The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Report
June 30, 2020

Contents

Independent Auditor's Report

To His Excellency
José H. Gomez
Archbishop of Los Angeles
Los Angeles, California

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of the Administrative Office of the Roman Catholic Archdiocese of Los Angeles and its related consolidated entities, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Office of the Roman Catholic Archdiocese of Los Angeles and its related consolidated entities as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. GAAP.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Administrative Office of the Roman Catholic Archdiocese of Los Angeles adopted Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers,* using the modified retrospective approach as of July 1, 2019. Our opinion was not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Administrative Office restated the July 1, 2018, net assets with donor restrictions and net assets without donor restrictions to correct an error related to donor restricted contributions. Our opinion was not modified with respect to this matter.

RSM US LLP

Los Angeles, California
January 27, 2021

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	**$ 54,872,963**	**$ 8,294,678**	**$ 63,167,641**	$ 26,858,250	$ 4,577,154	$ 31,435,404
Contracts receivable, net (Note 2)	**65,120,288**	**-**	**65,120,288**	49,452,973	-	49,452,973
Affiliate receivables, net (Note 3)	**31,671,416**	**-**	**31,671,416**	16,282,822	-	16,282,822
Pledges receivable, net (Note 4)	**-**	**83,469,693**	**83,469,693**	-	64,407,081	64,407,081
Other receivables (Note 5)	**6,207,020**	**200,575**	**6,407,595**	1,599,170	134,102	1,733,272
Notes receivable, net (Note 6)	**13,338,604**	**-**	**13,338,604**	13,300,775	-	13,300,775
Investments (Notes 7 and 8)	**545,739,004**	**83,448,677**	**629,187,681**	529,794,745	75,590,639	605,385,384
Properties held for sale	**46,999**	**-**	**46,999**	46,999	-	46,999
Property and equipment, net (Note 9)	**88,852,219**	**1,442,881**	**90,295,100**	84,351,845	334,897	84,686,742
Deferred cemetery sales commissions and benefits (Note 1)	**22,941,982**	**-**	**22,941,982**	-	-	-
Other assets	**515,439**	**-**	**515,439**	1,123,708	-	1,123,708
Goodwill, net (Note 10)	**25,274,319**	**-**	**25,274,319**	28,082,577	-	28,082,577
Assets for pension benefits (Note 11)	**-**	**-**	**-**	5,900,000	-	5,900,000
Total assets	**$ 854,580,253**	**$ 176,856,504**	**$ 1,031,436,757**	$ 756,793,864	$ 145,043,873	$ 901,837,737
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	**$ 32,609,499**	**$ 5,718,040**	**$ 38,327,539**	$ 16,694,889	$ -	$ 16,694,889
Payable to affiliates (Note 16)	**461,644**	**64,806,860**	**65,268,504**	2,123,653	36,883,252	39,006,905
Preneed funeral contract liability	**1,364,269**	**-**	**1,364,269**	1,847,358	-	1,847,358
Insurance claims reserves (Notes 15)	**70,956,503**	**-**	**70,956,503**	64,509,059	-	64,509,059
Liability for pension and postretirement plan benefits (Note 11)	**237,062,000**	**-**	**237,062,000**	149,066,000	-	149,066,000
Deferred revenue (Note 1)	**169,146,838**	**-**	**169,146,838**	169,596,155	-	169,596,155
Cemetery sales return reserve (Note 1)	**23,572,688**	**-**	**23,572,688**	-	-	-
Custodial collections	**15,250,911**	**-**	**15,250,911**	14,009,296	-	14,009,296
Notes payable (Note 12)	**132,178,572**	**-**	**132,178,572**	112,574,176	-	112,574,176
Notes payable to affiliates (Note 13)	**2,971,531**	**-**	**2,971,531**	3,646,334	-	3,646,334
Total liabilities	**685,574,455**	**70,524,900**	**756,099,355**	534,066,920	36,883,252	570,950,172
Commitments and contingencies (Notes 14 and 16)						
Net assets (Notes 18 and 19)	**169,005,798**	**106,331,604**	**275,337,402**	222,726,944	108,160,621	330,887,565
Total liabilities and net assets	**$ 854,580,253**	**$ 176,856,504**	**$ 1,031,436,757**	$ 756,793,864	$ 145,043,873	$ 901,837,737

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Donations and assessments	$ 27,751,440	$ 60,162,491	$ 87,913,931	$ 26,589,631	$ 66,447,641	$ 93,037,272
Donations, annual appeal	-	13,189,261	13,189,261	-	16,068,068	16,068,068
Cemetery sales	58,665,339	-	58,665,339	53,933,668	-	53,933,668
Mortuary sales	28,224,039	-	28,224,039	29,727,055	-	29,727,055
Insurance reimbursement	129,324,812	-	129,324,812	124,277,912	-	124,277,912
Investment Pool income, net of expenses	14,063,324	2,368,756	16,432,080	23,103,389	3,617,747	26,721,136
Other investment income, net of expenses	13,412,697	-	13,412,697	4,445,068	-	4,445,068
Rents, fees and other revenue	19,014,507	-	19,014,507	17,149,963	-	17,149,963
	290,456,158	75,720,508	366,176,666	279,226,686	86,133,456	365,360,142
Net assets released from restrictions	77,616,809	(77,616,809)	-	51,458,670	(51,458,670)	-
Total revenues	368,072,967	(1,896,301)	366,176,666	330,685,356	34,674,786	365,360,142
Program expenses:						
Education and formational services	26,298,368	-	26,298,368	26,835,837	-	26,835,837
Pastoral and evangelization	21,742,584	-	21,742,584	19,160,134	-	19,160,134
Social services	4,260,478	-	4,260,478	4,166,531	-	4,166,531
Pastoral regions	1,904,308	-	1,904,308	1,660,133	-	1,660,133
Priests' support and retirement	2,939,857	-	2,939,857	3,337,689	-	3,337,689
Cemetery expense	34,654,921	-	34,654,921	32,361,405	-	32,361,405
Mortuary expense	33,149,540	-	33,149,540	28,755,812	-	28,755,812
Total program expenses	124,950,056	-	124,950,056	116,277,541	-	116,277,541
Supporting services:						
General and administrative expense	295,010,018	-	295,010,018	200,227,615	-	200,227,615
Fundraising expense	9,816,790	-	9,816,790	10,022,886	-	10,022,886
Total supporting services	304,826,808	-	304,826,808	210,250,501	-	210,250,501
						-
Total expenses	429,776,864	-	429,776,864	326,528,042	-	326,528,042
(Decrease) increase in net assets before other changes	(61,703,897)	(1,896,301)	(63,600,198)	4,157,314	34,674,786	38,832,100

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Other changes:						
Change in value of beneficial interest in charitable gift annuity (Note 15)	**$ 51,549**	**$ 67,284**	**$ 118,833**	$ 24,971	$ 50,098	$ 75,069
(Decrease) increase in net assets	**(61,652,348)**	**(1,829,017)**	**(63,481,365)**	4,182,285	34,724,884	38,907,169
Net assets beginning of year, as restated (Note 1)	**222,726,944**	**108,160,621**	**330,887,565**	218,544,659	73,435,737	291,980,396
Cumulative effect of adoption of ASU 2014-09 (Note 1)	**7,931,202**	**-**	**7,931,202**	-	-	-
Net assets, beginning of year	**230,658,146**	**108,160,621**	**338,818,767**	218,544,659	73,435,737	291,980,396
Net assets, end of year (Note 18)	**$ 169,005,798**	**$ 106,331,604**	**$ 275,337,402**	$ 222,726,944	$ 108,160,621	$ 330,887,565

