BAKER NEWMAN NOYES

Roman Catholic Bishop of Portland

(A Corporation Sole)

Audited Combined Financial Statements

Years Ended June 30, 2020 and 2019
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Most Reverend Robert Deeley, J.C.D.
Roman Catholic Bishop of Portland
Portland, Maine

Your Excellency:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Roman Catholic Bishop of Portland (a corporation sole) (RCBP) which comprise the combined statements of financial position as of June 30, 2020 and 2019, the related combined statements of activities, functional expenses and cash flows for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

Most Reverend Robert Deeley, J.C.D.
Roman Catholic Bishop of Portland
Portland, Maine

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, real estate, parish equipment and related depreciation are not reflected in the combined financial statements. In our opinion, this practice is not in accordance with generally accepted accounting principles in the United States of America.

Qualified Opinion

In our opinion, except for the omission of real estate, parish equipment and related depreciation, as described in the preceding Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Roman Catholic Bishop of Portland (a corporation sole) as of June 30, 2020 and 2019, and the combined activities, functional expenses and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Newman + Noyes LLC
Portland, Maine
November 10, 2020

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 19,577,767	$ 15,360,555
Investments	140,762,074	140,974,635
Due from affiliated organizations	147,544	694,461
Pledges receivable, net of allowance for uncollectible pledges	2,541,916	2,504,994
Accounts and other receivables	778,722	1,023,814
Real estate held for investment	3,520,602	3,586,062
Other assets	2,588,439	2,547,885
Beneficial interest in trusts held by others	3,156,481	3,530,657
Total assets	$ 173,073,545	$ 170,223,063
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 3,697,367	$ 2,484,804
Other liabilities	651,247	772,632
Insurance claims payable	557,987	600,123
Reserve for insurance claims incurred but not reported	2,787,751	2,881,426
Accrued pension obligations	21,990,885	18,442,359
Accrued other postretirement benefits	2,300,927	7,487,960
Deferred revenue	3,502,966	3,894,366
Long-term debt	4,928,415	–
Total liabilities	40,417,545	36,563,670
Net assets:		
Without donor restrictions:		
Operations	29,418,916	31,987,270
Board designated	7,361,158	6,954,389
Limited as to use – cemetery perpetual care	14,744,851	14,398,552
Total without donor restrictions	51,524,925	53,340,211
With donor restrictions	81,131,075	80,319,182
Total net assets	132,656,000	133,659,393
Total liabilities and net assets	$ 173,073,545	$ 170,223,063

See accompanying notes.

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Collections – freewill offerings	$20,925,291	$ 3,002,379	$ 23,927,670
Capital campaign contributions	–	3,495,503	3,495,503
Contributions and bequests	3,483,426	1,734,290	5,217,716
Management fee income	1,870,538	–	1,870,538
Parochial school tuition and fees	8,517,804	–	8,517,804
Other parochial school revenues	2,627,906	–	2,627,906
Religious education revenues	154,449	–	154,449
Cemetery operating revenues	2,251,471	–	2,251,471
Charges for insurance to affiliated organizations	567,531	–	567,531
Insurance loss recoveries	31,445	–	31,445
Medical premium income	916,448	–	916,448
Gain from sale of property	781,838	–	781,838
Fairs, bazaars and other fund raising activities	1,119,047	–	1,119,047
Rental income	1,544,328	–	1,544,328
Other revenues (loss)	2,414,076	(116,678)	2,297,398
Net assets released from restrictions	9,350,793	(9,350,793)	–
Total operating revenues and support	56,556,391	(1,235,299)	55,321,092
Expenses:			
Program services:			
Pastoral	8,807,278	–	8,807,278
Education	15,110,731	–	15,110,731
Social services	2,842,588	–	2,842,588
Religious personnel development	730,261	–	730,261
Cemeteries	2,626,872	–	2,626,872
Total program services	30,117,730	–	30,117,730

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Supporting services:			
General and administrative	$ 7,382,656	$ –	$ 7,382,656
Facilities and equipment	7,690,855	–	7,690,855
Capital improvements	3,229,263	–	3,229,263
Employee benefits not allocated elsewhere	257,965	–	257,965
Insurance premiums	5,680,160	–	5,680,160
Self-insurance losses – property and casualty	454,039	–	454,039
Other costs – priest benefits	998,907	–	998,907
Change in provision for insurance claims incurred but not reported	(93,675)	–	(93,675)
Fund raising expense	1,471,010	–	1,471,010
Grant and donation expenses	168,200	–	168,200
Total supporting services	27,239,380	–	27,239,380
Total expenses	57,357,110	–	57,357,110
Total before net investment returns and provisions	(800,719)	(1,235,299)	(2,036,018)
Net investment returns	3,244,092	2,048,273	5,292,365
Provision for losses on uncollectible pledges	–	(1,081)	(1,081)
Excess of revenues over expenses	2,443,373	811,893	3,255,266
Change in retirement plan liabilities	(4,258,659)	–	(4,258,659)
Change in net assets	(1,815,286)	811,893	(1,003,393)
Net assets, July 1, 2019	53,340,211	80,319,182	133,659,393
Net assets, June 30, 2020	$51,524,925	$81,131,075	$ 132,656,000

See accompanying notes.

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Collections – freewill offerings	$23,031,210	$ 3,186,848	$ 26,218,058
Capital campaign contributions	–	2,291,574	2,291,574
Contributions and bequests	3,838,076	2,215,882	6,053,958
Management fee income	1,342,782	–	1,342,782
Parochial school tuition and fees	8,930,350	–	8,930,350
Other parochial school revenues	3,830,379	–	3,830,379
Religious education revenues	244,744	–	244,744
Cemetery operating revenues	2,320,782	–	2,320,782
Charges for insurance to affiliated organizations	631,893	–	631,893
Insurance loss recoveries	664,260	–	664,260
Medical premium income	917,225	–	917,225
Gain from sale of property	282,710	–	282,710
Fairs, bazaars and other fund raising activities	1,204,071	–	1,204,071
Rental income	1,639,652	–	1,639,652
Other revenues	2,699,729	26,046	2,725,775
Net assets released from restrictions	8,237,574	(8,237,574)	–
Total operating revenues and support	59,815,437	(517,224)	59,298,213
Expenses:			
Program services:			
Pastoral	9,048,590	–	9,048,590
Education	15,797,998	–	15,797,998
Social services	2,576,978	–	2,576,978
Religious personnel development	614,393	–	614,393
Cemeteries	2,259,235	–	2,259,235
Total program services	30,297,194	–	30,297,194

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Supporting services:			
General and administrative	$ 7,436,634	$ –	$ 7,436,634
Facilities and equipment	8,398,836	–	8,398,836
Capital improvements	6,398,229	–	6,398,229
Employee benefits not allocated elsewhere	170,227	–	170,227
Insurance premiums	6,351,964	–	6,351,964
Self-insurance losses – property and casualty	1,070,858	–	1,070,858
Other costs – priest benefits	292,528	–	292,528
Change in provision for insurance claims incurred but not reported	(81,130)	–	(81,130)
Fund raising expense	1,650,240	–	1,650,240
Grant and donation expenses	110,000	–	110,000
Total supporting services	31,798,386	–	31,798,386
Total expenses	62,095,580	–	62,095,580
Total before net investment returns and provisions	(2,280,143)	(517,224)	(2,797,367)
Net investment returns	4,082,011	2,859,241	6,941,252
Provision for losses on uncollectible pledges	–	(1,900)	(1,900)
Excess of revenues over expenses	1,801,868	2,340,117	4,141,985
Change in retirement plan liabilities	(2,988,849)	–	(2,988,849)
Change in net assets	(1,186,981)	2,340,117	1,153,136
Net assets, July 1, 2018	54,527,192	77,979,065	132,506,257
Net assets, June 30, 2019	$53,340,211	$80,319,182	$ 133,659,393

See accompanying notes.

