June 30, 2023 and 2022, respectively. Amounts due to the parishes and other related parties at June 30, 2023 and 2022 were \$157,754 and \$123,332, respectively.

At June 30, 2023 the Diocese CFT owed the Central Office \$4,704,531 relating to the allocation of investment activity between the Central Office and the Diocese CFT. At June 30, 2022, the Central Office owed the Diocese CFT \$789,182 relating to the allocation of investment activity between the Central Office and the Diocese CFT.

In 2019, the Central Office entered into a note agreement with CCNH to fund the construction of a facility to house retired Catholic priests. The note is for up to \$1,500,000 with a 20-year term. The note specified that interest was to begin accruing at a yearly fixed rate of 3% at the earlier of reaching \$1,500,000 in construction costs or December 31, 2019. The note includes a debt forbearance clause, which specifies that every five years during the term of the loan, the outstanding loan principal balance shall be reduced by 25% of the amount originally loaned by the Central Office if certain conditions are satisfied. Interest began accruing on the note on December 31, 2019. The outstanding note receivable balance was \$1,500,000 at June 30, 2023 and 2022. The Central Office received \$47,841 and \$45,000 of interest income on the note receivable in 2023 and 2022, respectively.

During 2023, the Central Office disbursed to CCNH phase I funding of the New Hampshire Catholic Annual Appeal (NHCA), an annual fundraising campaign (Note 5), 31% of the net proceeds totaling \$439,757 of 2022 appeal funds. On December 20, 2023, the Central Office paid \$1,184,857 to CCNH from the 2023 NHCA results. This approximates 34% of the total. The agreement for the 2023 and 2024 NHCA is that the Central Office will distribute 35% of the net appeal proceeds to CCNH. If the net appeal proceeds due to NHCC is less than \$1,400,000, then the Central Office will contribute 50% of the shortfall. The amounts due to CCNH for the 2023 campaign are included as a liability in the statement of financial position as grants payable - New Hampshire Catholic Appeal, which also includes other amounts due to Catholic schools and Diocesan ministries from the NHCA.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 4: Related Party Transactions (Continued)

In 2023, the Central Office agreed to assist Trinity High School with project costs and to obtain debt service from outside financing sources for an expansion and renovation project for the school and the relocation of St. Joseph Regional Junior High School to the Trinity High School campus. At June 30, 2023, the school owed \$762,712 to the Central Office for construction costs related to the project. This amount is expected to be collected within one year.

The Central Office participates in the Roman Catholic Bishop of Manchester Employee Benefit Plan and Trust (the Plan) which is managed and overseen by the Diocese. The Plan provides health, dental, life and disability insurance benefits. Total expense incurred and paid to the Plan was approximately \$637,000 during 2023 and \$614,000 during 2022.

Note 5: New Hampshire Catholic Appeal

During 2022 the Central Office established the New Hampshire Catholic Appeal ("NHCA"), an annual fundraising campaign with the parishes and ministries of the Church in New Hampshire. The NHCA is being introduced over a two-year period to all parishes. Proceeds from the NHCA will replace certain special collections held, reduce parish assessments and establish collection goals for parishes. In addition, a percentage of proceeds from the NHCA will support CCNH, parishes and ministries. Donations from the NHCA totaled \$3,107,462 and \$1,136,270 during the years ended June 30, 2023 and 2022, respectively.

Parishioners can make a pledge to the NHCA. Pledges receivable for the NHCA totaled \$346,177 and \$143,708 at June 30, 2023 and 2022, respectively. The Central Office has determined that no allowance for uncollectible pledges was necessary at June 30, 2023 or 2022. All pledges are due within one year.

Cash held for the NHCA as of June 30, 2023 and 2022 totaled \$3,294,669 and \$1,086,654, respectively, and is recorded as cash held for designated purposes in the accompanying statements of financial position.