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Functional Expenses
Year Ended June 30, 2020

	Program Expense								Supporting services			
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal	Total
Salary and wages	$ 4,581,121	$ 5,165,089	$ 2,194,499	$ 933,754	$ 577,183	$ 11,207,111	$ 16,063,153	$ 40,721,910	$ 8,024,962	$ 2,116,531	$ 10,141,493	$ 50,863,403
Benefits	747,369	1,226,987	485,817	280,881	2,119,986	3,950,141	3,341,969	12,153,150	3,698,471	360,993	4,059,464	16,212,614
Subtotal	5,328,490	6,392,076	2,680,316	1,214,635	2,697,169	15,157,252	19,405,122	52,875,060	11,723,433	2,477,524	14,200,957	67,076,017
Amortization	-	-	-	-	-	3,926,864	2,808,258	6,735,122	-	-	-	6,735,122
Bad debt expense	-	-	-	-	-	-	-	-	43,567,601	35	43,567,636	43,567,636
Bank charges	32,041	380	-	87	-	570,793	271,750	875,051	95,457	351,670	447,127	1,322,178
Conferences/meetings	335,264	179,839	83,750	27,052	10,027	734	14,087	650,753	1,734,791	627,844	2,362,635	3,013,388
Consultant	1,087,275	636,922	275,518	-	-	342,637	172,604	2,514,956	1,724,537	3,758,868	5,483,405	7,998,361
Contribution expense	88,590	3,372,822	6,000	-	-	-	-	3,467,412	140,825	320,000	460,825	3,928,237
Cost of sales	-	-	-	-	-	3,960,925	2,957,472	6,918,397	-	-	-	6,918,397
Depreciation	-	-	-	-	-	1,307,048	318,212	1,625,260	201,343	-	201,343	1,826,603
Development/donor appreciation expense	29,006	65,447	15,724	5,882	-	75,856	66,682	258,597	187,430	569,995	757,425	1,016,022
Equipment rental	868,045	4,635	278,776	1,442	-	365,008	348,069	1,865,975	1,076,480	70,780	1,147,260	3,013,235
Insurance expense (Note 15)	4,211	-	-	-	-	-	-	4,211	140,157,179	-	140,157,179	140,161,390
Interest expense (Note 12)	-	-	-	-	-	-	108,124	108,124	4,143,510	-	4,143,510	4,251,634
Marketing/advertising	141,325	58,443	19,174	-	3,410	41,802	416,481	680,635	55,204	40,070	95,274	775,909
Miscellaneous	840,625	452,175	341,027	14,770	25,609	3,251,925	(112,587)	4,813,544	1,278,111	647,476	1,925,587	6,739,131
Mortuary Care Center	-	-	-	-	-	-	1,597,935	1,597,935	-	-	-	1,597,935
Occupancy/facility expense	1,042,422	650,655	51,453	92,982	31,631	888,014	766,662	3,523,819	2,461,125	8,481	2,469,606	5,993,426
Office expense/supplies	1,334,459	1,104,526	406,612	419,605	4,387	2,235,799	1,022,490	6,527,878	819,608	861,780	1,681,388	8,209,266
Professional fees	363,438	1,883	1,410	-	126,383	134,296	2,270,818	2,898,228	2,933,721	12,837	2,946,558	5,844,786
Program events	486	96,960	(500)	-	(450)	-	-	96,496	-	-	-	96,496
Seminarian/educational expense	337	2,458,755	2,275	-	-	-	-	2,461,367	1,034	70	1,104	2,462,471
Settlement expense	-	-	-	-	-	-	-	-	1,769,627	-	1,769,627	1,769,627
Staff development	25,897	123,184	1,048	300	-	2,329	9,532	162,290	13,633	724	14,357	176,647
Subscriptions	187,742	17,413	10,724	3,042	-	7,076	6,142	232,139	9,300	12,412	21,712	253,851
Subsidy-TIM/contribution expense	25,372,945	9,161,923	-	-	-	-	-	34,534,868	1,184,100	-	1,184,100	35,718,968
Travel expenses	375,430	192,056	72,077	43,587	3,042	15,997	85,422	787,611	340,034	38,280	378,314	1,165,925
Uniforms	-	-	-	-	-	198,954	21,572	220,526	-	-	-	220,526
Utilities	239,013	122,253	2,001	48,482	-	2,128,181	583,132	3,123,062	1,516,842	-	1,516,842	4,639,904
Vehicle expenses	20,180	94,527	13,093	32,442	38,649	43,431	11,561	253,883	22,060	17,944	40,004	293,886
Reimbursement of expense from E&W Corporation	(11,418,853)	(3,444,290)	-	-	-	-	-	(14,863,143)	(755,626)	-	(755,626)	(15,618,769)
Subtotal	26,298,368	21,742,584	4,260,478	1,904,308	2,939,857	34,654,921	33,149,540	124,950,056	216,401,359	9,816,790	226,218,149	351,168,205
Pension expense, net of reimbursements (Note 11)	-	-	-	-	-	-	-	-	78,608,659	-	78,608,659	78,608,659
Total	$ 26,298,368	$ 21,742,584	$ 4,260,478	$ 1,904,308	$ 2,939,857	$ 34,654,921	$ 33,149,540	124,950,056	$ 295,010,018	$ 9,816,790	$ 304,826,808	$ 429,776,864

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Functional Expenses
Year Ended June 30, 2019