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Personnel Costs	Occupancy Costs	Office/ Program Expenses	Professional Services	Travel & Professional Development	Grant & Other Assistance	Other	Total
Program services:								
Pastoral	$ 6,066,113	$ 373,490	$ 1,616,026	$ 96,128	$ 317,495	$ 268,331	$ 69,695	$ 8,807,278
Education	11,231,309	773,084	1,449,470	328,349	171,477	999,433	157,609	15,110,731
Social Services	1,287,523	4,307	197,010	8,666	11,599	1,323,483	10,000	2,842,588
Religious personnel development	249,142	11,774	390,549	18,070	47,764	12,962	–	730,261
Cemeteries	1,217,554	202,884	449,820	656,342	69,772	500	30,000	2,626,872
Total program services	20,051,641	1,365,539	4,102,875	1,107,555	618,107	2,604,709	267,304	30,117,730
Supporting services	11,814,170	8,128,141	1,378,236	1,956,741	324,964	1,852,259	313,859	25,768,370
Fund raising expenses	490,601	–	923,646	46,435	7,763	–	2,565	1,471,010
Total expenses	$ 32,356,412	$ 9,493,680	$ 6,404,757	$ 3,110,731	$ 950,834	$ 4,456,968	$ 583,728	$ 57,357,110

See accompanying notes.

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Personnel Costs	Occupancy Costs	Office/ Program Expenses	Professional Services	Travel & Professional Development	Grant & Other Assistance	Other	Total
Program services:								
Pastoral	$ 6,341,349	$ 407,207	$ 1,485,281	$ 110,785	$ 441,699	$ 189,523	$ 72,746	$ 9,048,590
Education	11,454,978	727,326	1,869,850	407,919	253,268	1,043,589	41,068	15,797,998
Social Services	875,633	–	193,650	8,019	12,769	1,476,907	10,000	2,576,978
Religious personnel development	220,455	6,560	255,034	14,122	113,682	4,540	–	614,393
Cemeteries	1,091,734	228,804	319,052	541,920	77,625	100	–	2,259,235
Total program services	19,984,149	1,369,897	4,122,867	1,082,765	899,043	2,714,659	123,814	30,297,194
Supporting services	11,808,067	12,033,421	1,259,180	2,415,528	347,079	2,016,352	268,519	30,148,146
Fund raising expenses	453,244	–	1,114,777	67,072	12,378	–	2,769	1,650,240
Total expenses	$ 32,245,460	$ 13,403,318	$ 6,496,824	$ 3,565,365	$ 1,258,500	$ 4,731,011	$ 395,102	$ 62,095,580

See accompanying notes.

ROMAN CATHOLIC BISHOP OF PORTLAND
(A Corporation Sole)

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (1,003,393)	$ 1,153,136
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Accretion of discount on pledges receivable	–	(118)
Realized and unrealized gains on investments	(2,864,919)	(4,650,506)
Provision for losses on uncollectible pledges	1,081	1,900
Previously capitalized equipment and vehicles sold, net	19,332	80,231
Depreciation on real estate held for investment	65,460	65,089
Change in retirement plan liabilities	4,258,659	2,988,849
Change in beneficial interest in trusts held by others	374,176	40,145
Restricted contributions	(8,270,359)	(7,694,304)
Change in:		
Due from affiliated organizations	546,917	482,409
Pledges receivable	(38,003)	(438,389)
Other assets	(59,886)	(132,214)
Accounts and other receivables	245,092	(201,684)
Accounts payable and accrued expenses	1,212,563	271,674
Other liabilities	(121,385)	(92,525)
Insurance claims payable	(42,136)	111,019
Reserve for insurance claims incurred but not reported	(93,675)	(81,130)
Accrued pension and annuity obligations	(971,319)	(820,484)
Accrued other post-retirement benefits	(788,679)	(178,277)
Deferred revenue	(391,400)	(97,660)
Net cash used by operating activities	(7,921,874)	(9,192,839)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	42,896,257	79,736,177
Investments purchased	(43,955,945)	(74,728,794)
Net cash (used) provided by investing activities	(1,059,688)	5,007,383
Cash flows from financing activities:		
Restricted contributions	8,270,359	7,694,304
Proceeds from long-term debt	4,928,415	–
Net cash provided by financing activities	13,198,774	7,694,304
Net increase in cash and cash equivalents	4,217,212	3,508,848
Cash and cash equivalents, beginning of year	15,360,555	11,851,707
Cash and cash equivalents, end of year	$ 19,577,767	$ 15,360,555

Supplemental disclosure of noncash activities:

In fiscal year 2020, Roman Catholic Bishop of Portland contributed $4,137,168 of investment securities to the Diocesan Priests' Medical Benefits Program and Trust, which is not included in these combined financial statements (see note 10).

See accompanying notes.

1. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying combined financial statements include the accounts and financial activities of certain institutions and organizations providing religious services at the diocesan and parish levels of administration which are part of the Roman Catholic Bishop of Portland (a corporation sole) (RCBP). The Catholic Foundation of Maine's activity is also part of the combined financial statements. All significant inter-organizational balances and transactions have been eliminated. Various religious orders, lay societies, and religious organizations which operate within the Diocese, but which are not fiscally responsible to RCBP, have not been included in the accompanying combined financial statements. The Diocese encompasses the entire State of Maine.

The accounts of Catholic Charities Maine, Diocesan Bureau of Housing (Deering Pavilion), Seton Village, Inc., St. Xavier's Home, St. Martin dePorres, Roncalli Apartments, Inc., St. Francis Apartments, and St. Ignatius, LP, all affiliated entities, have not been included in the accompanying combined financial statements, as they are not a part of the corporation sole. Each has separate reporting requirements, in some cases to various federal and state agencies, and each is required to maintain its separate accounts (See note 11).

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas most susceptible to significant changes include actuarial calculations, liabilities for self-insurance programs and employee benefits and allowances for uncollectible receivables and pledges.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. RCBP also follows this policy for contributions whose restrictions are met in the same reporting period. All contributions to RCBP's Catholic Appeal are initially reported as net assets with donor restrictions, and are subsequently released to net assets without donor restrictions when amounts pledged have been received.

1. Summary of Significant Accounting Policies (Continued)

RCBP reports gifts of land, buildings, and equipment as operating revenues and support 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 are reported as donor restricted support.

