

Diocese of Manchester Central Fund Trust

Financial Statements

Four Months Ended June 30, 2021



WIPFLI

Independent Auditor's Report

Roman Catholic Bishop of Manchester a Corporation Sole, Trustee
Diocese of Manchester Central Fund Trust
Manchester, NH

Report on the Financial Statements

We have audited the accompanying financial statements of the Diocese of Manchester Central Fund Trust, a nonprofit trust (the Trust), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the four months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Manchester Central Fund Trust as of June 30, 2021, and the changes in its net assets and its cash flows for the four months then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP
Bedford, New Hampshire
March 23, 2022

Diocese of Manchester Central Fund Trust

Statement of Financial Position

<i>June 30,</i>	2021
Assets	
Cash and cash equivalents	\$ 1,523,237
Interest receivable	16,203
Notes receivable, net of allowance for losses	6,521,947
Investments	64,869,269
Total assets	\$ 72,930,656
Liabilities and Net Assets	
Accounts payable	\$ 55,424
Due to Central Office of the Diocese of Manchester (Note 4)	387,581
Depositors' Fund	24,191,353
Depositors' Fund - Restricted	16,376,499
Pooled Investment Fund	17,985,147
Pooled Investment Fund - Perpetual Care	6,365,481
Total liabilities	65,361,485
Without donor restrictions	2,130,420
With donor restrictions	5,438,751
Total net assets	7,569,171
Total liabilities and net assets	\$ 72,930,656

See accompanying notes to financial statements.

Diocese of Manchester Central Fund Trust

Statement of Activities

<i>Four Months Ended June 30,</i>	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Donations and bequests	\$ -	\$ 1,003,335	\$ 1,003,335
Net assets released from restriction	12,641	(12,641)	-
Total revenues	12,641	990,694	1,003,335
Program expenses:			
Grants and donations - Catholic formation	12,641	-	12,641
Provision for notes receivable - Other	(234)	-	(234)
Total program expenses	12,407	-	12,407
Change in net assets before other activities	234	990,694	990,928
Investment return, net	2,270,216	249,867	2,520,083
Interest expense	(140,030)	-	(140,030)
Change in net assets	2,130,420	1,240,561	3,370,981
Transfer from former Central Fund, previously reported in the financial statements of the Central Office of the Diocese of Manchester (Note 1)	-	4,198,190	4,198,190
Net assets - end of year	\$ 2,130,420	\$ 5,438,751	\$ 7,569,171

See accompanying notes to financial statements.

Diocese of Manchester Central Fund Trust

Statement of Cash Flows

<i>Four Months Ended June 30,</i>	2021
Cash flows from operating activities:	
Change in net assets	\$ 3,370,981
Adjustments to reconcile change in net assets to net cash from operating activities:	
Net realized and unrealized gains	(2,445,788)
Provision for losses on notes receivable	234
Decrease in:	
Interest receivable	39,337
Increase in:	
Accounts payable	55,424
Due to Central Office of the Diocese of Manchester (Note 4)	20,939
Net cash from operating activities	1,041,127
Cash flows from investing activities:	
Purchase of investments	(2,288,650)
Proceeds from sale of investments	3,334,268
Amounts advanced on notes receivable	(263,203)
Collections on notes receivable	463,317
Net cash from investing activities	1,245,732
Cash flows from financing activities:	
Change in Depositors' Fund, net	(765,876)
Change in Pooled Investment Fund, net	2,254
Net cash from financing activities	(763,622)
Net change in cash and cash equivalents	1,523,237
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ 1,523,237
Interest paid on deposits	\$ 140,030

As discussed in Note 1, effective March 1, 2021, approximately \$61,200,000 in Central Fund investments, notes receivable of \$8,900,000 net of allowance for losses of \$2,200,000, \$63,700,000 in Depositors' Funds and Pooled Investment Funds, and net assets with donor restrictions of approximately \$4,200,000 for participants were transferred from the former "Central Fund," reported in the financial statements of the Central Office of the Diocese of Manchester (Central Office), to the Diocese of Manchester Central Fund Trust. For the four months ended June 30, 2021 net noncash investment activity on Pooled Investment Funds was approximately \$1,900,000 (Note 5).

See accompanying notes to financial statements.