	Program Expense								Supporting Services			
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal	Total
Salary and wages	$ 4,405,763	$ 5,255,074	$ 1,956,674	$ 903,259	$ 670,369	$ 11,202,845	$ 14,645,226	$ 39,039,210	$ 7,455,788	$ 1,574,475	$ 9,030,263	$ 48,069,473
Benefits	732,918	1,230,270	432,183	250,000	2,352,746	3,857,237	2,960,840	11,816,194	3,400,779	293,770	3,694,549	15,510,743
Subtotal	5,138,681	6,485,344	2,388,857	1,153,259	3,023,115	15,060,082	17,606,066	50,855,404	10,856,567	1,868,245	12,724,812	63,580,216
Amortization	-	-		-	-	3,440,779	108,964	3,549,743	-	-	-	3,549,743
Bad debt expense	-	-	-	-	-	-	-	-	14,773,934	-	14,773,934	14,773,934
Bank charges	35,200	1,343	64	-	-	506,741	243,078	786,426	180,138	188,372	368,510	1,154,936
Conferences/meetings	180,403	130,065	48,713	6,085	9,260	1,064	6,837	382,427	1,499,089	172,645	1,671,734	2,054,161
Consultant	47,454	968,006	242,423	-	-	329,841	282,256	1,869,980	1,800,948	4,277,365	6,078,313	7,948,293
Contribution expense	182,020	331,971	-	-	-	-	-	513,991	14,301	1,455,552	1,469,853	1,983,844
Cost of sales	-	-	-	-	-	4,050,857	3,125,530	7,176,387	-	-	-	7,176,387
Depreciation	-	-	-	-	-	1,065,396	348,663	1,414,059	256,557	-	256,557	1,670,616
Development/donor appreciation expense	154,277	131,203	37,422	18,437	-	34,598	48,849	424,786	192,290	462,971	655,261	1,080,047
Equipment rental	902,988	7,259	260,965	-	-	264,445	296,556	1,732,213	1,009,864	49,766	1,059,630	2,791,843
Insurance expense (Note 15)	-	-	-	-	-	-	-	-	116,608,791	-	116,608,791	116,608,791
Interest expense (Note 12)	-	-	-	-	-	-	-	-	4,997,790	-	4,997,790	4,997,790
Marketing/advertising	43,415	128,787	34,818	2,160	3,000	14,720	442,954	669,854	51,647	26,706	78,353	748,207
Miscellaneous	1,082,651	689,214	445,612	26,895	29,083	3,730,745	(56,410)	5,947,790	1,424,900	345,985	1,770,885	7,718,675
Mortuary Care Center	-	-	-	-	-	-	1,397,254	1,397,254	-	-	-	1,397,254
Occupancy/facility expense	781,492	496,425	41,449	101,073	556	(23,706)	708,718	2,106,007	2,992,697	7,091	2,999,788	5,105,795
Office expense/supplies	667,191	539,590	497,790	186,052	65,173	1,561,405	921,161	4,438,362	398,699	1,079,642	1,478,341	5,916,703
Professional fees	612,176	10,640	2,060	-	3,475	117,120	2,415,867	3,161,338	3,938,650	12,463	3,951,113	7,112,451
Program events	10,350	388,339	7,374	4,162	174,825	-	-	585,050	(68,780)	-	(68,780)	516,270
Seminarian/educational expense	109,686	3,273,808	7,211	6,618	-	-	-	3,397,323	6,279	335	6,614	3,403,937
Settlement expense	-	-	-	-	-	-	-	-	4,553,885	-	4,553,885	4,553,885
Staff development	10,139	190,411	1,146	428	-	852	24,837	227,813	2,193	70	2,263	230,076
Subscriptions	185,058	25,595	5,441	488	-	4,854	7,860	229,296	14,137	13,494	27,631	256,927
Subsidy-TIM/contribution expense	26,080,141	8,899,150	-	-	-	-	-	34,979,291	1,631,928	-	1,631,928	36,611,219
Travel expenses	412,010	275,883	125,375	53,354	1,999	7,974	63,449	940,044	308,046	47,098	355,144	1,295,188
Uniforms	-	-	-	-	-	207,123	17,731	224,854	-	-	-	224,854
Utilities	5,190	106,237	2,244	54,556	-	1,947,367	689,107	2,804,701	2,099,617	1,365	2,100,982	4,905,683
Vehicle expenses	4,849	112,709	13,896	37,690	26,208	29,608	26,632	251,592	128,432	13,721	142,153	393,745
Reimbursement of expense from E&W Corporation	(9,820,888)	(4,346,865)	-	-	-	-	-	(14,167,753)	(700,270)	-	(700,270)	(14,868,023)
Subtotal	26,835,837	19,160,134	4,166,531	1,660,133	3,337,689	32,361,405	28,755,812	116,277,541	168,972,329	10,022,886	178,995,215	295,272,756
Pension expense, net of reimbursements (Note 9)	-	-	-	-	-	-	-	-	31,255,286	-	31,255,286	31,255,286
Total	$ 26,835,837	$ 19,160,134	$ 4,166,531	$ 1,660,133	$ 3,337,689	$ 32,361,405	$ 28,755,812	$ 116,277,541	$ 200,227,615	$ 10,022,886	$ 210,250,501	$ 326,528,042

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
(Decrease) increase in net assets before other changes	**$ (63,600,198)**	$ 38,832,100
Adjustments to reconcile decrease in net assets and other changes to net cash provided by operating activities:		
Net realized and unrealized gains on investments	**(21,245,894)**	(22,204,416)
Change in value of beneficial interest in charitable gift annuity	**118,833**	75,069
Change in pledge discount	**1,849,757**	-
Provision for bad debt	**43,090,314**	12,847,417
Depreciation	**1,826,603**	4,764,116
Amortization	**6,735,122**	-
Assets contributed for endowments	**(819,721)**	(330,520)
Increase in affiliate receivables	**(20,364,255)**	(2,690,216)
Increase in contracts receivable	**(15,667,315)**	(10,445,248)
Increase in pledges receivable	**(57,224,371)**	(72,834,554)
(Increase) decrease in other receivables	**(5,094,539)**	784,216
Decrease in assets for pension benefit obligation	**5,900,000**	2,286,000
Decrease in other assets	**608,269**	59,884
Increase (decrease) in accounts payable and accrued expenses	**21,632,650**	(4,535,608)
Increase in affiliate payables	**26,261,599**	35,867,178
Decrease in cemetery and mausoleum perpetual care account	**-**	(597,945)
Increase in insurance claims reserves	**6,447,444**	170,763
Increase in liability for pension and postretirement plan	**87,996,000**	32,687,000
Increase in deferred revenue	**6,261,841**	5,065,605
Decrease in preneed funeral liability	**(483,089)**	(29,946)
Increase (decrease) in custodial collections	**1,241,615**	(1,645,163)
Net cash provided by operating activities	**25,470,665**	18,125,732
Cash flows from investing activities:		
Purchase of investments	**(125,021,655)**	(157,885,545)
Proceeds from maturities or sale of investments	**122,465,251**	167,679,570
Payments on notes receivable	-	(2,308,683)
Proceeds from notes receivable	**429,493**	-
Purchases of property and equipment	**(11,381,819)**	(19,849,974)
Proceeds from sale of property and equipment	**20,988**	42,423
Net cash used in investing activities	**(13,487,742)**	(12,322,209)
Cash flows from financing activities:		
Assets contributed for endowments	**819,721**	330,520
Principal payments on notes payable to affiliates	**(674,803)**	(1,235,124)
Proceeds from line of credit	**25,000,000**	-
Principal payments on notes payable	**(5,395,604)**	(5,395,604)
Net cash provided by (used in) financing activities	**19,749,314**	(6,300,208)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Net increase (decrease) in cash and cash equivalents	**$ 31,732,237**	$ (496,685)
Cash and cash equivalents, beginning of year	**31,435,404**	31,932,089
Cash and cash equivalents, end of year	**$ 63,167,641**	$ 31,435,404
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 4,137,305**	$ 4,704,796
Supplemental disclosure of noncash investing and financing transactions:		
Forgiveness of debt	$ -	$ 1,000,000

See notes to consolidated financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Administrative Office of the Roman Catholic Archdiocese of Los Angeles (the Administrative Office) consists of the departments that provide pastoral, educational and administrative support to parishes, schools, seminaries and other institutions in the Roman Catholic Archdiocese of Los Angeles (the Archdiocese). The consolidated financial statements of the Administrative Office also include the operations of the Catholic Cemeteries (the Cemeteries), the ALA Insurance Company (ALAIC), the Archdiocese of Los Angeles Risk Management Corporation (ADLARM) and the Archdiocese of Los Angeles Funeral and Mortuary Services Corporation (the Mortuaries). The ALAIC, ADLARM and the Mortuaries are all separate not-for-profit entities. The supporting departments and programs of the ALAIC, ADLARM and the Mortuaries are fiscally responsible to the Archbishop of Los Angeles. The parishes and schools and certain other institutions and entities in the Archdiocese account for their operations separately; therefore, the accompanying consolidated financial statements do not reflect the financial position or activities for such organizations and are limited to the financial position and activities of the Administrative Office. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

A significant portion of the Administrative Office's revenue is derived from donor gifts as well as assessments obtained from the parishes of the Archdiocese and cemetery and mortuary operations. In addition, the Administrative Office derives revenue from certain rents and royalties. These revenues are expended by the Administrative Office for the various programs, ministries and needs of the Archdiocese. Administrative services provided include administration of Archdiocesan insurance programs and Archdiocesan pension plans for the parishes and elementary schools, Archdiocesan and parish high schools, Catholic Charities and St. John's Seminary.