Under the program, the Central Office recorded grant expenses for the distribution of a portion of the NHCA proceeds to CCNH, parishes and ministries of \$2,008,304 and \$869,668 for the years ended June 30, 2023 and 2022, respectively. Grants payable for these distributions were \$2,243,202 and \$869,668 at June 30, 2023 and 2022, respectively.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 6: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	2023	2022
Diocesan cash and cash equivalents	\$ 934,824	\$ 3,281,256
Cash held for designated purposes (NHCA)	3,294,669	1,086,654
Operating accounts receivable	488,529	542,885
Operating investments	33,161,087	37,909,568
Insurance receivable, net	124,004	105,949
Pledge Receivable - NHCA	346,177	143,708
Due from (to) the Diocese of Manchester Central Fund Trust	4,704,531	(789,182)
Less - Designated net assets	(5,502,397)	(5,415,384)
Less - Cash held for others	(355,799)	(415,237)
Less - Funds held for others	(338,168)	(442,415)
Less - Grants payable (NHCA)	(2,243,202)	(869,668)
Endowment spending-rate distributions and appropriations	500,000	500,000
Totals	\$ 35,114,255	\$ 35,638,134

The Diocesan investments consist of donor-restricted endowments and funds designated by the Central Office for various purposes (Note 13). Donor-restricted endowment funds are not available for general expenditure and are subject to an annual spending rate of up to 5% of the funds average fair value of the previous three years (for the years ended June 30, 2023 and 2022, a 4% distribution was recommended by the Diocesan Finance Council and approved by the Bishop). Management does not intend to spend from the designated funds; however, these amounts could be made available, if necessary.

As part of the liquidity management plan, the Central Office produces an annual budget that is submitted to the Diocesan Finance Council, which outlines the anticipated financial needs to support the mission within the next fiscal year. To manage current cash flow needs, the budget is analyzed and compared to actual results throughout the year. In addition, year over year assessment and contribution receipts are reviewed to ensure funding sources are received. The Central Office also invests cash in excess of daily requirements in CDs and money market funds.

Note 7: Retirement Plan

(A) Diocesan Administration Employees

The Central Office has a defined contribution plan under Internal Revenue Code Section 403(b) for the benefit of its eligible Diocesan administration employees. Employer contributions to the plan are based on 3% of eligible wages. In addition, the employer matches 50% of 403(b) employee deferred contributions by 50% to the first 6% of employee contributions, up to a maximum of 3% of eligible wages. Total employer contributions to this plan during 2023 and 2022 amounted to \$281,966 and \$259,046, respectively.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

(B) Diocesan Priests

The Diocese established the Diocesan Priest Retirement Plan (the Plan) and the Diocesan Priest Retirement Trust Fund (the Trust) for the purpose of funding the retirement benefits of retired priests incardinated in the Diocese of Manchester who are granted permission by the Bishop of Manchester to retire. Under the Plan, retired priests receive a monthly stipend, medical and dental coverage, and are eligible for personal automobile insurance reimbursement. Priests born before 1949 are eligible to request retirement from the Bishop of Manchester at the earlier of attainment of age 68 or completion of 40 years of service; priests born between 1949 and 1956 (inclusive) are eligible to request retirement at age 70; priests born between 1957 and 1970 (inclusive) are eligible to request retirement at age 71; priests born during or after 1971 are eligible to request retirement at age 72. Earlier retirement is permitted only with the approval of the Bishop. In accordance with the terms of the Plan, the Central Office assumed the obligations of the Plan, including the unfunded benefit obligation as of the date the Plan was established. In addition, the Central Office has recognized the unfunded obligation of the retirement plan in its statements of financial position in accordance with accounting principles generally accepted in the United States.

In addition to the benefits provided by the Trust, the Diocese also provides prescription drug coverage through its Medical Insurance Fund. Benefits are paid from the designated net assets of the Central Office and not from the Diocesan Priest Retirement Fund.

The Plan provides for the monthly stipend for retired priests to generally increase each year consistent with the timing and percentage of the annual stipend increase for active priests. However, any annual adjustment ultimately requires approval from the Bishop of Manchester. The monthly stipend for retired priests was \$1,895 for 2023 and \$1,821 for 2022, both including a \$100 annual retreat allocation. The monthly stipend for retired Bishops was \$2,250 for 2023 and 2022. The Plan provides a monthly housing benefit with value of \$2,605 for 2023 and \$2,679 for 2022 for certain retired priests residing in an assisted living facility.

Effective July 1, 2022, the Plan was amended to include vision benefits. This amendment increased the projected benefit obligation by \$69,185 as of June 30, 2022.