Diocese of Manchester Central Fund Trust

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

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the Diocese of Manchester Central Fund Trust (CFT). The CFT hold deposits and investments as well as makes loans to various parishes, schools, and cemeteries within the territory of the Diocese of Manchester (the Diocese), which encompasses the State of New Hampshire. Revenues are derived primarily from donations and investment income.

The Trust was established August 19, 2020 by the Roman Catholic Bishop of Manchester, a corporation sole, ("RCBM"), to establish a Pooled Investment Fund and a Depositors' Fund for participants. The Pooled Investment Fund holds deposits of participants. The Depositors' Fund includes all assets not held in the Pooled Investment Fund, and includes assets which were previously held in the "Central Fund," as described below. The powers of control and management of the CFT rest exclusively with RCBM, a corporation sole, acting in its capacity as Trustee of the CFT. RCBM is not permitted to be a participant in the Trust with respect to any funds held for its own benefit, or with respect to any funds in the Trust not being held for the benefit of others.

Participants are defined in the Trust indenture as parishes of the Diocese and their affiliated organizations, organizations of the Diocese, including, but not limited to, schools that are entities of the Diocese and their affiliated organizations, any trust of which the office of the Bishop of Manchester (the Bishop) and/or the RCBM is serving as the Trustee, donor restricted funds which are administered by the Bishop and/or the RCBM, and any other organizations which are Catholic entities within the jurisdiction of the Diocese, which are approved by the Trustee for participation in the Trust.

Prior to March 1, 2021, certain assets, liabilities and net assets held on behalf of parishes, schools and cemeteries within the territory of the Diocese, formerly referred to as the Central Fund, were reported in the financial statements of the Central Office of the Diocese of Manchester (Central Office), an affiliate. The Central Office provides administrative services and operations as well as offers an insurance program for entities in the territory of the Diocese. On February 28, 2021, approximately \$61,200,000 in Central Fund investments, notes receivable of \$8,900,000 net of allowance for losses of \$2,200,000, \$63,700,000 in Depositors' Funds and Pooled Investment Funds, and net assets with donor restrictions of approximately \$4,200,000 for participants were transferred from the Central Fund to the CFT.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the CFT 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. Cash and cash equivalents totaling approximately \$1,323,000 are not covered by Federal deposit insurance.

In addition to the above amounts on deposit, the CFT 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 CFT's intention to invest these funds for long-term purposes. Cash and cash equivalents reported as investments totaling approximately \$767,000 are not covered by Federal deposit insurance.

Notes receivable

Notes receivable from participants are unsecured and are reported at their unpaid principal balances, less an allowance for losses. However, if property of a participant were to be liquidated, proceeds from the sale of the assets would be required to be applied to any outstanding balance on notes receivable due to the CFT.

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. Interest rates are reviewed by the CFT every six months with any changes effective January 1 and July 1 each fiscal year. Interest was charged at the rate of 3.95% for the four months ended June 30, 2021. Interest income was \$51,007 for the four months ended June 30, 2021. Certain notes are non-interest bearing or are at a reduced rate of interest. These notes generally have been recorded net of applicable discounts to reflect the present value of the notes, based on the interest rates normally charged on other notes. There were no discounts recorded for the four months ended June 30, 2021.

The CFT 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 note is evaluated for an allowance for credit losses. The CFT 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 four months ended June 30, 2021.

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 CFT, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Notes receivable (Continued)

The CFT reviews each outstanding note receivable and has provided an allowance for losses at a level that the CFT 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 CFT'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 CFT estimates an additional allowance covering those amounts not specifically identified (see Note 3).

Investments

Investments represent marketable securities. 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 8).

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses and management fees. For purposes of determining realized gains and losses, the cost of securities sold is based on a trade-date basis.

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 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 CFT follows a similar policy for investment return on these funds.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Support (Continued)

Net assets with donor restrictions as of June 30, 2021 are restricted for the following purposes:

	2021
Education	\$ 1,206,894
Other various purposes	92
Total	\$ 1,206,986

Endowments restricted in perpetuity (including amounts above the original gift amount of \$2,572,820 as of June 30, 2021):

	2021
Seminarians	\$ 144,532
Care of gravesites	55,816
Scholarships, education and tuition	2,634,992
Care of needy	19,735
General purposes for specific parishes	1,271,585
Other various purposes	105,105
Total	\$ 4,231,765
Total net assets with donor restrictions	\$ 5,438,751