A summary of significant accounting policies is as follows:

Basis of accounting: The consolidated financial statements of the Administrative Office have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation: The accompanying financial presentation of the Administrative Office follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements of Not-For-Profit Organizations. This standard provides guidance on reporting information regarding its financial position and changes in activities according to two classes of net assets determined by the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets without donor restrictions represent the portion of net assets of the Administrative Office that is neither restricted by donor-imposed stipulations or time restrictions. Net assets without donor restrictions include expendable funds available to support operations.

Net assets with donor restrictions: Net assets with donor restrictions represent contributions whose use by the Administrative Office is restricted by donor-imposed stipulations that require that they be held in perpetuity or whose use may expire by the passage of time or can be fulfilled and removed by actions of the Administrative Office pursuant to those donor stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets released from restrictions are reported in the consolidated statements of activities. Net assets with donor restrictions also include income on donor restricted endowment funds not yet appropriated for spending by the Administrative Office in accordance with provisions of California law. The Administrative Office records all contributions with donor restrictions as net assets with donor restrictions and then net assets released from restrictions when spent on the purpose intended by the donor or when the passage of time has been met.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Administrative Office consists of the following diverse ministries and departments serving over four million Catholics in the Archdiocese under the direction of the Archbishop of Los Angeles:

Education and formational services: Includes the Department of Religious Education and Department of Catholic Schools. These departments provide support services to the over 200 Catholic elementary and high schools in the Archdiocese.

Pastoral and evangelization: Includes the Offices of Worship, Restorative Justice, Priest Council, New Evangelization, Parish Life, Ethnic Ministry and others.

Social services: Includes Vicar for Canonical Services, Judicial Vicar/Tribunal, Office of Family Life, Health Affairs, Office of Life, Justice and Peace. The clergy and staff of these departments provide a variety of important social services.

Pastoral regions: Includes the five pastoral regions established in 1986: Our Lady of the Angels, San Fernando, San Gabriel, San Pedro and Santa Barbara. Clergy and staff within each regional office provide support to parishes and schools within their respective region.

Priests' support and retirement: Includes programs serving both active and retired priests.

Cemetery: Consists of 11 cemeteries that serve members of the Archdiocese by providing the cherished Catholic funeral tradition and burial in consecrated ground.

Mortuary: Includes six mortuaries that serve members of the Archdiocese.

Cash and cash equivalents: The Administrative Office considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Administrative Office maintains its cash in federally insured banking institutions.

Concentration of credit risk: The Administrative Office maintains its cash balances at several financial institutions that, at times, may exceed federally insured limits. The Administrative Office has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2020 and 2019, the Administrative office had $62,282,505 and $30,929,933, respectively, over federally insured limits.

Other receivables: Other receivables include miscellaneous receivables from third parties, legal settlement receivables, insurance recovery receivables and employee advances. Allowances are not established on these receivables. Amounts are written off when determined uncollectible.

Notes receivable: Notes receivable consist mostly of loans to parishes and schools and nonaffiliates of the Administrative Office and are stated at the net realizable value. Interest rates on the loans range between 0% and 8%. Notes are considered delinquent when payment has not been made according to the contractual terms, typically evidenced by nonpayment of an installment by the due date. The allowance for doubtful accounts is developed based upon historical write-off experience and any known specific issues that exist as of the consolidated statements of financial position date.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pledges receivable: In accordance with FASB ASC 958, Financial Statements of Not-for-Profit Organizations, unconditional promises to give that are expected to be collected within one year are recorded at the net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a fair value rate applicable to the years in which the promises are received. The discount rates ranged from 0.29% to 0.16%, and 1.92% to 1.71% for the fiscal years ended June 30, 2020 and 2019, respectively. The discounts are netted against donation revenue. Conditional promises to give are not included in pledges receivable until the conditions are met. Pledges deemed uncollectible by management are included in the allowance for uncollectible pledges. If a restriction is fulfilled in the same time period in which the contribution is received, the Administrative Office reports the support as without donor restrictions.

Contracts receivable: Contracts receivable represent sales contracts entered into for interment/entombment rights and merchandise and services related to cemetery operations. Interest on existing contracts receivable range from 0% to 7.3%.

Affiliate receivables: Affiliate receivables consist of advances on behalf of parishes and schools and other ministries and activities of the Archdiocese in payment of their premiums on medical and other insurance coverage, as well as their pension and self-insurance reserve funding requirements. The Administrative Office also bills all parishes a 10% assessment on the respective parish's ordinary income based on the prior fiscal year. The allowance for doubtful accounts is developed based upon historical write-off experience and the current ability to pay the obligation.

Capital campaign: The Called to Renew capital fundraising campaign is an effort to raise $500,000,000 in funds to support parishes, serve the vulnerable, support priestly vocations and invest in the faith of future generations. The campaign is managed in two distinct areas: a major gift portion and a parish phase with a fundraising goal of $250,000,000 for each. Within the parish phase, 50% of the goal amount ($125,000,000) will be retained at parishes for parish-specific needs; and 50% ($125,000,000) will be allocated to Archdiocese-level needs. Overall, the campaign is expected to provide $375,000,000 for parishes; $30,000,000 for Restorative Justice and Hospital Ministries; $30,000,000 for St. John's Seminary, Queen of Angels Center for Priestly Formation and Cardinal Manning House of Prayer; and $65,000,000 for religious education and faith formation programs.

Called to Renew revenue is included in donation and assessment revenue and totaled $45,549,789 and $44,826,386 for the years ended June 30, 2020 and 2019, respectively. Called to Renew expenses are included in fundraising expenses and totaled $5,485,482 and $5,115,170 for the years ended June 30, 2020 and 2019, respectively. Amounts collected on behalf of other entities are recorded as payable to affiliates on the statements of financial position and were $62,847,997 and $35,044,676 at June 30, 2020 and 2019, respectively.

Investments: The Administrative Office records investments at fair value. For investment income earned from investments in the Archdioceses Investment Pool and investments at Catholic Charities Foundation of Los Angeles (CCFLA), the Administrative Office is allocated income (loss) based upon allocation of the total return earned in invested equity and debt securities held by CCFLA, including realized and unrealized gains and losses. Gains and losses on investments are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income is unappropriated endowment income.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and equipment: All purchases of property and equipment of the Administrative Office over $10,000 are capitalized. Purchased property and equipment are recorded at cost. Certain assets, for which historical cost information was unavailable, were recorded at replacement cost or nominal value. Donated properties are carried at fair value at the date of gift. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to 60 years. Land, cemetery and mausoleum development costs are amortized as cost of sales (using the weighted-average cost method) as graves, crypts and niches are sold.

Deferred cemetery sales commissions and benefits: This account represents the costs of sales commissions and related benefits paid to the Administrative Office personnel upon sale of a cemetery preneed contract. With the adoption of ASU 2014-09, *Revenue From Contracts With Customers (Topic 606*) beginning July 1, 2019, the related costs for selling sales contracts are deferred with revenue until the time of fulfillment of the good or service.

Evaluation of long-lived assets: Long-lived assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of projected undiscounted cash flows from these long-lived assets is less than their carrying value, then the assets are written down to their estimated fair value. As of June 30, 2020 and 2019, management has determined that there was no impairment of long-lived assets.

Goodwill: Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. Beginning in fiscal year ended June 30, 2020, the Administrative Office adopted Accounting Standards Update (ASU) 2019-06, *Intangibles—Goodwill and Other, Business Combinations and Not for Profit Entities*, which extended the private company accounting alternatives on goodwill and intangibles to not-for-profit entities. Under this amendment, the Administrative Office began amortizing goodwill using straight-line method over a 10-year period and elected a policy to test goodwill impairment at the entity level. ASU 2019-06 allows for goodwill to be tested upon a triggering event rather than annually. Triggering events include a significant change in the business climate, legal factors, operating performance indicators, competition or sale of disposition of a significant portion of a reporting unit. Upon the occurrence of a triggering event, an entity may assess qualitative factors to determine whether it is more likely than not (50% or more likely) that the fair value of the entity is less than the carrying amount including goodwill. If the qualitative test is met, no further assessment is needed. If it is deemed that it is likely that goodwill has been impaired, a quantitative calculation is required that compares the entity's fair value to its carry amount. The fair value of each reporting unit is determined using a discounted cash flow methodology.

