



# Catholic Communications Corporation

## Financial Statements

Years Ended June 30, 2021 and 2020



## Table of Contents

Independent Accountant's Review Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14



## Independent Accountant's Review Report

---

To Most Reverend William D. Byrne, Bishop of Springfield:

We have reviewed the accompanying financial statements of Catholic Communications Corporation (the "Corporation," a nonprofit Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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 of America; 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.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### ***Accountant's Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

As indicated in Note 7 to these financial statements, the Corporation receives financial support from the Roman Catholic Bishop of Springfield, a corporation sole. Should that support be withdrawn, the Corporation's ability to continue would be threatened.

*Wolf & Company, P.C.*

Springfield, Massachusetts

October 31, 2022

# Catholic Communications Corporation

## Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 44,227	\$ 85,702
Accounts receivable, net of allowance of \$119,742 and \$108,526 for 2021 and 2020, respectively	36,324	53,608
Fixed assets, net	<u>44,203</u>	<u>36,579</u>
Total assets	<u>\$ 124,754</u>	<u>\$ 175,889</u>
Liabilities:		
Accounts payable	\$ 64,455	\$ 53,515
Accrued expenses	16,927	14,090
Unearned revenue	1,575	1,666
Paycheck Protection Program loan payable	-	104,200
Total liabilities	<u>82,957</u>	<u>173,471</u>
Net assets without donor restrictions	<u>41,797</u>	<u>2,418</u>
Total liabilities and net assets	<u>\$ 124,754</u>	<u>\$ 175,889</u>

See independent accountant's review report.

# Catholic Communications Corporation

## Statements of Activities

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Support:		
Donations	\$ 123,478	\$ 100,012
Diocesan subsidy	140,910	168,015
Annual Catholic Appeal	426,100	288,860
Total support	<u>690,488</u>	<u>556,887</u>
Revenue:		
Subscriptions and sales	173,091	181,566
Advertising	73,687	58,275
Insurance settlement	24,227	-
Other	1,463	661
Paycheck Protection Program loan forgiveness	104,200	-
Total revenue	<u>376,668</u>	<u>240,502</u>
Total support and revenue	<u>1,067,156</u>	<u>797,389</u>
Expenses:		
Program services	905,307	798,210
General and administration	122,470	119,605
Total expenses	<u>1,027,777</u>	<u>917,815</u>
Change in net assets	39,379	(120,426)
Net assets without donor restrictions at beginning of year	<u>2,418</u>	<u>122,844</u>
Net assets without donor restrictions at end of year	<u>\$ 41,797</u>	<u>\$ 2,418</u>

See independent accountant's review report.

# Catholic Communications Corporation

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 39,379	\$ (120,426)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	19,653	13,180
Paycheck Protection Program loan forgiveness	(104,200)	-
Change in operating assets and liabilities:		
Accounts receivable	17,284	14,125
Accounts payable	10,940	25,649
Accrued expenses	2,837	1,749
Unearned revenue	(91)	26
Net cash used in operating activities	<u>(14,198)</u>	<u>(65,697)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(27,277)</u>	<u>(27,426)</u>
Cash used in investing activities	<u>(27,277)</u>	<u>(27,426)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan payable	<u>-</u>	<u>104,200</u>
Cash provided by financing activities	<u>-</u>	<u>104,200</u>
Net change in cash	(41,475)	11,077
Cash at beginning of year	<u>85,702</u>	<u>74,625</u>
Cash at end of year	<u>\$ 44,227</u>	<u>\$ 85,702</u>

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Form of Organization and Nature of Activities*

Catholic Communications Corporation (the “Corporation”) was established as a legal entity to conduct business under the auspices of the Roman Catholic Bishop of Springfield, a corporation sole (“RCB”). The mission of the Corporation is to promote the values of the Roman Catholic faith by communicating to local communities through various types of media. The Corporation publishes a magazine, “Catholic Mirror”, and produces two weekly television programs, the “Chalice of Salvation” and “Real to Reel”. The Corporation also operates two websites, [www.iobserve.org](http://www.iobserve.org) (news) and [www.diospringfield.org](http://www.diospringfield.org) (general diocesan website).

This summary of significant accounting policies of the Corporation is presented to assist in understanding the financial statements. The financial statements and notes are the representation of the Corporation’s management, who is responsible for their integrity and objectivity, and are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Recognition of Revenue and Expenses*

The Corporation recognizes revenue when it is earned and expenses when they are incurred.

#### *Basis of Presentation*

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes thereto are classified as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of Corporation management. The change in net assets without donor restrictions is primarily impacted by the results of operations, unrestricted giving, and by the amount of net assets with donor restrictions that have been released from restrictions.

See independent accountant’s review report.