Federal and State Income Taxes

The CFT is an irrevocable charitable trust exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The CFT 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 for the four months ended June 30, 2021, the CFT did not take any material tax positions which do not meet the criteria for recognition.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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 statement of financial position. The CFT 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 CFT 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 CFT reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Note 2: Investments

The CFT'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 CFT'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% - 38%
Alternate investments	5% - 25%
Private equities	0% - 10%
Cash and cash equivalents	.5% - 5%

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 2: Investments (Continued)

Net investment income in the statement of activities is comprised of the following:

<i>For the Four Months Ended June 30,</i>	2021
Dividends, interest and other income	\$ 286,770
Investment expenses and management fees	(212,475)
Net realized and unrealized gains	2,445,788
Total	\$ 2,520,083

See Note 8 for fair value measurements and the fair value of investments classified by major type.

Investment income is accounted for in the fund holding the assets, except for certain income from the investment of donor restricted funds, which is accounted for as revenue with donor restrictions. The CFT follows the guidance established by the Financial Accounting Standards Board when accounting for losses in donor-designated endowment funds (see Note 9).

Note 3: Notes Receivable

In assessing performance of notes receivable on an annual basis, the CFT considers notes receivable less than 30 days past due to be current and classified as performing. The CFT 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, 2021 were \$7,542,149. Non-performing notes receivable as of June 30, 2021 were \$1,165,798.

The following reflects the age analysis of notes receivable as of June 30, 2021:

	2021
Current	\$ 7,542,149
30 - 59 days	64,481
90+ days	1,101,317
Total notes receivable	\$ 8,707,947
Total notes receivable on non-accrual status	\$ 1,427,994
Notes receivable 90+ days past due and still accruing	\$ 1,101,317

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 3: Notes Receivable (Continued)

The following provides informative data at June 30, 2021 and for the four months then ended, separately presented based on whether or not management has recognized an allowance for credit losses with respect to the impaired loans:

	2021
Impaired loans for which no allowance for credit losses is recognized:	\$ -
Impaired loans for which an allowance for credit losses is recognized:	
Recorded investment	\$ 6,007,483
Unpaid principal balance	6,007,483
Average recorded investment	6,007,483
Interest income recognized while impaired	26,595

The following reflects the allowance for losses and the related recorded investment in notes receivable as of June 30, 2021:

	2021
Allowance for losses:	
Transfer from Central Fund, previously reported in the financial statements of the Central Office of the Diocese of Manchester (Note 1)	\$ 2,185,766
Provision (recovery)	234
Ending balance	\$ 2,186,000
Ending balance: Individually evaluated for impairment	2,104,984
Ending balance: Aggregate remaining balance evaluated for impairment	81,016
Ending balance	\$ 2,186,000
Recorded investment in notes receivable:	
Ending balance: Individually evaluated for impairment	6,007,483
Ending balance: Aggregate remaining balance evaluated for impairment	2,700,464
Ending balance	\$ 8,707,947
Less: Allowance for losses	(2,186,000)
	\$ 6,521,947

There were no purchases, sales, or reclassifications of notes receivables for the four months ended June 30, 2021.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 4: Related Party Transactions

Amounts due to the Central Office totaled \$387,581 at June 30, 2021, relating to the allocation of investments as of February 28, 2021 between the Central Office and the CFT.

Management fees paid to the Central Office totaled \$139,860 for the four months ended June 30, 2021. There were no amounts due to the Central Office for management fees as of June 30, 2021.

Amounts due to participants at June 30, 2021 totaled \$55,424 for withdrawals from the Depositors' Fund and Pooled Investment Fund.

Investments (Note 2) are held for participants as described in Note 5. The CFT makes loans to participants as described in Note 3.

Note 5: Depositors' Fund and Pooled Investment Fund

The CFT maintains a Depositors' Fund, which holds deposits for participants. Interest is paid on deposits at a rate of 0.50%, and on 12-month or 24-month CDs at a rate of 1.25% and 1.5%, respectively. For cemeteries with deposits in the Perpetual Care Fund, interest is paid at 2.7%. Amounts held are payable on demand. Certain deposits in the Depositors' Fund, including deposits in the Perpetual Care Fund, are restricted by the participants and may not be used by the CFT to issue notes receivable as described in Note 3. Depositors' Fund that were restricted totaled \$16,376,499 as of June 30, 2021. Interest expense on amounts in the Depositors' Fund totaled \$140,030 for the four months ended June 30, 2021. In addition, the CFT maintains a Pooled Investment Fund on behalf of participants, as well as cemeteries participating in the Perpetual Care Fund. The investment return on these funds is excluded from the financial statements and the investment risk for the funds are with the participants.