The Diocese maintains a sustenance program for priests ineligible for public ecclesiastical ministry for whom the Diocese retains responsibility of sustenance. Expenditures from this program are paid from a Central Office fund designated for this purpose and not from the Diocesan Priest Fund or Diocesan assessment revenue from parishes.

The actuarial assumptions for the discount rate and automobile reimbursements were changed during the year ended June 30, 2023. The changes in these actuarial assumptions decreased the priest retirement obligation by approximately \$1,591,000.

The actuarial assumptions for the mortality, discount and trend rates were changed during the year ended June 30, 2022. The changes in these actuarial assumptions decreased the priest retirement obligation by approximately \$4,628,000.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

The following information relates to the Diocesan Priest Retirement Plan, Medical Insurance Fund and Sustenance Program, and includes amounts determined as of June 30, 2023 and 2022 measurement dates:

	2023			2022		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Projected benefit obligation	\$ (26,348,542)	\$ (1,375,183)	\$ (700,738)	\$ (27,957,851)	\$ (1,538,024)	\$ (751,045)
Plan assets	20,932,343	-	-	18,412,743	-	-
Totals	\$ (5,416,199)	\$ (1,375,183)	\$ (700,738)	\$ (9,545,108)	\$ (1,538,024)	\$ (751,045)

The following components of the projected benefit obligation of the Diocesan Priest Retirement Plan for the years ended June 30, 2023 and 2022 have not been recognized as periodic pension costs:

	2023	2022
Unrecognized prior service cost	\$ 6,145,373	\$ 6,715,916
Unrecognized net gain	(4,017,959)	(928,239)

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

Significant assumptions at June 30, 2023 and 2022 include:

	2023			2022		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Discount rate	4.90 %	4.90 %	4.90 %	4.40 %	4.40 %	4.40 %
Expected return on Plan Assets	6.85 %	N/A	N/A	6.35 %	N/A	N/A
Annual cost increases:						
Medical and Dental	7.0% trending to 5.0%	7.0% trending to 5.0%	7.0% trending to 5.0%	7.0 trending to 5.0%	7.0% trending to 5.0%	7.0% trending to 5.0%
Automobile insurance premiums	2.50 %	N/A	2.50 %	2.50 %	N/A	2.50 %
Vision benefits	2.50 %	N/A	2.50 %	2.50 %	N/A	2.50 %
Year that the rate reaches the ultimate trend rate	2032	2032	2032	2032	2032	2032
Rate of compensation increase	2.50 %	N/A	N/A	2.50 %	N/A	N/A
	Pri-2012 White Collar Mortality Table for Employee and Retirees projected generational with Scale MP-2021			Pri-2012 White Collar Mortality Table for Employee and Retirees projected generational with Scale MP-2021		
Mortality Benefit cost	1,116,603	(162,841)	52,887	1,122,195	(115,179)	(81,643)
Employer contributions and donations	2,029,359	-	-	1,765,236	-	120,916
Participant contributions	50,657	-	-	50,650	-	-
Benefits paid	1,138,040	5,074	-	1,097,138	21,188	120,916

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

The net periodic retirement cost consists of:

<i>Years Ended June 30,</i>	2023	2022
Diocesan Priest Retirement Plan:		
Amortization of prior service costs	\$ 570,543	\$ 567,006
Investment return	(1,169,913)	(919,721)
Interest cost	1,195,507	793,359
Medical insurance fund	(162,841)	(115,179)
Sustenance program	52,887	(81,643)
Totals	\$ 486,183	\$ 243,822

The periodic retirement cost for the priest retirement plan, medical insurance fund and sustenance program is reported separately from operating expenses on the statements of activities. Current service cost for 2023 and 2022, respectively, was \$520,466 and \$681,551 and has been recorded in other program costs on the statements of functional expenses.