# Catholic Communications Corporation

## Notes to Financial Statements

### **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Presentation***

With Donor Restrictions - Net assets whose use by the Corporation is subject to donor-imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire by the passage of time, as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Corporation, with investment return available for designated purposes. The change in net assets with donor restrictions is impacted primarily by gifts with time and donor constraints, and the amount of net assets that have been released from restrictions. Net assets with donor restrictions also include funds not yet appropriated for spending, including cumulative investment earnings and appreciation on endowment funds restricted in perpetuity.

The Corporation had no net assets with donor restrictions for the years ended June 30, 2021 or 2020.

#### ***Liquidity***

The Corporation manages its financial assets to be available as its general expenditures, liabilities, and other obligations become due. However, its liquidity is generally dependent upon the support of RCB (see notes 5 and 7).

#### ***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 that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Corporation's significant estimate is the net realizable value of its accounts receivable.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Revenue Recognition***

Reciprocal exchange transactions such that are within the scope of Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers (Topic 606)*. To determine revenue recognition for such transactions, the Corporation performs the following 5 steps: 1) identify the contract with a customer; 2) identify the performance obligation(s) in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligation(s) in the contract; and 5) recognize revenue when the Corporation satisfies the performance obligation. Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue that consists of performance obligations satisfied at a point in time is generally recognized when criteria for the contract have been achieved or when specific events have occurred and when there are no additional services related to that obligation.

Subscriptions and sales and advertising are subject to Topic 606, as they represent exchange transactions, however, there was no change in timing or amount of recognition of such revenue as all revenues are recognized at a point in time when the related activity takes place. Amounts received prior to the activity taking place are recorded as deferred revenue. As of June 30, 2021 and 2020, there was \$1,575 and \$1,666 in unearned revenue, respectively.

Contributions (including the Annual Catholic Appeal) are not subject to Topic 606 and are recorded when the unconditional promise to give is made.

#### ***Contributions***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value when the conditions are met. Indications of intentions to give are not reported until the gift is received.

Contributions are reported as increases in net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets in which case they are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donor restricted income that is both received and expended during the same year is recorded in the activities of net assets without donor restrictions.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Contributions*

Donated materials and services are recorded as in-kind contributions at the estimated fair value as of the date of the donation.

#### *Accounts Receivable*

Management records its accounts receivable at net realizable value which includes a provision for bad debts based on its assessment of the current status of individual accounts. Balances from unrelated parties that are still outstanding after management has used reasonable collection efforts are written off. Balances from Diocesan entities are maintained with corresponding allowances, if needed, in accordance with Canon law.

Activity in the allowance for bad debts is as follows:

	<u>2021</u>	<u>2020</u>
Balance beginning of year	\$ 108,526	\$ 86,518
Provision for bad debts	18,843	22,651
Charge-off's	<u>(7,627)</u>	<u>(643)</u>
	<u>\$ 119,742</u>	<u>\$ 108,526</u>

#### *Fixed Assets*

Assets having a cost of \$2,500 or more and a useful life of more than one year are capitalized at cost and expensed over their estimated useful lives. Items under \$2,500 are expensed as purchased. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Life</u>
Furniture and fixtures	5 years
Computers and equipment	5 - 10 years
Computer software	3 years

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Fixed Assets***

Maintenance and repairs are expensed as incurred, while improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and any gain or loss is included in the statement of activities.

#### ***Income Taxes***

The Corporation is a 501(c)(3) organization under the Internal Revenue Code. It is generally exempt from federal income tax under a group exemption granted to the Roman Catholic Church and its related organizations. It is also exempt from Massachusetts income taxes under Chapter 180 of Massachusetts General Laws. However, income from certain activities not directly related to the Corporation's tax-exempt status is subject to taxation as unrelated business income.

Tax positions taken or expected to be taken in the course of preparing the Corporation's tax returns, including the position that the Corporation qualifies as a tax-exempt organization, are required to be evaluated to determine whether the tax positions are "more-likely-than-not" to be upheld under regulatory review. The Corporation has determined that there are no uncertain tax positions at June 30, 2021 or 2020.

The Corporation records interest and penalties as part of income tax expense. No interest or penalties were recorded for the years ended June 30, 2021 or 2020.

The Corporation is currently open to audit by Federal and state authorities for the years ended June 30, 2019 to the present.

#### ***Functional Allocation of Expenses***

The costs of providing the Corporation's programs and other activities have been summarized on a functional basis in the statements of activities. These costs include direct and indirect costs that have been allocated among the program and supporting services.

#### ***Advertising***

The Corporation expenses advertising costs as they are incurred.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Subsequent Events*

Management has evaluated subsequent events through October 31, 2022 which is the date the financial statements were available to be issued.