Cash and Cash Equivalents

RCBP maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. For purposes of reporting cash flows, cash and cash equivalents include cash on hand and all liquid investments with an original maturity of three months or less. RCBP has deposit guarantee bonds at two different financial institutions for coverage up to $5,000,000, with terms running indefinitely. Substantially all cash is on deposit at three banks at June 30, 2020 and management does not anticipate losses from these concentrations.

Investments

Investments are stated at fair value, based primarily on quoted market values, or, with respect to certificates of deposit, based on computations using currently-offered rates for certificates with similar terms. The fair value of the common trust funds is based on the net asset value of the proportional shares held by RCBP determined from information supplied by the investment managers based on the quoted market values of the underlying investments. The common trust funds are not actively traded on a securities exchange. Certain assets have been pooled for investment purposes in the Diocesan Investment Plan. Income and gains are apportioned to the participants and to related net asset classifications based upon their respective units in the investment pool. RCBP has elected to include all net investment returns in the excess of revenues over expenses. Realized gains and losses are determined by specific identification.

RCBP has applied the accounting guidance in Accounting Standards Codification (ASC) Topic 820 which permits the use of net asset value (NAV) or its equivalent as a practical expedient to estimate the fair value of the common trust funds. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the fund manager in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds, and consequently, the fair value of RCBP's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not public and individual transactions are not necessarily observable. It is therefore possible that if RCBP were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

RCBP's management is responsible for the fair value measurement of investments reported in the financial statements. RCBP has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the fund manager may differ from actual values, and the differences could be significant. RCBP believes that reported fair values of its common trust funds at the statement of financial position dates are reasonable.

1. Summary of Significant Accounting Policies (Continued)

Investment income on assets with donor restrictions is recorded within net investment return with donor restrictions until such time as the amounts are spent in accordance with the donor's restrictions. Such amounts are reflected as net assets released from restrictions. In accordance with the *Uniform Prudent Management of Institutional Funds Act of the State of Maine* (UPMIFA), appreciation on investments of restricted funds is considered restricted until appropriated by RCBP's Finance Council unless otherwise indicated in the gift instrument.

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 investment balances and the amounts reported in the combined statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of RCBP have been summarized on a functional basis in the combined statements of functional expenses. Salaries and wages are allocated based on estimates of time spent by members of the staff. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Benefit Plans

RCBP has two noncontributory pension plans which cover substantially all lay employees. A defined benefit plan covers employees other than teachers. Net periodic pension expense includes normal pension costs. RCBP's policy is to fund pension costs accrued, including amortization of prior service costs over a ten-year period. A defined contribution plan covers teachers and all lay employees hired after July 1, 2017.

RCBP provides for the health and well-being of both active and retired diocesan priests. Accordingly, the Diocesan Priests' benefit funds of RCBP provide pension and health benefits to the retired priests of the Diocese. Post-retirement health benefits are accrued and accounted for in compliance with the requirements of Accounting Standards Codification (ASC) 715.

Excess of Revenues Over Expenses

The combined statements of activities include excess of revenues over expenses. Changes in net assets excluded from excess of revenues over expenses include certain transfers between net asset categories, if any, and activity in the retirement plan liabilities established under ASC 715 (see notes 9 and 10).

Net Assets With Donor Restrictions

Donor restricted net assets are those whose use has been limited by donors to a specified time period or purpose, as well as net assets that have been restricted by donors to be maintained in perpetuity.

1. Summary of Significant Accounting Policies (Continued)

Contributions and Pledges Receivable

Contributions are recognized as revenue when cash, other assets or unconditional pledge documentation is received. Investment income is recognized on the accrual basis. Unconditional pledges receivable are recorded at fair value at the date of receipt of pledge documentation. The fair value of pledges is estimated using an assumed uncollectability rate (based on prior history) and, for pledge payments due after one year, a present value discount. Subsequent to the original recording, pledges receivable are reviewed for collectability on an annual basis, and a further allowance is recorded if deemed necessary (see note 5). Individual pledges determined to be uncollectible are written off. Conditional pledges are not recorded until resolution of the conditional element of the pledge.

Revenue from Contracts with Customers

Significant sources of revenue from contracts with customers include parochial school tuition and fees, other parochial school revenues, cemetery operating revenues, and sales of other goods and services which include fundraisers, stole fees, registrations, and thrift store sales.

RCBP's performance obligations related to school tuition contracts and other parochial school revenues are to provide academic instruction to students. Performance obligations are satisfied and revenues are recognized over the academic period. Scholarships and other financial aid awarded to students reduce the amount of revenue recognized. Students who withdraw may receive a full or partial refund in accordance with the RCBP's refund policy. However, refunds have historically been insignificant to the financial statements. Advance payments received prior to instruction being provided create contract liabilities which are recorded within deferred revenue on the combined statements of financial position.

RCBP's performance obligations related to cemetery operations include delivery of funeral services, cemetery merchandise and cemetery property internment rights. Control transfers when merchandise is delivered or services are performed, generally a point in time. For cemetery property rights, control transfers to the customer when the internment right has been sold and can no longer be marketed or sold to another customer. Certain cemetery merchandise and services are sold on a preneed basis to customers. Revenue associated with sales of preneed products and services is deferred until delivery of the merchandise or as the services are performed, which is generally at the time of need. Additionally, all of a portion of the proceeds from merchandise or services sold on a preneed basis may be required to be deposited to trust funds. Earnings on these funds, also included in total consideration, are deferred until the time of need.

Individual contracts for tuition and fees and cemetery goods and services display the transaction prices on a standalone basis for each good or service to be provided. RCBP's contracts do not contain any significant elements of variable consideration.

All other significant contracts with customers are for various goods and services for which the performance obligation is satisfied at a point in time when the good or service is provided to the customer.

1. Summary of Significant Accounting Policies (Continued)

Designated Net Assets Without Donor Restrictions

Certain amounts of net assets without donor restrictions are reported as designated for future use or assets limited as to use, as follows:

	Balance at June 30	
	2020	2019
Limited as to use:		
Cemetery perpetual care	$14,744,851	$14,398,552
Designated:		
Pastoral	$ 6,233,260	$ 5,935,278
Social services	365,987	368,283
Religious personnel development	761,911	650,828
	$ 7,361,158	$ 6,954,389

Amounts reported as designated net assets without donor restrictions include amounts over which RCBP maintains control. Amounts reported as limited as to use consist entirely of cemetery perpetual care funds, most of which are required to be segregated under laws or regulations of the State of Maine.

Property, Plant and Equipment

Substantially all amounts expended for property, plant and equipment, other than vehicles and certain equipment at the Chancery offices, are charged to operating expense. Therefore, significant amounts of real estate and equipment are not reflected as assets and depreciated over estimated useful lives, and are not reflected as capital improvement investing activities in the statements of cash flows as required by accounting principles generally accepted in the United States of America (see note 12).