Retirement-related changes for the Diocesan Priest Retirement Plan other than net periodic retirement costs consist of:

<i>Years Ended June 30,</i>	2023	2022
Amortization of prior service costs	\$ (570,543)	\$ (567,006)
Current year (gain) loss not yet recognized	(3,536,929)	(752,737)
Funding by affiliates	(1,138,040)	(1,097,138)
Totals	\$ (5,245,512)	\$ (2,416,881)

The accumulated benefit obligations were, as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
June 30, 2023	\$ 19,179,081	\$ 718,415	\$ 663,707
June 30, 2022	20,075,990	774,332	709,319

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

The Central Office expects to contribute approximately \$1,860,512 to the Retirement Plan during the year ending June 30, 2024. Benefits and expenses expected to be paid during the ensuing five years and five years thereafter are as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
2024	\$ 1,620,000	\$ 57,770	\$ 86,584
2025	1,709,000	63,789	83,369
2026	1,742,000	67,756	79,868
2027	1,766,000	71,314	76,072
2028	1,768,000	73,904	72,011
2029 - 2033	8,889,000	404,698	292,478

Investments for the Diocesan Priests Retirement Plan are invested with the assets in the Diocese of Manchester Central Fund Trust, a separate entity as described in Note 1. The Central Office's investment policy with respect to assets of the Trust is consistent with the policy outlined in Note 2.

The expected rate of return on Plan assets was developed in consultation with the Plan's investment advisors and is based upon their assessment of expected future returns.

See Note 12 for a discussion of the fair value measurements of the Diocesan Priest Retirement Plan investments.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

The following tables set forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of these investments as of June 30, 2023 and 2022:

	2023			Net Asset Value*	Total
	Level 1	Level 2	Level 3		
Money market mutual funds	\$ 500,382	\$ -	\$ -	\$ -	\$ 500,382
Equity securities:					
Domestic	6,832,913	-	-	-	6,832,913
International and emerging markets	1,948,627	-	-	-	1,948,627
Fixed income securities:					
Corporate bonds	-	4,087,563	-	-	4,087,563
Government securities	-	3,429,643	-	-	3,429,643
Certificates of deposit	-	861,582	-	-	861,582
Preferred stock	38,506	-	-	-	38,506
Exchange-traded and closed-end funds	39,707	-	-	-	39,707
Alternative investments:					
Real estate investment trusts	730,865	-	-	-	730,865
Mutual funds	183,163	-	-	-	183,163
Total assets in the fair value hierarchy	10,274,163	8,378,788	-	-	18,652,951
Alternative investments	-	-	-	1,097,386	1,097,386
Investments at fair value	\$ 10,274,163	\$ 8,378,788	\$ -	\$ 1,097,386	\$ 19,750,337
Cash and cash equivalents					398,293
Total investments					\$ 20,148,630 **

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 7: Retirement Plan (Continued)

	2022				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Money market mutual funds	\$ 399,783	\$ -	\$ -	\$ -	\$ 399,783
Equity securities:					
Domestic	6,868,439	-	-	-	6,868,439
International and emerging markets	2,080,929	-	-	-	2,080,929
Fixed income securities:					
Corporate bonds	-	2,833,517	-	-	2,833,517
Government securities	-	2,432,040	-	-	2,432,040
Certificates of deposit	-	814,644	-	-	814,644
Preferred stock	37,345	-	-	-	37,345
Fixed income mutual funds	596,958	-	-	-	596,958
Exchange-traded and closed-end funds	63,388	-	-	-	63,388
Alternative investments:					
Real estate investment trusts	948,384	-	-	-	948,384
Mutual funds	222,634	-	-	-	222,634
Total assets in the fair value hierarchy	11,217,860	6,080,201	-	-	17,298,061
Alternative investments	-	-	-	306,734	306,734
Investments at fair value	\$ 11,217,860	\$ 6,080,201	\$ -	\$ 306,734	\$ 17,604,795
Cash and cash equivalents					554,851
Total investments					\$ 18,159,646 **

* In accordance with current accounting standards certain investments that were measured at net asset value per share (or its equivalent) have not been classified 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 line items presented in the statements of financial position (see Note 12)

** Excludes other assets held by the Diocesan Priests Retirement Plan.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 8: Paycheck Protection Program

As of June 30, 2021, the Central Office had an outstanding loan of \$1,044,600 from the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan incurred interest at a rate of 1% with monthly payments of principal and interest commencing upon receipt of notification of the unforgiven amount by the SBA, and would be required to be repaid no later than April 2022. On July 1, 2021, the Central Office received notice from the Small Business Administration that the loan was forgiven. Therefore, the loan forgiveness income was recognized as Paycheck Protection Program loan forgiveness on the Statement of Activities for the year ended June 30, 2022 in accordance with ASC 470.