#### 2. FIXED ASSETS

Fixed assets consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Autos	\$ 19,936	\$ 19,936
Furniture and fixtures	17,948	20,778
Computers and equipment	1,010,522	983,245
Computer software	<u>7,931</u>	<u>7,931</u>
	1,056,337	1,031,890
Less accumulated depreciation	<u>(1,012,134)</u>	<u>(995,311)</u>
	<u>\$ 44,203</u>	<u>\$ 36,579</u>

#### 3. LOAN PAYABLE

In April 2020, the Corporation applied for and received a \$104,200 loan under the federal CARES Act's Paycheck Protection Program (the "PPP"). The terms of the loan indicate that the Corporation must utilize the proceeds to fund or offset qualifying expenses over a twenty-four-week period. In accordance with the provisions of the PPP, the loan accrues interest at a rate of 1% and the loan may be forgiven, all or in part, if it is used to pay qualifying costs such as payroll, rent and utilities. Amounts that are not forgiven will be repaid within two years from the date of the loan. In June 2021, the Corporation was notified that this loan, including interest expense, was forgiven in full.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### 4. UNEARNED REVENUE

Unearned revenue consists of mass intentions and other revenue.

### 5. RELATED PARTY TRANSACTIONS

- a. Diocesan Support - RCB provides support to the Corporation through direct grants and the Annual Catholic Appeal. Total support amounted to \$567,010 and \$456,875 for the years ended June 30, 2021 and 2020, respectively.
- b. Insurance - The Corporation participates in the RCB insurance program for property, general liability, workers' compensation and health insurance. Insurance program expense was as follows:

	<u>2021</u>	<u>2020</u>
Property, general liability, and workers' compensation	\$ 1,800	\$ 1,752
Health	<u>85,610</u>	<u>83,835</u>
	<u>\$ 87,410</u>	<u>\$ 85,587</u>

### 6. PENSION PLANS

#### *Defined Benefit Plan*

The Corporation is a participant in a multi-employer defined benefit pension plan, sponsored by RCB, which covers Corporation employees. The benefits are based on years of service and the employees' average monthly compensation.

Effective December 31, 2010, the pension plan was frozen. When a plan is frozen, earnings and service are not considered subsequent to that date, meaning employee pension benefits will no longer continue to accumulate. This action did not take away or reduce the benefits an employee had already earned.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### **PENSION PLANS**

#### ***Defined Benefit Plan***

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished among the organizations participating in the pension plan and, accordingly, such information is not presented herein. At January 1, 2021 (the most recent available), the unaudited actuarial valuation report for the Plan reflected approximately \$37.4 million in net assets available for benefits and \$45.7 million in accumulated plan benefits. At January 1, 2020, the unaudited actuarial valuation report for the Plan reflected approximately \$35.6 million in net assets available for benefits and \$43.2 million in accumulated plan benefits.

#### ***Defined Contribution Plan***

Effective January 1, 2019, the Corporation is a participant in a defined contribution plan administered by RCB for all eligible staff. Eligibility for the plan begins following one month of employment for individuals who are age 21 or older. The Plan provides for discretionary employer contributions of up to 2% of employee compensation. For the years ended June 30, 2021 and 2020, the Corporation contributed \$1,597 and \$1,007, respectively, as matching contributions. Matching contributions have a one-year cliff vesting period.

### **7. ECONOMIC DEPENDENCY**

Catholic Communications Corporation receives substantial financial support from RCB through direct grants and the annual Catholic Appeal. Should that support be withdrawn, the Corporation's ability to continue could be threatened. This support amounted to \$567,010 in 2021 and \$456,875 in 2020.

See independent accountant's review report.

# Catholic Communications Corporation

## Notes to Financial Statements

### 8. FUNCTIONAL EXPENSES

Direct costs are charged to the applicable natural and functional classifications whenever possible. However, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Diocese. These expenses require allocation on a reasonable basis that is consistently applied and include considerations such as square footage used by each function and estimates of time and effort.

Following are the components of the Corporation's functional expenses for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<u>Program Services</u>		
Salaries and wages	\$ 482,796	\$ 433,453
Payroll taxes	33,484	29,690
Defined contribution plan benefits <1%	1,597	1,007
	<u>517,877</u>	<u>464,150</u>
Cost of goods sold	5,623	5,343
Depreciation	19,653	13,180
Equipment purchases	10,838	11,695
Meetings and conventions	226	84
Mileage and automobiles expense	4,878	3,587
Catholic Mirror printing and binding	135,495	114,006
Office expense	5,310	3,182
Other program expense	30,497	34,358
Postage	54,266	53,787
Professional fees	15,116	5,104
Chalice of Salvation	49,300	39,950
Real to Reel	56,228	49,784
	<u>905,307</u>	<u>798,210</u>
<u>General and Administrative</u>		
Health insurance	85,610	83,835
Bad debts	18,843	22,651
Bank charges	761	449
Dues & subscriptions	301	36
Insurance	1,800	1,752
Legal	-	2,111
Mileage and automobiles expense	146	100
Professional fees	7,776	2,408
Fundraising	7,233	6,263
	<u>122,470</u>	<u>119,605</u>
Total general and administrative expenses	<u>122,470</u>	<u>119,605</u>
Total expenses	<u>\$ 1,027,777</u>	<u>\$ 917,815</u>

See independent accountant's review report.