As of June 30, 2020 and 2019, management determined that there were no trigger events during the fiscal year.

Insurance claims reserves: The Administrative Office is self-insured for certain risks associated with its operations, including health, workers' compensation, automobile liability and physical damage, and retains various deductible limits for property, earthquake, crime and fiduciary losses. Coverage for most of the self-insured risks and deductibles is provided by ALAIC and ADLARM (see Note 15). The Administrative Office records the claims currently payable, plus an estimated amount for incurred but not reported claims, for themselves plus the participating entities on the statement of financial position and assesses each of the participating organizations its portion of estimated insurance expense each year. These assessments are recorded as insurance reimbursement revenues and administrative expense in the consolidated statements of activities. Benefits from insurance assessments are set aside in investments to meet accrued claim liabilities on self-insured programs.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred revenue: The Administrative Office has the following deferred revenue as of June 30:

	2020	2019
Cemetery and mausoleum care account	$ -	$ 6,711,160
Resale products and services on pre-need cemetery contracts	168,363,698	161,633,588
Patron deposits	783,140	1,251,407
Total	$ 169,146,838	$ 169,596,155

Cemetery and mausoleum care account: Beginning July 1, 2019, with the adoption of ASU 2014-09, *Revenue From Contracts with Customers*, the Cemetery determined that cemetery and mausoleum care is not part of the performance obligation for resale products and services on "pre-need" contracts, and thus amounts previously deferred of $6,711,160 were removed from deferred revenue and resulted in an increase to beginning net assets.

Resale products and services: Cemetery sales related to resale products and services are deferred and recognized at fulfillment.

Patron deposits: The Cemeteries have the right to cancel any installment purchase agreement on which payment has not been received. In this event, or on cancellation by the patron, any principal payments made, less any accrued interest, will be deposited into the patron's deposit account. The patron has up to one year to access these funds, either in the form of a credit toward a new purchase or as a refund. If this period expires, the patron loses all rights to a refund and the money returns to the Cemeteries. If a patron elects a refund, approximately 25% of the gross sale is retained to cover any contract processing costs. Patrons' deposits include deposits from canceled contracts and credits based on estimated cancellations.

Cemetery sales return reserve: All cemetery contracts can be returned or cancelled up until the day the customer dies. As such, upon adoption of ASU 2016-09, *Revenue From Contracts with Customers* beginning July 1, 2019, the Cemetery recorded sales net of an estimated return reserve. The reserve was based on historical return data and ranged from 11% to 21% of pre-need sales. In addition to the reserve, the related cost of sales and sales commissions paid on the sales were deferred and recorded as deferred sales commissions.

Revenue recognition: In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Administrative Office adopted the standard on July 1, 2019, utilizing the modified retrospective method. Results for reporting periods beginning July 1, 2019, are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. As a result of adoption of this standard beginning net assets as July 1, 2019, were increased by $7,931,202 due to the following:

- Deferring sales commissions paid on pre-need contracts – increase in net asset of $14,046,038
- Recording variable consideration related to a cancellations reserve on pre-need contracts – decrease in net assets of $12,815,400
- Recognition of care and maintenance revenue on preneed contracts for the cemetery and mausoleum – increase in net assets of $6,700,564

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Administrative Office has cemetery and mortuary sales that have contracts with customers and are recognized using the five-step model under Topic 606 as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Cemetery sales: Cemetery operations generate revenue primarily through sales of cemetery interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as outer burial containers, memorial markers and floral placements) and services (interments, inurnments and installation of cemetery merchandise). Cemetery services and products are provided on both an at need and pre-need basis. Cemetery arrangements sold at the time of death are referred to as at need cemetery contracts. The performance obligation on these at need contracts for cemetery property, merchandise and services are distinct. The performance obligations from the time of death to the disposition of the remains, include delivering cemetery property, unearthing the ground, interring remains and installing merchandise on the cemetery grounds. Each item on the contract is recognized as a distinct good or service.

The performance obligation is satisfied and revenue is recognized on the purchase date of the interment right, on the date of the cemetery service, and on the date of delivery of the merchandise (set on cemetery grounds). Payment is due at or before time of transfer. Outstanding balances due from customers, if any, on completed at need contracts are included in contracts receivable on the consolidated statements of financial position. The performance obligation is satisfied at the date of the service, the purchase of the interment right or the delivery of the merchandise as control has transferred to the customer. At this time, the contract is signed by the customer and the Cemetery is entitled to payment.

Cemetery arrangements sold prior to death occurring are referred to as preneed cemetery contracts. For preneed cemetery interment rights, the performance obligation is the sale of the interment right and revenue is recognized at the time the contract is signed. Control of cemetery interment rights is transferred to the customer upon execution of the contract as customers select a specific location and space for their interment right, thus, restricting us from other use or transfer of the contracted cemetery property. The interment right is deeded to the customer when the contract is paid in full.

For preneed cemetery merchandise and service, the performance obligation occurs at the time of need (when death occurs) and revenue is recognized on the date of delivery of merchandise or performance of service. Merchandise is not delivered on preneed contracts or service is not provided prior to the time of death. The performance obligation for preneed cemetery merchandise and service is similar to the elements of the performance obligation of at need cemetery merchandise and service. Most pre-need contracts are financed over a period of 60 to 72 months at 0% interest. The Administrative Office imputes interest on these contracts using a rate of 5.3%, which management believes to be a fair value interest rate and amortizes this component as interest income over the period financed.

Mortuary sales: Funeral arrangements sold at the time of death are referred to as at need funeral contracts. The performance obligation on these at need contracts for both merchandise and services are bundled as a single performance obligation, as the performance of these obligations occur within a short time frame (usually within a few days) from the time of death to the funeral service. Revenue is recognized on the date of the funeral service, as all performance obligations have been satisfied.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Patrons may prearrange their funeral services through the purchase of third-party insurance policies, which guarantees prices for certain funeral merchandise and services prevailing at the date the contract is signed. The Mortuaries, acting as an agent for a third-party insurance company, earn commissions based on the sales of these insurance contracts. The performance obligation related to insurance commission revenue is met when the customer signs the contract for the insurance policy, the insurance policy is approved by the insurance provider and the policy is issued. Management estimates variable consideration for insurance commission revenue resulting from adjustments made by the insurance company subsequent to the issuance of the policy (e.g., cancellation of the policy or imminent death before the first-year anniversary of the policy) based on historical adjustments.

The Administrative Office has the following other revenue that are not contract revenues and are recognized as follows:

Donations: Donations, including the annual appeal are recognized as revenue when an unconditional promise to give is made per ASC 958-605. Donations are recorded as with or without donor restrictions, depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Assessments: Assessments are levied upon parishes of the Archdiocese based on 10% of the ordinary income reported on the parish's previous fiscal year Annual Parish Report. Assessments are billed monthly to parishes and are recognized as revenue in the month billed. The purpose of the assessments are to finance the day-to-day operations of the Administrative Office including programs and ministries of the Archdiocese, centralized administration and coordination of payroll, employee benefits, insurance and pension plans, the Investment Pool, and other administrative departments and services.