Note 9: Insurance

The Diocese is partially self-insured for claims incurred, with respect to property, liability and automobile insurance coverage, which is administered by the Central Office. The Diocese was partially self-insured for workers' compensation from September 1972 through June 1997. Included in cash held for restricted purposes is approximately \$136,000, which is on deposit with a fiduciary and is bound by a Security Deposit Agreement in accordance with New Hampshire state law.

In consultation with its actuary, the Central Office has obtained policies with certain deductibles from commercial insurers to reduce financial exposure to risk; however, the Central Office remains primarily responsible to entities within the territory of the Diocese and CCNH for the payment of claims and pays claims on all losses arising from a single occurrence. Insurers then reimburse the portion of any claim in excess of the retention limit, subject to limits stated in the policy. As of June 30, 2023 and 2022, estimated recoveries of \$124,004 and \$105,949 have been recorded as receivables.

The Central Office records a liability for unpaid claims based on amounts due on settlements, and case base estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based on loss projections using actuarial analysis and studies of historical loss experience. Amounts due from insurance companies on settled claims were \$124,004 and \$105,949 at June 30, 2023 and 2022, respectively, and have been recorded as insurance receivable in the accompanying statements of financial position.

The Central Office receives reimbursement for claims under New Hampshire's Second Injury Fund program. New Hampshire's Second Injury Fund gives employers an opportunity to limit their compensation costs in the event that an employee with a prior impairment sustains a workers' compensation injury which leaves the employee more disabled than the same injury would leave a non-impaired worker. Amounts recoverable from the second injury fund are determined based on acceptance of the claim by the State of New Hampshire. As of June 30, 2023 and 2022, recoveries of \$555,791 and \$618,427 are expected from the second injury fund and have been recorded as second injury fund recoverable in the accompanying statements of financial position.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 9: Insurance (Continued)

The following summarizes the estimated liability for unpaid claims at June 30, 2023 and 2022:

	2023		
	Claims Payable, net	IBNR	Total
Liability	\$ 1,504,297	\$ 781,215	\$ 2,285,512
Property	226,188	449,303	675,491
Workers' compensation	1,456,135	-	1,456,135
Totals	\$ 3,186,620	\$ 1,230,518	\$ 4,417,138

	2022		
	Claims Payable, net	IBNR	Total
Liability	\$ 267,870	\$ 919,218	\$ 1,187,088
Property	312,197	405,817	718,014
Workers' compensation	976,731	-	976,731
Totals	\$ 1,556,798	\$ 1,325,035	\$ 2,881,833

While the Central Office believes that the amounts reported represent its best estimate of the amount necessary to cover the ultimate cost of these claims, these estimates are subject to change. Any change in estimates is made in consultation with an actuary and is recorded in the year the change is determined.

Claims and legal expense paid for all of the above coverages amounted to \$1,099,207 and \$1,051,501 in 2023 and 2022, respectively.

Note 10: Contingencies

The Central Office has been involved from time to time in litigation, other legal claims and proceedings. As discussed in Note 9, the accompanying financial statements include an estimated liability for the remaining reported claims and an estimate of the liability relating to unreported claims as of June 30, 2023 and 2022.

Note 11: Risk and Uncertainties

The Central Office invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 12: Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, observable inputs other than quoted market prices or inputs that are derived principally from or corroborated by observable market data by correlation or other means; and Level 3 inputs consist of inputs that are unobservable and significant to the fair value measurement and have the lowest priority. The Central Office uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Central Office's assets as of June 30, 2023 and 2022:

	2023			Net Asset Value*	Total
	Level 1	Level 2	Level 3		
Money market mutual funds	\$ 1,190,269	\$ -	\$ -	\$ -	\$ 1,190,269
Equity securities:					
Domestic	14,129,720	-	213,397	-	14,343,117
International and emerging markets	3,941,633	-	-	-	3,941,633
Fixed income securities:					
Corporate bonds	-	5,466,215	-	-	5,466,215
Government securities	-	10,898,725	-	-	10,898,725
Certificates of deposit	-	2,653,419	-	-	2,653,419
Preferred stock	77,581	-	-	-	77,581
Exchange-traded and closed- end funds	231,903	-	-	-	231,903
Alternative investments:					
Real estate investment trusts	1,890,999	-	-	-	1,890,999
Beneficial interest in charitable remainder trust	-	-	2,725,663	-	2,725,663
Total assets in the fair value hierarchy	21,462,105	19,018,359	2,939,060	-	43,419,524
Alternative investments	-	-	-	3,608,990	3,608,990
Investments at fair value	\$ 21,462,105	\$ 19,018,359	\$ 2,939,060	\$ 3,608,990	47,028,514
Cash and cash equivalents (Note 1)					481,920
Total investments (Note 2)					\$ 47,510,434