Income Taxes

RCBP is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require RCBP's management to evaluate tax positions taken by RCBP and recognize a tax liability (or asset) if RCBP has taken an uncertain position that more likely than not would not be sustained upon examination. Management evaluated RCBP's tax positions and concluded that RCBP has maintained its tax exempt status and has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements.

1. Summary of Significant Accounting Policies (Continued)

Beneficial Interest

RCBP is the beneficiary of several trusts administered by others. RCBP has recorded as an asset the fair value of its interest in the trusts and such amount is included in net assets with donor restrictions. The change in the interest in the funds due to changes in fair value is recorded in net assets with donor restrictions. Fair values of the trusts are based on the value of the trusts' underlying assets, which are generally valued based on "Level 1" inputs, as defined in note 2.

New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenues and expense recognition. ASU 2018-08 was effective for the RCBP for transactions in which they serve as the resource recipient fiscal years beginning after January 1, 2019 and is effective for fiscal years beginning after January 1, 2020 in which the RCBP serves as the resource provider, with early adoption permitted. Adoption of the standard as a resource recipient did not have a material impact on the financial statements.

Effective July 1, 2019, RCBP adopted the accounting guidance regarding revenue recognition under the FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and all related amendments using the modified retrospective approach. ASU 2014-09 provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. RCBP completed its overall assessment of revenue streams and review of related contracts potentially affected by the ASU. Based on this assessment, RCBP concluded that ASU 2014-09 did not materially change the method in which it currently recognizes revenue. RCBP recognizes revenue upon satisfaction of each performance obligation and a cumulative effect adjustment to opening net assets was not necessary.

1. Summary of Significant Accounting Policies (Continued)

Prospective Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for RCBP on July 1, 2022. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. RCBP is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The recent COVID-19 outbreak could negatively impact, for some period of time, the overall economy as well as certain business segments. Investment markets have experienced increased volatility which may negatively affect the carrying value of RCBP's investments. Any potential future impact on RCBP's operations is unknown at this time.

Subsequent Events

Events occurring after the combined statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the combined financial statements. Management has evaluated subsequent events through November 10, 2020 which is the date the combined financial statements were available to be issued.

2. Investments

Investments are stated at fair value as follows at June 30, 2020 and 2019 and consist of the following:

	2020	2019
Certificates of deposit and money market funds	$ 13,710,906	$ 14,429,699
Marketable equity securities, including mutual funds	19,116,180	21,771,204
Corporate bonds, debentures and common trust bond funds	12,391,765	11,396,816
U.S. Government Securities	6,804,975	9,145,315
Pooled investment funds	88,130,451	83,877,257
Other	607,797	354,344
	$ 140,762,074	$ 140,974,635

Substantially all of the certificates of deposit and money market funds shown above are insured by the FDIC or collateralized by U.S. Government Securities.

2. Investments (Continued)

The composition of the fair value of the pooled investment funds is a follows:

	2020	2019
Cash and cash equivalents	$ 1,187,716	$ 1,185,289
Marketable equity securities, including mutual funds	–	2,580,350
Common trust funds – bond funds	23,881,221	27,462,806
Common trust funds – equity funds	63,061,514	52,648,812
	$88,130,451	$83,877,257

RCBP had a concentration of investments of greater than 5% of total investments, included above in the following instruments at June 30, 2020 and 2019:

	2020	2019
Wellington Intermediate Bond Fund Commingled Fund	$24,983,867	$18,873,548
Wellington Global Opportunities Commingled Fund	17,160,304	16,326,122
Wellington Enduring Assets Fund	8,061,526	–
Wellington Research Equity Fund	8,961,398	–
Wellington Core Bond Plus Fund	–	13,939,168

Net investment return, including income from interest-bearing deposits, consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	$2,427,446	$2,290,746
Net realized and unrealized gains	2,864,919	4,650,506
	$5,292,365	$6,941,252

Investment Return Objectives and Risk Parameters

RCBP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity (based on the donor's original contribution as per RCBP's interpretation of state law). Under this policy, the endowment assets are invested in a manner that is intended to produce this result while limiting investment risk. During fiscal 2020 and 2019, RCBP authorized expenditures of 4% of the funds under this policy, except for cemetery perpetual care funds, and the Foundation authorized spending of 4.95% of noncapital campaign funds unless otherwise specified by the donor. All interest and dividends on cemetery perpetual care funds are authorized for expenditure.

2. Investments (Continued)

To satisfy its long-term rate-of-return objectives, RCBP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RCBP targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

RCBP has interpreted UPMIFA as requiring the preservation of the fair value of the endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, RCBP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. RCBP has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Presented below is information related to RCBP's endowment funds including endowment funds permanently restricted from expenditure by donors (accounted for in net assets with donor restrictions) and other funds for which the governing board or state regulations require that such funds be treated in a manner similar to endowments. These other funds are accounted for in net assets without donor restriction. Gains on donor established endowments are, absent donor stipulations, included in net assets with donor restrictions until appropriated for expenditure by the governing board.

The changes in RCBP's endowment funds by net asset category for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2020			
Endowment funds, July 1, 2019	$16,155,272	$55,586,022	$71,741,294
Net investment return	203,084	2,566,859	2,769,943
Additions	346,299	1,327,628	1,673,927
Transfers	–	37,103	37,103
Appropriation for expenditure	(222,923)	(3,879,800)	(4,102,723)
Endowment funds, June 30, 2020	$16,481,732	$55,637,812	$72,119,544
2019			
Endowment funds, July 1, 2018	$15,817,774	$54,755,333	$70,573,107
Net investment return	476,514	2,333,584	2,810,098
Additions	328,601	555,834	884,435
Transfers	–	(81,123)	(81,123)
Appropriation for expenditure	(467,617)	(1,977,606)	(2,445,223)
Endowment funds, June 30, 2019	$16,155,272	$55,586,022	$71,741,294

2. Investments (Continued)

Fair Value Measurements

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, RCBP uses various methods including market, income and cost approaches. Based on these approaches, RCBP often utilizes certain assumptions that market participants would use in pricing the asset or the liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. RCBP utilizes valuation techniques that maximize the use of observable inputs used in the valuation techniques. RCBP is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or are based on quoted prices in less active markets.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, RCBP performs a detailed analysis of the assets and liabilities that are subject to ASC 820. There was no change in methodology utilized during 2020 or 2019.