The CFT Depositors' Fund and Pooled Investment Fund at June 30, 2021 consisted of the following:

	2021
Parishes	\$ 40,926,171
Cemeteries	14,592,088
Schools	7,590,922
Other participants	1,809,299
	<hr/>
	\$ 64,918,480

Diocese of Manchester Central Fund Trust

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, 2021:

	2021
Cash and cash equivalents	\$ 1,523,237
Interest receivable	16,203
Collections on notes receivable	1,500,000
Endowment spending-rate distributions and appropriations	170,000
	<u>\$ 3,209,440</u>

As described in Note 5, the CFT holds deposits and investments for participants. Deposits and investments held for participants are not available for general expenditure.

The investments also consist of donor-restricted endowments (Note 9). 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 four months ended June 30, 2021, a 4% distribution was approved by RCBM in his capacity as Trustee).

As part of the liquidity management plan, the CFT produces an annual budget that is submitted to the Diocesan Finance Council, which outlines the anticipated financial needs to support the CFT within the next fiscal year. To manage current cash flow needs, the budget is analyzed and compared to actual results throughout the year.

Note 7: Risk and Uncertainties

The CFT 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.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 8: Fair Value Measurements

Accounting principles generally accepted in the United States 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 CFT 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 CFT's assets as of June 30, 2021:

	2021			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 369,747	\$ -	\$ -	\$ 369,747
Equity securities:				
Domestic	26,547,754	-	-	26,547,754
International and emerging markets	7,869,148	-	-	7,869,148
Fixed income securities:				
Corporate bonds	-	9,986,494	-	9,986,494
Government securities	-	4,178,226	-	4,178,226
Certificates of deposit	-	4,948,949	-	4,948,949
Mutual funds	4,733,281	-	-	4,733,281
Preferred stock	55,263	-	-	55,263
Exchange-traded and closed-end funds	227,993	-	-	227,993
Alternative investments:				
Real estate investment trusts	3,637,184	-	-	3,637,184
Mutual funds	807,562	-	-	807,562
Real estate	-	-	490,295	490,295
Total assets in the fair value hierarchy	\$ 44,247,932	\$ 19,113,669	\$ 490,295	63,851,896
Cash and cash equivalents (Note 1)				1,017,373
Total investments				\$ 64,869,269

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 8: 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. Level 3 real estate alternative investments are valued using the income approach through discounted cash flow and/or direct capitalization of annualized income supported by third-party sources, or through third party appraisals or other valuation sources.

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

Note 9: Donor- Designated Endowments

The CFT 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 CFT has determined that donor restricted net assets meet the definition of endowment funds under UPMIFA.

The CFT's endowments consist of funds established for the benefit of participants of the Trust. 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.

The CFT 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 CFT 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 CFT in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the CFT 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 CFT, and (7) the CFT's investment policies.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 9: Donor- Designated Endowments (Continued)

Endowment net asset composition as of June 30, 2021 and changes in endowment net assets for the four months then ended June 30, 2021, are as follows:

	2021 With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,572,820
Accumulated investment gains	1,658,945
Endowment net assets, end of period	\$ 4,231,765

	2021 With Donor Restrictions
March 1, 2021 transfer from Central Fund, previously reported in the financial statements of the Central Office of the Diocese of Manchester (Note 1)	\$ 3,528,672
Contributions	500,000
Interest and dividends	3,982
Net appreciation in value of investments	207,072
Amounts appropriated for expenditure	(7,961)
Endowment net assets, end of period	\$ 4,231,765

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 CFT 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, 2021.

Investment Return Objectives, Risk Parameters and Strategies. The CFT 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 CFT 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.

Diocese of Manchester Central Fund Trust

Notes to Financial Statements

Note 9: Donor- Designated Endowments (Continued)

Spending Policy. The CFT 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 CFT 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 Investment and Loan Committee, a subcommittee for 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 the four months ended June 30, 2021, a 4% distribution was approved by the Bishop in his capacity as Trustee. In establishing this policy, the CFT considers 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, the provisions of SPMIFA, and whether there are any fund deficiencies.

Note 10: Subsequent Events

Management has evaluated subsequent events through March 23, 2022, the date when the financial statements were available to be issued.