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 12: Fair Value Measurements (Continued)

	2022				Net Asset Value*	Total
	Level 1	Level 2	Level 3			
Money market mutual funds	\$ 234,752	\$ -	\$ -	\$ -	\$ -	234,752
Equity securities:						
Domestic	12,805,441	-	213,397	-	-	13,018,838
International and emerging markets	3,750,750	-	-	-	-	3,750,750
Fixed income securities:						
Corporate bonds	-	2,609,373	-	-	-	2,609,373
Government securities	-	11,856,469	-	-	-	11,856,469
Certificates of deposit	-	1,836,113	-	-	-	1,836,113
Mutual funds	1,787,393	-	-	-	-	1,787,393
Preferred stock	69,387	-	-	-	-	69,387
Exchange-traded and closed- end funds	319,722	-	-	-	-	319,722
Alternative investments:						
Real estate investment trusts	2,124,511	-	-	-	-	2,124,511
Beneficial interest in charitable remainder trust	-	-	1,652,469	-	-	1,652,469
Total assets in the fair value hierarchy	21,091,956	16,301,955	1,865,866	-	-	39,259,777
Alternative investments	-	-	-	8,565,850	-	8,565,850
Investments at fair value	\$ 21,091,956	\$ 16,301,955	\$ 1,865,866	\$ 8,565,850	-	47,825,627
Cash and cash equivalents (Note 1)						3,131,840
Total investments (Note 2)						\$ 50,957,467

* In accordance with current accounting standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified 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 line items presented in the statements of financial position.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 12: Fair Value Measurements (Continued)

Level 1 and 2 assets are valued using a market approach. Level 1 equity securities, fixed income securities, exchange traded and closed-end funds and alternative investments are valued based on published quotations of securities traded on active markets. Level 2 fixed income securities are valued using quoted prices for identical or similar assets in markets that are not active.

The method of valuing the level 3 charitable remainder trust is described in Note 2. The level 3 domestic equity security represents an investment in an insurance company valued at cost, which management has determined approximates fair value.

Alternative investments measured at net asset value ("NAV") represent units owned in private equity, real estate investment trusts and hedge funds with varying investment strategies. Valuation of these investments are at the NAV of the underlying investments held by the individual funds. NAV is used as the practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Central Office will sell the investment for an amount different from the reported NAV. The funds are valued at least quarterly using prices for identical or similar assets in markets that are not active. Hedge funds are redeemable quarterly with the redemption period varying from ninety days to two years depending on the individual funds. Private equity and real estate investment funds typically require funding commitments over a period of one to two years. Redemptions are generally not permitted on the private equity and real estate investment funds, with distributions being made over a long term period of up to ten years. The Central Office had approximately \$584,000 and \$658,000 in unfunded commitments for alternative investments as of June 30, 2023 and 2022.

There were no material changes in the valuation techniques during the current year. The inputs or valuation methodology used for valuing securities are not necessarily indicative of the risk associated with investing in those securities.

Note 13: Donor- Restricted Endowments

The Central Office follows the accounting guidance established by the Financial Accounting Standards Board for the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The guidance also requires certain disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) if the organization is subject to UPMIFA. The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Central Office has determined that donor restricted net assets meet the definition of endowment funds under UPMIFA.

The Central Office's endowments consist of funds established for the benefit of the programs of the Diocese (see Note 1). As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 13: Donor- Restricted Endowments (Continued)

The Central Office has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Central Office retains in perpetuity net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Central Office in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Central Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Central Office, and (7) the Central Office's investment policies.