2. Investments (Continued)

The following tables provide the assets carried at fair value as of June 30, 2020 and 2019:

	Total	Level 1	Level 2	Level 3
2020				
Pooled investment funds:				
Cash and cash equivalents	$ 1,187,716	$ 1,187,716	$ –	$ –
Other investments:				
Marketable equity securities:				
Consumer Discretionary and Equity Mutual Funds	19,116,180	19,116,180	–	–
Corporate bonds and debentures	6,584,176	–	6,584,176	–
U.S. Government Securities	6,804,975	6,804,975	–	–
Money Market Funds	2,365,258	2,365,258	–	–
Certificates of Deposit	11,345,648	–	11,345,648	–
Other	607,797	218,357	–	389,440
	48,011,750	$29,692,486	$17,929,824	$389,440
Investments (valued at NAV) not classified by level:				
WTC-CTF Quality Value Portfolio	4,553,179			
WTC-CTF Intermediate Bond Fund	24,983,867			
WTC-CTF Research Equity	8,961,398			
WTC-CTF Mid Cap Growth	6,118,003			
WTC-CTF Global Opportunities	17,160,304			
WTC-CTF Real Estate Securities	2,352,796			
WTC-CTF Core Bond Plus	4,704,943			
WTC-CTF Global Perspectives	3,459,645			
WTC-CTF Enduring Assets	8,061,526			
WTC-CTF Emerging Markets Research Equity	3,822,018			
WTC-CTF SMID Cap Research Equity	4,126,259			
WTC-CTF Global Total Return	4,446,386			
Total investments valued at NAV	92,750,324			
	$ 140,762,074			

2. Investments (Continued)

	Total	Level 1	Level 2	Level 3
2019				
Pooled investment funds:				
Marketable equity securities:				
Mutual fund – precious metals	$ 2,580,350	$ 2,580,350	$ –	$ –
Cash and cash equivalents	1,185,289	1,185,289	–	–
Other investments:				
Marketable equity securities:				
Consumer Discretionary and Equity Mutual Funds	21,359,185	21,359,185	–	–
Bond Mutual Fund	412,019	412,019	–	–
Corporate bonds and debentures	6,046,906	–	6,046,906	–
U.S. Government Securities	9,145,315	9,145,315	–	–
Money Market Funds	2,742,131	2,742,131	–	–
Certificates of Deposit	11,687,568	–	11,687,568	–
Other	354,344	29,417	–	324,927
	55,513,107	$37,453,706	$17,734,474	$324,927
Investments (valued at NAV) not classified by level:				
WTC-CTF Quality Value Portfolio	4,071,497			
WTC-CTF Intermediate Bond Fund	18,873,548			
WTC-CTF Research Equity	6,679,394			
WTC-CTF Mid Cap Growth	4,563,269			
WTC-CTF Global Opportunities	16,326,122			
WTC-CTF Real Estate Securities	2,592,689			
WTC-CTF Core Bond Plus	13,939,168			
WTC-CTF Global Perspectives	3,966,448			
WTC-CTF Enduring Assets	5,987,965			
WTC-CTF Emerging Markets Research Equity	4,186,571			
WTC-CTF SMID Cap Research Equity	4,274,857			
Total investments valued at NAV	85,461,528			
	$ 140,974,635			

2. Investments (Continued)

Net Asset Value (NAV) per Share and Liquidity

Following are disclosures of the fair value and redemption frequency of those assets whose fair value is determined using net asset value per share at June 30, 2020:

Wellington Trust Company (WTC) common trust funds are measured at NAV and redeemable with the fund at NAV under the original terms of the subscription agreement and have no unfunded commitments, are redeemed daily, and do not require notice prior to the redemption period.

The significant investment strategies of the investment categories which are carried at fair value based on NAV are as follows:

WTC-CTF Intermediate Bond – The objective of the CTF Intermediate Bond Portfolio is to provide long-term total return in excess of the Bloomberg Barclays Intermediate Government/Credit Bond Index.

WTC-CTF Global Opportunities – The objective of the Global Opportunities Portfolio is to provide long-term total return in excess of the MSCI All Country World Index.

WTC-CTF Mid Cap Growth – The objective of the CTF Mid-Cap Growth Portfolio is to provide long-term total return in excess of the Russell Midcap Growth Index.

WTC-CTF Research Equity – The objective of the CTF Research Equity investment is to provide long-term return in excess of the S&P 500 Index.

WTC-CTF Quality Value Portfolio – The objective of the CTF Quality Value Portfolio is to provide a long-term return in excess of the Russell 1000 Value Index.

WTC-CTF Real Estate Securities – The objective of CTF Real Estate Securities Portfolio is to provide long-term total return in excess of the Dow Jones US Select Real Estate Securities Index.

WTC-CTF Core Bond Plus – The objective of the CTF Core Bond Plus Portfolio is to provide long-term total return in excess of the US bond market as represented by the Bloomberg Barclays Aggregate Bond Index.

WTC-CTF Enduring Assets – The objective of CTF Enduring Assets Portfolio is to provide attractive risk-adjusted returns by investing primarily in companies with long-lived physical assets that possess an advantaged competitive position and that exhibit low levels of earnings volatility.

WTC-CTF Global Perspectives – The objective of the CTF Global Perspectives fund is to provide long-term total return in excess of the MSCI AC World Small Cap Index over full market cycles.

WTC-CTF Emerging Markets Research Equity – The objective of the CTF Emerging Markets Research Equity fund is to provide long-term total return in excess of the MSCI Emerging Markets Index.

WTC-CTF SMID Cap Research Equity – The objective of the CTF SMID Cap Research Equity is to provide long-term total return in excess of the Russell 2500 Index.

2. Investments (Continued)

WTC-CTF Global Total Return – The objective of the CTF Global Total Return fund is to provide absolute returns above a cash benchmark over the medium to long term.

The table below sets forth a summary of changes in the fair value of RCBP's level 3 assets for the years ended June 30, 2020 and 2019:

	Diocesan Insurance Closely Held Stock
2020	
Balance, beginning of year	$324,927
Unrealized gains	64,513
Balance, end of year	$389,440
2019	
Balance, beginning of year	$290,787
Unrealized gains	34,140
Balance, end of year	$324,927

3. Real Estate Held for Investment

RCBP owns land and a building in the Portland, Maine area for investment purposes. Amounts were recorded at cost at the date of acquisition and are adjusted for accumulated depreciation. Depreciation expense is recognized over the estimated useful life of the underlying assets. The balance at the end of 2020 and 2019 is $3,520,602 and $3,586,062, respectively. The rental income generated from the property for 2020 and 2019 was $487,229 and $474,814, respectively. Future expected rental income under executed lease agreements is as follows:

2021	$ 446,529
2022	397,182
2023	397,182
2024	426,971
2025	436,901
Thereafter	3,751,740

A major tenant renewed its lease in 2014 through 2033. In addition, tenants are responsible for common area maintenance, which is approximately $100,000 per year.

4. Due from Affiliated Organizations

Amounts due from affiliated organizations at June 30, 2020 and 2019 are as follows:

	2020	2019
Catholic Charities Maine	$ 34,080	$ 40,915
Diocesan Bureau of Housing	21,657	57,906
St. Ignatius LP	80,816	10,318
Seton Village	–	517,015
St. Francis Apartments	–	26,718
Saint Francis II LP	10,991	18,335
Roncalli Apartments	–	19,876
Other	–	3,378
	$147,544	$694,461

5. Pledges Receivable

Pledges receivable at June 30, 2020 and 2019, are comprised of the following, net of allowance and present value discounts:

	2020	2019
Due within one year	$1,118,810	$1,319,318
Due after one year and within five years	1,655,976	1,411,147
Allowance for losses on uncollectible pledges	(232,870)	(225,471)
	$2,541,916	$2,504,994

6. Other Assets

Other assets at June 30, 2020 and 2019 are as follows:

	2020	2019
Equipment and vehicles, net	$ 603,757	$ 623,087
Cash surrender value of life insurance policies	1,375,000	1,318,688
Other, net	609,682	606,110
	$2,588,439	$2,547,885

7. Long-Term Debt

During April 2020, RCBP received loan proceeds in the amount of $4,928,415 under the Paycheck Protection Program (PPP). Loan proceeds were received by the Chancery as well as individual parishes. The PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses. The loans and accrued interest had original terms that were forgivable after eight weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the eight-week period. Certain modifications to PPP loan terms were signed into law in June 2020 that changed the forgiveness, covered period and forgiveness periods.