Insurance reimbursement: Fiscal year annual premiums for workers compensation, property and casualty, general liability, and automobile insurance coverage are allocated to parishes and schools of the Archdiocese based on payroll information and property in their possession. The premium allocation is prepared by external consulting actuaries and billed to all affiliate locations monthly to reimburse the Archdiocese for premiums paid on their behalf. Insurance reimbursements are recognized as revenue in the month billed.

Rent, fees and other revenue: In addition to revenue from facility rental, the Archdiocese recognizes revenue for reimbursement of miscellaneous costs paid on behalf of affiliate parish and school locations for these costs, including, but not limited to:

- Lay pension costs
- Priests pension costs
- Construction bond fees

These costs are billed monthly to benefitting affiliate locations and are recognized as revenue in the month billed.

Conditional promises: The Administrative Office has received certain pledges of net estate assets characterized as living trusts or bequests by will. As it is not practicable to determine a value for the gifts and bequests, and because the trusts are revocable at the discretion of the trustor, the aggregate value of these trusts is not reported on the accompanying consolidated statements of financial position.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Annual appeal: The Administrative Office administers a special collection program, *Together in Mission*. The collection is conducted by the parishes and administered exclusively to provide support for certain parishes and elementary schools, which require operating subsidies to meet their needs.

Contributed services: Support arising from contributed services of certain personnel who are paid stipends and hold positions that would otherwise be occupied by laypersons is not reflected in the accompanying consolidated financial statements as these services do not meet the criteria for recognition as contributions under U.S. GAAP.

Settlement expenses: Settlement expenses are included in insurance expense as they are administered by ALAIC. The Archdiocese accrues for these amounts if it is probable that a liability has been incurred and an amount can be reasonably estimated.

Functional allocation of expenses: The costs of providing various programs and other activities of the Administrative Office have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Expenses have been allocated among program-related and supporting services based on benefitting cost center, and cost centers are mapped accordingly to functional categories.

Retirement and postretirement benefits: The Administrative Office sponsors a defined benefit pension plan for lay employees, a defined benefit pension plan for priests and a retiree welfare benefit plan for priests. The policy of the Administrative Office is to fund the plans as required by applicable regulations in addition to such amounts as the Administrative Office determines to be appropriate from time to time. Plan assets are invested in fixed-income and equity securities (see Note 11).

Income taxes: The Administrative Office is exempt from federal income and California franchise taxes under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

Uncertain tax provisions, if any, are recorded in accordance with FASB ASC 740, Income Taxes (previously FASB Interpretation No. 48). FASB ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There was no liability for uncertain tax positions recorded at June 30, 2020 or 2019.

Use of estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses, including allocations to various program costs during the reporting period. Actual results could differ from those estimates. Administrative Office management considers the allowance for doubtful accounts on contracts receivable, pledges receivable, notes receivable and affiliate receivables to be such an estimate. Additionally, the litigation reserve, insurance claims reserves, liabilities for pension and postretirement plan benefits, and the fair value of investments, interest rate swaps, purchase price allocations are considered to be such estimates.

Fundraising expenses: Fundraising activities of the Administrative Office consist mainly of the Called to Renew capital fundraising campaign and the *Together in Mission* program of the Archdiocese.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Derivative instruments: The Administrative Office accounts for its interest rate swap agreements in accordance with FASB ASC 815, Accounting for Certain Derivative Instruments and Certain Hedging Activities. ASC 815, as amended, establishes accounting and reporting standards for derivative instruments. Specifically, ASC 815 requires all entities, including not-for-profit organizations, to recognize all derivatives as either assets or liabilities in their statement of financial position and to measure such instruments at fair value.

Fair value measurements: The Administrative Office measures fair value using FASB ASC 820, Fair Value Measurement and Disclosures. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the standard, fair value measurements are disclosed by levels within that hierarchy.

Recently adopted accounting pronouncement: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for reevaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Administrative Office adopted this standard in the current year and there was no effect on beginning net assets related to the adoption of this standard.

Recently issued accounting standard: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In November 2019, the FASB deferred the effective date of this standard to periods beginning after December 15, 2021 (fiscal year end June 30, 2023). A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Administrative Office is currently evaluating the impact of this ASU on the consolidated financial statements and disclosures.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Restatement of net assets: During fiscal year ended June 30, 2020, the Administrative Office discovered that undisbursed funds related to its *Together in Mission* fundraising appeal were improperly recorded as a liability rather than net assets with donor restrictions. As a result, net assets with donor restrictions were increased by $16,267,504, and net assets without donor restrictions were increased by $918,152 as of July 1, 2018. In addition, the effect of the restatement on the change in net assets during the year ended June 30, 2018, was an increases of $992,235. The following table illustrates the changes to the Administrative Office's consolidated financial statements as a result of the restatement.

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
Beginning net assets, July 1, 2018, as previously reported	$ 217,626,507	$ 57,168,233
Together in mission contributions, net	918,152	16,267,504
Beginning net assets, July 1, 2018, as restated	$ 218,544,659	$ 73,435,737
Change in net assets as previously reported	$ 80,045,138	$ 6,188,564
Together in mission contributions, net	-	992,235
Change in net assets as restated	$ 80,045,138	$ 7,180,799

Reclassification: Certain amounts in the prior year's consolidated statements of activities have been reclassified to conform to the current-year presentation with no effect on net assets.

Note 2. Contracts Receivable, Net

Contracts receivable consisted of the following at June 30:

	2020	2019
Cemeteries	$ 72,292,980	$ 58,824,789
Mortuaries	235,456	497,767
	72,528,436	59,322,557
Allowance for uncollectible accounts	(500,555)	(4,444,505)
Discount	(6,907,593)	(5,425,079)
Contracts receivable, net	$ 65,120,288	$ 49,452,973

	2020	2019
Amounts due in:		
Less than one year	$ 29,012,003	$ 28,247,897
One to five years	43,516,433	31,074,660
	$ 72,528,436	$ 59,322,557

Note 3. Affiliate Receivables, Net

The Administrative Office advances money on behalf of parishes and schools and other ministries and activities of the Archdiocese for payment of employee benefits and self-insurance reserve funding requirements. The ability to repay these obligations depends significantly on the parishes', schools' and other affiliates' continued ability to generate cash flows from normal operating activities.

The Administrative Office bills all parishes a 10% assessment based on their prior fiscal year ordinary income. Affiliate receivables include these assessments and cash advances for the payment of operating expenses and construction projects in addition to accrued interest on notes receivable and advances.

Affiliate receivables consisted of the following at June 30:

	2020	2019
Parishes	$ 24,237,669	$ 15,194,467
Elementary schools	29,751,068	24,871,709
High schools	8,352,912	5,583,474
Education & Welfare Corporation	11,601,701	8,884,578
St. John's Seminary College	-	1,710,000
Catholic Education Foundation	94,107	98,109
Other	3,423,102	1,021,741
	77,460,559	57,364,078
Allowance for uncollectible accounts	(45,789,143)	(41,081,256)
Affiliate receivables, net	$ 31,671,416	$ 16,282,822

Note 4. Pledges Receivable, Net

Pledges receivable at June 30 consisted of the following:

2020	Gross	Discount	Net of Discount	Allowance for Uncollectibles	Net of Discount and Allowance
Called to Renew	$ 125,743,261	$ (228,002)	$ 125,515,259	$ (44,963,114)	$ 80,552,145
Annual appeal	3,071,102	-	3,071,102	(153,555)	2,917,547
	$ 128,814,364	$ (228,002)	$ 128,586,362	$ (45,116,669)	$ 83,469,693

2019	Gross	Discount	Net of Discount	Allowance for Uncollectibles	Net of Discount and Allowance
Called to Renew	$ 74,232,736	$ (1,516,471)	$ 72,716,265	$ (11,756,686)	$ 60,959,579
Annual appeal	3,628,950	-	3,628,950	(181,448)	3,447,502
	$ 77,861,686	$ (1,516,471)	$ 76,345,215	$ (11,938,134)	$ 64,407,081

Note 4. Pledges Receivable, Net (Continued)

	2020	2019
Amounts due in:		
Less than one year	$ 39,780,587	$ 25,033,227
One to five years	89,033,777	52,828,459
	$ 128,814,364	$ 77,861,686

The discount rate applied on pledges greater than one year ranges from 0.29% to 0.16%, and 1.92% to 1.71% for the fiscal years ended June 30, 2020 and 2019, respectively.