Endowment net asset composition as of June 30, 2023 and 2022 and changes in endowment net assets for the years ended June 30, 2023 and 2022 are, as follows:

	2023 With Donor Restrictions	2022 With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 7,805,209	\$ 6,747,015
Accumulated investment gains	3,496,715	3,402,528
Endowment net assets, end of year	\$ 11,301,924	\$ 10,149,543
	2023 With Donor Restrictions	2022 With Donor Restrictions
Endowment net assets, beginning of year	\$ 10,149,543	\$ 11,647,282
Contributions and transfers	-	147,547
Interest and dividends	42,437	34,657
Net appreciation (depreciation) in value of investments	1,545,614	(1,263,383)
Amounts appropriated for expenditure	(435,670)	(416,560)
Endowment net assets, end of year	\$ 11,301,924	\$ 10,149,543

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 13: Donor- Restricted Endowments (Continued)

Funds with Deficiencies. 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 UPMIFA requires the Central Office to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. No significant deficiencies were reported in net assets with donor restrictions as of June 30, 2023 and 2022.

Investment Return Objectives, Risk Parameters and Strategies. The Central Office has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible. Therefore, the Central Office expects its endowment assets, over time, to produce a rate of return sufficient to provide for the annual distribution. Investment risk is measured in terms of the total endowment funds. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Central Office has a policy of appropriating for distribution each year between 4% - 5% of its endowment fund's average fair value of the previous three years. In addition, in the event that an amount in excess of the approved spending rate is required for any single year, the Central Office will appropriate a distribution of up to 7%, which is in line with the safe harbor provision, in order to accomplish the purposes for which a particular donor restricted fund has been established. The proposed appropriation shall be reviewed by the Diocesan Finance Council, which will then make a recommendation to the Bishop as to its concurrence or non-concurrence with the proposed appropriation. For fiscal years ending June 30, 2023 and 2022, a 4% distribution was recommended by the Diocese Finance Council and approved by the Bishop. In establishing this policy, the Central Office considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, the possible effects of inflation, and the provisions of SPMIFA.

Note 14: Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications primarily relate to the purchase of investments and proceeds from the sale of investments reported in the Statements of Cash Flows and the management fee income reported in the Statement of Activities.

Note 15: Subsequent Events

Management has evaluated subsequent events through April 11, 2024, the date when the financial statements were available to be issued.

Central Office of the Diocese of Manchester

Notes to Financial Statements

Note 15: Subsequent Events (Continued)

Subsequent Bond Financing

On January 12, 2024, the Central Office of the Diocese of Manchester (Borrower) entered into a direct purchase of a \$20,000,000 Tax Exempt Bond with the NH Health and Education Facilities Authority (Issuer), with a term of 10 years and an amortization of 30 years. M&T Bank (Bond Holder) purchased the bond, and proceeds are used to pay for the expansion, renovation, and co-location project at Trinity High School with St. Joseph Regional Junior High School. Funds are drawn from the bond proceeds as project invoices are received. By November 2024, the Diocese anticipates that the full \$20,000,000 will be drawn. The total cost of the construction project is estimated to be \$27,000,000.

Security obligation of the borrower include: 1) A negative pledge on Trinity High School's property at 581 Bridge Street in Manchester, NH; 2) a pledge of certain Gross Receipts; 3) security interests in all funds and accounts established pursuant to the Bond Indenture; 4) a security interest in all other business assets as defined in the Bond Indenture, which exclude real property of the Diocese and any items deemed religious or sacred in nature. The Borrower will have up to 24 months from the date of closing, January 12, 2024, to draw down the full commitment amount of the Bond with interest only payments during the 24-month drawn down period with principal and interest payments beginning on the 25th month from the date of closing, January 12, 2024.

For the first two years, the entire loan is at a variable rate and interest only at a daily 79% of SOFR+210 basis points (2.1%) rate effective January 1, 2026. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

On January 12, 2024, the Diocese entered into an interest rate SWAP agreement for \$15,000,000 of the \$20,000,000 bond, effective January 2, 2026. The terms of the SWAP effectively convert \$15,000,000 of the original \$20,000,000 bond to a fixed rate loan with the interest rate fixed at 4.499% on January 12, 2024 which is effective January 2, 2026, matures January 1, 2034. The first payment on this SWAP is February 1, 2026. Therefore, on January 2, 2026 the repayment of the \$20,000,000 bond will consist of 1) a fixed payment on \$15,000,000 at 4.499%; and 2) a variable payment on \$5,000,000 (or remaining balance) at 79% of SOFR+210 basis points.