The unforgiven portion of the PPP loan bears interest at 1%, with a deferral of payments for the first six months. The loan may be prepaid at any time without penalty and has a maturity date in April 2022. While RCBP currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, as of the date of issuance of these financial statements, there is no assurance that RCBP will not take actions that could cause RCBP to be ineligible for forgiveness of the loan, in whole or in part. RCBP has accounted for the PPP loan in accordance with FASB ASC Topic 470.

8. Net Assets With Donor Restrictions

Donor restricted net assets, which are subject to a time restriction or to be used for a stipulated purpose, including appreciation on endowments, at June 30, 2020 and 2019 are available for the following program services:

	2020	2019
Pastoral	$16,357,370	$15,858,876
Educational, including capital improvements to schools	4,902,174	4,509,114
Social services	11,542,510	12,149,739
Religious personnel development	10,751,456	10,977,954
Cemeteries	771,312	763,151
	$44,324,822	$44,258,834

8. Net Assets With Donor Restrictions (Continued)

Donor restricted net assets to be held in perpetuity at June 30, 2020 and 2019, the income from which is expendable to support specific program services, are summarized by program as follows:

	2020	2019
Pastoral	$20,317,010	$18,859,700
Educational	9,144,246	9,565,132
Social services	3,583,189	3,846,074
Religious personnel development	3,380,899	3,430,406
Cemeteries	380,909	359,036
	$36,806,253	$36,060,348
	$81,131,075	$80,319,182

Donor restricted net assets to be held in perpetuity at June 30, 2020 and 2019 consist of the following:

	2020	2019
Endowment funds (see note 2)	$33,649,772	$32,529,691
Beneficial interest in perpetual trusts	3,156,481	3,530,657
	$36,806,253	$36,060,348

9. Pension Plans

A. Lay Employees' Plans

RCBP has a defined benefit pension plan for lay employees other than teachers. The benefits are based on years of service and salary earned during an employee's highest consecutive five years in the last ten years of employment. RCBP's funding policy is to contribute annually an amount equal to the year's normal costs and amortization of the unfunded liability. Effective July 1, 2017, the Plan was closed to new participants hired on or after July 1, 2017. These employees are now eligible for a 6% annual employer match on gross wages.

9. Pension Plans (Continued)

Following is information relating to the defined benefit pension plan for lay employees other than teachers at June 30, 2020 and 2019:

	2020	2019
Projected benefit obligation at June 30	$(34,172,685)	$(30,581,817)
Fair value of plan assets at June 30	18,856,529	18,561,009
Funded status	$(15,316,156)	$(12,020,808)
Accumulated benefit obligation at June 30	$(32,096,847)	$(28,725,994)
Amounts recognized in the combined statements of financial position:		
Accrued pension cost	$ (5,458,234)	$ (5,149,692)
Additional liability (see below)	(9,857,922)	(6,871,116)
Net accrual	$(15,316,156)	$(12,020,808)

The additional liability shown above represents the cumulative amount of actuarial losses that have not yet been recognized as a component of benefit cost as of year-end. The balance consists primarily of unrecognized actuarial liability losses at June 30, 2020 and 2019.

Changes in the additional liability consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Unrecognized losses at beginning of year	$ (6,871,116)	$ (4,448,813)
Losses arising during the year	(3,590,531)	(2,687,624)
Amortization included in benefit cost	603,725	265,321
Unrecognized losses at end of year	$ (9,857,922)	$ (6,871,116)

Losses in 2020 and 2019 were caused primarily by a decrease in the discount rate. The use of updated mortality tables had insignificant effects in both years.

9. Pension Plans (Continued)

Anticipated benefit payments over the next 10 years, based upon the actuary's calculations, are presented below:

Year Ended June 30,	
2021	$1,527,000
2022	1,569,000
2023	1,620,000
2024	1,687,000
2025	1,712,000
2026– 2030	9,587,000

Assets of the plan at June 30, 2020 consist of equity funds (66%) and a bond fund (34%), as shown below.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes:

Equities – 8.5% historical average arithmetic real return plus inflation
Government Bonds – Current yields on inflation-indexed bonds plus inflation
Corporate Bonds – government bonds yields plus a blend of current and historical credit spreads
Real Estate – 5.0% historical average arithmetic real return plus inflation
Current Expected Inflation – 2.5%

The following table provides information on the Plan's investments carried at fair value as of June 30, 2020 based on the framework for measuring fair value described in note 2:

	Total	Level 1	Level 2	Level 3
Large Cap Equity Value Fund	$ 4,869,695	$ 4,869,695	$ –	$ –
Large Cap Equity Balanced Fund	4,635,567	4,635,567	–	–
Large Cap International Equity Fund	2,991,865	2,991,865	–	–
Total Return Bond Fund	6,359,402	6,359,402	–	–
	$18,856,529	$18,856,529	$ –	$ –

9. Pension Plans (Continued)

The following table provides information on the Plan's investments carried at fair value as of June 30, 2019 based on the framework for measuring fair value described in note 2:

	Total	Level 1	Level 2	Level 3
Large Cap Equity Value Fund	$ 4,675,384	$ 4,675,384	$ –	$ –
Large Cap Equity Balanced Fund	4,688,789	4,688,789	–	–
Large Cap International Equity Fund	2,821,757	2,821,757	–	–
Total Return Bond Fund	6,375,079	6,375,079	–	–
	$18,561,009	$18,561,009	$ –	$ –

RCBP anticipates a contribution of approximately $1,000,000 to the plan during the year ending June 30, 2021. RCBP also anticipates that fiscal 2021 pension cost will include approximately $1,033,813 of amortization of net unrecognized actuarial losses and $0 of amortization of prior service costs.

Actuarial calculations represent estimates, based on certain assumptions, the most significant of which are described below.

Assumptions as of June 30:

	2020	2019
Discount rate	2.91%	3.64%
Expected return on plan assets	7.00	7.00
Annual salary increase	3.00	3.00
Mortality tables	Pri-2012 Generational MP-2019	RP 2014 Generational MP-2018

Information for the years ended June 30, 2020 and 2019 is presented below:

	2020	2019
Discount rate for determining pension cost	3.64%	4.23%
Benefit cost – Interest and amortization	$ 405,261	$ 155,584
Service cost	929,378	867,750
Employer contributions	1,000,000	1,100,000
Benefits paid	1,325,744	1,237,449

Pension expense for the lay teachers' defined contribution plan was approximately $258,000 in 2020 and $257,000 in 2019. Contributions are 6% of eligible wages as defined by the plan.