Note 5. Other Receivables

Other receivables at June 30 consist of the following:

	2020	2019
Administrative third party receivables	$ 1,737,482	$ 105,210
Legal settlement receivables	900,000	500,000
Cemetery employee receivables	102,816	420,296
Mortuary receivables	773,526	100,462
Insurance recovery receivable	2,893,577	-
Miscellaneous receivables	192	607,303
Total	$ 6,407,595	$ 1,733,272

Note 6. Notes Receivable, Net

Notes receivable at June 30 consisted of the following:

	2020	2019
Parishes, high schools and elementary schools	$ 16,347,373	$ 15,799,687
St. John's Seminary College	8,714,696	9,146,321
Other nonaffiliated entities	1,085,008	1,630,563
	26,147,077	26,576,571
Allowance for uncollectible accounts	(12,808,473)	(13,275,796)
Notes receivable, net	$ 13,338,604	$ 13,300,775

Note 6. Notes Receivable, Net (Continued)

Aggregate maturities of notes receivable as of June 30, 2020, are as follows:

Years ending June 30:	
2021	$ 439,411
2022	482,372
2023	652,423
2024	605,693
2025	318,875
Thereafter	23,648,304
	$ 26,147,077

Note 7. Fair Value Measurements

The Administrative Office measures fair value using FASB ASC 820, Fair Value Measurement and Disclosures. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent resources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Note 7. Fair Value Measurements (Continued)

The Administrative Office's investments are categorized as follows for the year ended June 30, 2020:

	2020				
	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Affiliate receivables—beneficial interests in trust	$ 200,575	$ -	$ -	$ -	$ 200,575
Investments:					
Money market funds	81,660	-	81,660	-	-
Bonds	46,030	-	46,030	-	-
Charitable Remainder Trusts:					
Cash	10,610	-	10,610	-	-
Equities	545,643	-	545,643	-	-
Fixed income	245,248	-	245,248	-	-
Alternative investments	47,802	47,802	-	-	-
Archdioceses Investment Pool	541,333,781	-	-	-	541,333,781
Investments held at CCFLA	11,189,037	-	-	-	11,189,037
Private company stock—Watson land	58,044,353	-	-	-	58,044,353
Rabbi Trust:					
Cash and cash equivalents	112	-	112	-	-
Money market funds	2,469,322	-	2,469,322	-	-
Collective investment funds	15,173,000	-	-	-	15,173,000
Custodial securities—stock	1,083	-	1,083	-	-
Total investments	629,187,681	47,802	3,399,708	-	625,740,171
Total assets	$ 629,388,256	$ 47,802	$ 3,399,708	$ -	$ 625,940,746
Liabilities:					
Accounts payable—liabilities to beneficiaries	$ 503,938	-	-	-	$ 503,938
Accounts payable—interest swap agreements	1,096,336	-	-	-	1,096,336
Total liabilities	$ 1,600,274	$ -	$ -	$ -	$ 1,600,274

Note 7. Fair Value Measurements (Continued)

The Administrative Office investments are categorized as follows for the year ended June 30, 2019:

	2019				
	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Affiliate receivables—beneficial interests in trust	$ 134,102	$ -	$ -	$ -	$ 134,102
Investments:					
Money market funds	79,135	-	79,135	-	-
Bonds	45,166	-	45,166	-	-
Charitable Remainder Trusts:					
Cash	22,524	-	22,524	-	-
Equities	274,911	-	274,911	-	-
Fixed income	547,036	-	547,036	-	-
Alternative investments	49,577	49,577	-	-	-
Archdioceses Investment Pool	532,020,215	-	-	-	532,020,215
Investments held at CCFLA	10,357,334	-	-	-	10,357,334
Private company stock—Watson land	44,603,302	-	-	-	44,603,302
Rabbi Trust:					
Cash and cash equivalents	596,264	-	596,264	-	-
Money market funds	2,140,365	-	2,140,365	-	-
Collective investment funds	14,647,904	-	-	-	14,647,904
Custodial securities—stock	1,651	-	1,651	-	-
Total investments	605,385,384	49,577	3,707,052	-	601,628,755
Total assets	$ 605,519,486	$ 49,577	$ 3,707,052	$ -	$ 601,762,857
Liabilities:					
Accounts payable—liabilities to beneficiaries	$ 516,938	$ -	$ -	$ -	$ 516,938
Accounts payable—interest swap agreements	1,282,884	-	-	-	1,282,884
Total	$ 1,799,822	$ -	$ -	$ -	$ 1,799,822

The following table represents changes in assets classified in Level 3 of the fair value hierarchy during the years ended June 30:

	2020						
	Other Receivables-Beneficial Interest In Trust	Archdioceses Investment Pool	Investments Held at CCFLA	Private Company Stock - Watson Land	Collective Investment Accounts	Accounts Payable-Liabilities to Beneficiaries	Accounts Payable-Interest Rate Swaps
Contributions	$ 88,693	$ 115,442,213	$ 372,111	$ -	$ -	$ -	$ 186,548
Withdrawals	(40,700)	(122,397,461)	-	-	-	-	-
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-

	2019						
	Other Receivables-Beneficial Interest In Trust	Archdioceses Investment Pool	Investments Held at CCFLA	Private Company Stock - Watson Land	Collective Investment Accounts	Accounts Payable-Liabilities to Beneficiaries	Accounts Payable-Interest Rate Swaps
Contributions	$ 106,303	$ 125,404,909	$ 236,002	$ -	$ 2,000,000	$ -	$ 588,352
Withdrawals	-	(167,679,570)	16,000	-	-	-	-
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-

Note 7. Fair Value Measurements (Continued)

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

The fair value of equities and fixed income securities are based on unadjusted quoted prices on a national securities exchange.

The fair value of the Archdiocese Investment Pool and CCFLA are based on the underlying fair value of investments that make up the Investment Pool plus allocated income (loss) based upon its allocation of the total return earned in invested equity and debt securities held by the Investment Pool, including realized and unrealized gains and losses.

The fair value of the Watson Land Company securities is estimated using the income method computed by a third-party valuation report at December 31, 2019, rolled forward to the Administrative Office's consolidated statements of financial position date using publicly traded real estate stock prices as a benchmark for returns.

Amounts due from affiliated entities: The carrying amounts approximate fair value due to the terms of payment to the Administrative Office.

Contracts receivable, affiliate receivables, pledges receivable and other receivables: The carrying amounts approximate fair value due to the terms of payment on the accounts.

Accounts payable and accrued expenses: The carrying amounts approximate fair value due to the terms of payments to the Administrative Office's vendors. The fair value of the interest rate swaps is recorded in accounts payable and accrued expenses on the consolidated statements of financial position based on pricing models that consider risks and market factors. The carrying amounts approximate the fair value.