9. Pension Plans (Continued)

B. Priest Plan

Priests' pension benefits are available after 15 years of active service. Normal retirement age for priests is 70 and stipulated amounts of retirement benefits (adjusted for cost of living changes) are paid on a monthly basis for life. Early retirement benefits are available on a reduced basis. Effective July 1, 2018, priests who remain in active ministry beyond their normal retirement date can elect to begin receiving benefits on a reduced basis.

Information related to the Program at June 30, 2020 and 2019 is shown below:

	2020	2019
Projected benefit and accumulated benefit obligation	$(17,475,412)	$(16,207,556)
Fair value of program assets (including operating cash and receivables)	11,332,448	10,201,093
Funded status	$ (6,142,964)	$ (6,006,463)
Amounts recognized in the statement of financial position:		
Accrued pension costs	$ (984,828)	$ (1,809,243)
Additional liability adjustment	(5,158,136)	(4,197,220)
Net accrual	$ (6,142,964)	$ (6,006,463)

The impact of the additional liability on the 2020 and 2019 combined statement of activities is shown below:

	2020	2019
Unrecognized losses at beginning of year	$ (4,197,220)	$ (4,078,252)
Loss arising during the year	(1,168,528)	(307,144)
Amortization included in benefit cost	207,612	188,176
Unrecognized losses at end of year	$ (5,158,136)	$ (4,197,220)

Losses and gains in 2020 and 2019 were caused by changes in the discount rate, mortality assumptions and demographic experience.

67% of the assets of the Program at June 30, 2020 (65% in 2019) consisted of equity securities and 33% (35% in 2019) consisted of debt and short-term securities, with the investment goal to achieve a long-term rate of return of at least 6%. The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes taking into account expected volatility and correlation between the returns of the various asset classes. The assumptions utilized include a total return of 6%, which includes an estimated equity return plus a factor for inflation, and bond rates at a blend of current and historical rates, including an inflation factor.

9. Pension Plans (Continued)

Anticipated benefit payments over the next 10 years, based upon the actuary's calculations, are presented below:

Year Ended June 30,	
2021	$ 999,000
2022	989,000
2023	979,000
2024	1,004,000
2025	1,020,000
2026 – 2030	4,971,000

The following tables provide information on the assets carried at fair value as of June 30, 2020 and 2019 (excluding operating cash and receivables):

	Total	Level 1	Level 2	Level 3
June 30, 2020				
Cash equivalents	$ 874,942	$ 874,942	$ –	$ –
Government and agency bonds	872,596	872,596	–	–
Other fixed income investments	1,936,988	570,686	1,290,794	75,508
Corporate stocks	6,486,126	6,486,126	–	–
Exchange traded funds	914,710	914,710	–	–
	$11,085,362	$9,719,060	$1,290,794	$75,508
June 30, 2019				
Cash equivalents	$ 397,286	$ 397,286	$ –	$ –
Government and agency bonds	908,293	908,293	–	–
Other fixed income investments	2,059,239	400,814	1,583,088	75,337
Corporate stocks	5,933,884	5,933,884	–	–
Exchange traded funds	655,493	655,493	–	–
	$ 9,954,195	$8,295,770	$1,583,088	$75,337

Activity in Level 3 investments during the years ended June 30, 2020 and 2019 is shown below:

	2020	2019
Fair value, beginning of year	$75,337	$144,610
Realized and unrealized appreciation	171	727
Maturity	–	(70,000)
Fair value, end of year	$75,508	$ 75,337

9. Pension Plans (Continued)

The Level 3 investments consist of bonds issued by one and two entities affiliated with the Catholic Church in 2020 and 2019, respectively.

The contribution to the Plan during the year ending June 30, 2021 is estimated to total approximately $1,360,000. The Plan anticipates that fiscal 2021 pension cost will include approximately $293,000 of amortization of unrecognized actuarial losses.

The actuarial computation of the benefit obligation utilized a discount rate of 2.91% at June 30, 2020 and 3.64% at June 30, 2019. Pension costs were computed using a discount rate of 3.64% and 4.23% for 2020 and 2019, respectively. Other information related to the plan for the years ended June 30, 2020 and 2019 follows:

	2020	2019
Employer's contribution	$1,359,906	$1,014,304
Benefit cost – interest and amortization	166,892	280,337
Service cost	368,599	326,019
Plan participants' contribution	N/A	N/A
Benefits paid	978,270	1,027,277
Fees paid by Plan assets	63,624	51,616
Salary projection scale	3.0%	3.0%
Long-term return on assets	6%	6%
Mortality tables	Pri-2012 Generational MP-2019	RP-2014 Generational MP-2018

Certain priests have elected to participate in a supplemental annuity program whereby the priests contribute amounts to the program in return for a promise to pay a stipulated quarterly payment. At death, principal amounts revert to Diocesan Priests' Pension Program and Trust for use in the Pension Program. Cumulative amounts contributed to this program by current participants totaled $1,251,272 and $1,264,814 at June 30, 2020 and 2019, respectively, and the actuarially determined liability, which is included in accrued pension obligations, totaled $531,765 and $415,088, respectively, at these dates. The excess of contributions over the liability balance is included in net assets with donor restrictions.

10. Post-Retirement Health Care Plan – Retired Priests

Health and dental benefits are provided to retired priests.

10. Post-Retirement Health Care Plan – Retired Priests (Continued)

Following is information relating to the post-retirement health care plan as of June 30, 2020 and 2019:

	2020	2019
Benefit obligation at June 30	$ (7,177,956)	$ (7,487,960)
Fair value of plan assets (including operating cash and receivables) at June 30	4,877,029	–
Funded status	$ (2,300,927)	$ (7,487,960)
Accrued benefit cost recognized in the statement of financial position before impact of required recording of funded status	$ (6,867,551)	$ (11,898,382)
Impact of recording funded status	4,566,624	4,410,422
Total accrual	$ (2,300,927)	$ (7,487,960)

On January 1, 2020, RCBP established a trust for purposes of funding the Diocesan Priests' Medical Benefit Program and Trust (Medical Program) and contributed $4,137,168 of investment securities to the trust upon its establishment. RCBP's contributions to the medical program are now sent directly to the trust and are reflected as assets in the Medical Program.

As shown above, the retiree segment of the Medical Program did not have any dedicated assets as of June 30, 2019; however, approximately $3,820,000 of investments were internally designated for payment of healthcare costs for both retired and active priests at June 30, 2019.

Plan assets are primarily investments which consist of equity and debt and short-term securities with the investment goal to achieve a long-term rate of return of at least 6%. The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes taking into account expected volatility and correlation between the returns of the various asset classes. The assumptions utilized include a total return of 6%, which includes an estimated equity return plus a factor for inflation, and bond rates at a blend of current and historical rates, including an inflation factor.

The following table provides information on the assets carried at fair value as of June 30, 2020 (excluding operating cash and receivables):

	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 465,329	$ 465,329	$ –	$ –
Corporate stocks	2,058,391	2,058,391	–	–
Government and agency bonds	384,381	384,381	–	–
Other fixed income investments	286,332	286,332	–	–
Corporate bonds	872,585	–	872,585	–
Exchange traded funds	307,737	307,737	–	–
	$4,374,755	$3,502,170	$872,585	$ –

10. Post-Retirement Health Care Plan – Retired Priests

As also shown above, RCBP is required by generally accepted accounting principles in the United States to record a liability equal to the difference between the benefit obligation and the liability otherwise recorded on the statement of financial position. The details with respect to the amount recorded appear below:

	Cumulative Unrecognized Actuarial Gains	
	2020	2019
Unrecognized gains at beginning of year	$4,410,422	$4,457,147
Experience gains arising during year	1,203,998	228,983
Assumption changes	(702,000)	74,147
Asset gain	25,764	–
Amortization included in benefit cost	(371,560)	(349,855)
Unrecognized gains at end of year	$4,566,624	$4,410,422

Experience gains during 2020 were caused primarily by changes in demographic experience. Assumption changes during 2020 were caused primarily by a decrease in the discount rate, mortality table changes, changes in the trend rate and the effect of funding the Plan as described above.

Experience gains during 2019 were caused primarily by changes in demographic experience. Assumption changes during 2019 were caused primarily by a decrease in the discount rate, mortality table changes and changes in the trend rate.

Assumptions utilized in the calculations of the benefit obligations are shown below:

	2020	2019
Assumptions as of June 30:		
Discount rate	2.91%	3.64%
Expected return on plan assets	6%	N/A
Mortality tables	Pri-2012 Generational MP-2019	RP-2014 Generational MP-2018

An annual increase in healthcare costs of 7.0% and 6.40%, declining over a fifty-five and fifty-six year period of time to 3.8%, respectively, was assumed for 2020 and 2019. A 1% increase in this assumption would increase the benefit obligation by $1,139,000 and $1,090,000, at June 30, 2020 and 2019, respectively, and would increase the benefit cost by $105,000 and $106,000, respectively, for the years then ended. A 1% decrease in this assumption would decrease the benefit obligation by $914,000 and $886,000 at June 30, 2020 and 2019, respectively, and would decrease the benefit cost by $82,000 and $83,000, respectively, for the years then ended.

10. Post-Retirement Health Care Plan – Retired Priests (Continued)

Information related to the post-retirement plan for the years ended June 30, 2020 and 2019 follows:

	2020	2019
Net periodic benefit gain – interest and amortization	$ (105,970)	$ (35,068)
Service cost	255,923	247,351
Plan participants' contribution	10,400	42,360
Benefits and claims administration fees paid	330,475	230,487

The discount rate used in determining the net periodic benefit cost was 3.64% and 4.23% in 2020 and 2019, respectively.

Anticipated annual benefit payments over the next ten years, almost all of which will be funded by RCBP, are as follows:

Year Ended June 30	
2021	$ 328,345
2022	336,000
2023	345,000
2024	359,000
2025	360,000
2026 – 2030	1,812,000

The Funds anticipate that fiscal 2021 will include approximately $385,000 of amortization of unrecognized actuarial gains.

11. Affiliated Organizations

Summarized financial information of certain affiliated organizations referred to in note 1 is as follows ($000 omitted from tables):

As of June 30, 2020 and 2019, and for the years then ended:

	St. Francis Apartments	
	2020	2019
Total assets	$ 5,745	$ 5,892
Net assets	5,714	5,814
Revenues	320	319
Deficiency of revenues over expenses	(100)	(112)

11. Affiliated Organizations (Continued)

	Diocesan Bureau of Housing		Seton Village, Inc.		Roncalli Apartments, Inc.	
	2020	2019	2020	2019	2020	2019
Total assets	$ 10,288	$10,589	$ 5,949	$ 6,660	$ 3,445	$ 3,532
Net assets	1,061	1,210	(181)	(19)	3,399	3,481
Revenues	2,371	2,163	1,471	1,435	252	249
Deficiency of revenues over expenses	(149)	(175)	(162)	(130)	(82)	(113)

As of December 31, 2019 and 2018 (latest information available), and the years then ended:

	St. Ignatius, LP	
	2019	2018
Total assets	$ 10,436	$ 10,469
Net assets	8,384	1,645
Revenues	561	428
Deficiency of revenues over expenses	(167)	(399)

As of September 30, 2019 and 2018 (latest information available), and the years then ended:

	Catholic Charities Maine		St. Xavier's Home	
	2019	2018	2019	2018
Total assets	$ 12,430	$ 12,663	$ 1,385	$ 1,423
Net assets	6,402	5,961	94	129
Revenues	25,976	26,149	279	277
Excess (deficiency) of revenues over expenses	441	717	(35)	(23)

These affiliated organizations were charged a total of $568,000 in 2020 and $632,000 in 2019 for insurance coverage provided by the Diocesan Insurance Program and other items.

Catholic Charities Maine received a cash contribution from RCBP which totaled $747,000 and $744,000 in 2020 and 2019, respectively.

The accounts of St. Martin dePorres and St. Francis Apartments II, LP are not significant as of June 30, 2020 and 2019.

12. Insured Value of Property

Real estate and parish equipment are not reflected as assets in the combined financial statements. The amounts that should be capitalized under accounting principles generally accepted in the United States of America and related accumulated depreciation is not known. For insurance purposes, these assets were valued at $754,032,000 and $775,900,000 at June 30, 2020 and 2019, respectively.

13. Self-Insurance and Other Contingencies

The RCBP self-insures a portion of its general liability, property, automobile, directors and officers, and crime insurance exposures. A provision for losses incurred but not yet reported, as well as a provision for loss development as actuarially determined, is recorded in the combined statements of activities. The liability related to such amounts totaled $2,787,751 and $2,881,426 at June 30, 2020 and 2019, respectively.

Workers compensation insurance coverage is insured with a $250,000 deductible per occurrence.

14. Volunteer Services

Volunteers provide various services to RCBP at its various locations throughout the year. None of these services have been recognized as revenue or expense in the combined statements of activities for 2020 and 2019.

15. Letter of Credit

RCBP has a letter of credit agreement, which contains an annual automatic renewal provision on December 31 of each year. The maximum amount available under the letter is $250,000. A standby letter of credit for $750,000 by the same lending institution was issued to the State of Maine. Both are anticipated to be further extended through December 31, 2020 to renew annually thereafter. No amounts were outstanding on the letters at June 30, 2020 or 2019.

16. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statements of financial position date (June 30, 2020), comprise the following:

Cash and cash equivalents	$19,578,000
Investments	12,853,000
Pledges and other receivables, due within one year	1,691,000
	$34,122,000

16. Liquidity and Availability (Continued)

As part of RCBP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The RCBP and Foundation follow a spending policy which allows expenditure of up to 4% and 4.95%, respectively, on their income from investments for operations, which is included above. The RCBP and Foundation have other investments whose use is limited for donor restricted purposes, which are not reflected in the amounts above. RCBP invests cash in excess of daily requirements in investments and deposits with various institutions. Information related to the availability of funds from letter of credit agreements is included in note 15.