Notes payable and notes payable to affiliates: The carrying values of notes payable approximate fair value as the interest rates on the notes are variable or approximate interest rates on borrowings currently available to the Administrative Office. The fair values of notes payables to affiliates have not been estimated as it is not practicable to estimate their fair values due to the nature of the related-party relationships.

Liabilities to beneficiaries: Beneficial interests in charitable trusts held by others are reported at the net present value of the estimated future amount to be received on such assets. The present value is based on the IAR 2012 Mortality Table published by the Society of Actuaries and approximates fair value.

Split-interest agreements: Liabilities under split-interest agreements are reported at the present value of estimated amounts due to income beneficiaries of the agreements based on the IAR 2012 Mortality Table published by the Society of Actuaries. Present value approximates fair value.

Note 8. Investments

Investments consisted of the following at June 30:

	2020	2019
Pooled investments	$ 541,333,781	$ 532,020,215
Other investments	87,853,900	73,365,169
	$ 629,187,681	$ 605,385,384

Investment Pool: In November 1986, the Archdiocese established the Investment Pool (the Pool), which administers assets in trust through independent custodial arrangements for the benefit of the various parishes and schools and other ministries and activities of the Archdiocese. The funds deposited by or on behalf of each participant are the sole property of that participant and are processed by the Pool service providers and the Archdiocese as agents, custodians and trustees for the participants. During the year ended June 30, 2004, the servicing and custodial arrangements for the Pool were enhanced to allow for direct fund access and reporting for all participants. These enhancements continue to be updated to provide better participant services. The Pool has two separate pools: the Balanced Pool and the Income Pool.

The Balanced Pool was established for participants with long-term objectives of capital appreciation combined with capital preservation. The Income Pool was established to provide short-term objectives of current income with low risk of fluctuation in principal value.

The investments in both funds are carried at fair value. The Pool is operated under the total return concept, under which each participant is allocated income (loss) based upon the total return earned on invested funds, including realized and unrealized gains and losses. Participant allocation of income earned and realized and unrealized gains and losses in the Balanced Pool and Income Pool are to be based upon the time and dollar-weighted method under which participants are assigned a weighted value for the time that the funds have been held in the respective pools.

There are approximately 500 participants in the Pool, which track their investment balances separately between the Balanced Pool and the Income Pool. Many of the participants have more than one Pool account in order to identify separately their donor restricted and without donor-restricted funds. The funds deposited are solely the property of the participants and are processed by the Archdiocese in its capacity as agent and trustee. Participants have direct reporting access through secure Internet protocols.

Investments in the Pool consisted of the following at June 30:

	2020	2019
Balanced Pool	$ 371,888,588	$ 398,442,106
Income Pool	169,445,191	133,578,109
	$ 541,333,779	$ 532,020,215

Investments held at CCFLA: CCFLA manages an investment fund (the Balanced Pool Fund) whereby the underlying investments consist of U.S. equity securities, international equities and U.S. fixed-income securities.

Note 8. Investments (Continued)

The investments in the Balanced Pool Fund is carried at fair value. Fair value is determined based on the total return concept, under which each participant is allocated net investment return based upon the total return earned on invested funds, including realized and unrealized gains and losses. Participant allocation of income earned and realized and unrealized gains and losses in the Balance Pool Fund is based upon the time and dollar-weighted method under which participants are assigned a weighted value for the time that the funds have been held in the Pool.

Note 9. Property and Equipment

The composition of property and equipment at June 30 was as follows:

	2020	2019
Land	$ 33,191,825	$ 33,191,825
Cemetery and mausoleum developments	99,719,249	96,267,364
Buildings and improvements	49,611,893	39,596,307
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	1,395,120	4,352,458
Furniture, fixtures and equipment	16,785,376	15,967,077
	206,434,102	195,105,670
Less accumulated depreciation and amortization	(116,139,002)	(110,418,928)
	$ 90,295,100	$ 84,686,742

Construction in progress represents cemetery facilities in the course of renovation and not in use. As such, this asset category is not depreciated. Upon completion, the renovations and improvements will be classified to cemetery and mausoleum developments.

Note 10. Goodwill

Effective November 30, 2016, as the result of a legal settlement between the Archdiocese and a death care industry company, the Mortuaries acquired certain assets, including acquisition of an assembled workforce, and assumed certain liabilities of the death care industry company for a consideration transferred of $27,000,000 prior to certain adjustments. The assets acquired and liabilities assumed constitute a business. The Mortuaries received contingent consideration of $1,000,000 during each of the years ended June 30, 2020 and 2019.

Total goodwill of $28,082,577 was acquired in the business combination and recorded by the Mortuaries. With the adoption of ASU 2019-06 as of July 1, 2019, the Mortuaries began amortizing goodwill. Amortization expense on goodwill was $2,808,258 for the year ended June 30, 2020. Goodwill, net of accumulated amortization is $25,274,319 for the year ended June 30, 2020.

Note 11. Pension Plans and Other Postretirement Plan

Liabilities for pension and post retirement plans on the consolidated statements of financial position are as follows for June 30:

	2020	2019
Qualified Priest Pension Plan	$ (18,781,000)	$ -
Lay Employees Pension Plan	(170,869,000)	(112,234,000)
Priests Supplemental Retirement Plan	(23,833,000)	(17,180,000)
Priests Other Postretirement Benefit Plan	(23,579,000)	(19,652,000)
Total liability for pension and postretirement plan benefits	$ (237,062,000)	$ (149,066,000)

A reconciliation of beginning and ending balances of each plan's projected benefit obligation is as follows for the year ended June 30, 2020 and 2019:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
Projected benefit obligation, June 30, 2018	$ (44,602,000)	$ (16,104,000)	$ (16,998,000)	$ (360,650,000)	$ (438,354,000)
Assets	52,788,000	-	-	277,373,000	330,161,000
Asset (liability) for pension benefits	8,186,000	(16,104,000)	(16,998,000)	(83,277,000)	(108,193,000)
Pension expense	954,000	(889,000)	(1,244,000)	(4,413,000)	(5,592,000)
Contributions	-	1,301,000	606,000	12,052,000	13,959,000
Gains and losses:					-
Due to remeasurement	71,000	(597,000)	(9,000)	-	(535,000)
Investment performance	70,000	-	-	415,000	485,000
Discount rate change	(3,620,000)	(975,000)	(2,149,000)	(27,374,000)	(34,118,000)
Mortality assumption change	239,000	84,000	142,000	716,000	1,181,000
Change due in other assumptions	-	-	-	(10,353,000)	(10,353,000)
Total	(3,240,000)	(1,488,000)	(2,016,000)	(36,596,000)	(43,340,000)
New liabilities due to plan amendments	-	-	-	-	-
Projected benefit obligation, June 30, 2019	(47,563,000)	(17,180,000)	(19,652,000)	(404,046,000)	(488,441,000)
Plan assets	53,463,000	-	-	291,812,000	345,275,000
Assets (liability) for pension benefits, June 30, 2019	5,900,000	(17,180,000)	(19,652,000)	(112,234,000)	(143,166,000)
Pension expense	980,000	(841,000)	(1,345,000)	(4,377,000)	(5,583,000)
Contributions	-	1,300,000	575,000	-	1,875,000
Gains and losses:					-
Due to remeasurement	(281,000)	(326,000)	(391,000)	(2,294,000)	(3,292,000)
Investment performance	(3,330,000)	-	-	(11,702,000)	(15,032,000)
Discount rate change	(6,040,000)	(1,527,000)	(2,459,000)	(39,470,000)	(49,496,000)
Mortality assumption change	(2,322,000)	(850,000)	(1,334,000)	(1,279,000)	(5,785,000)
Change due in other assumptions	(12,177,000)	(4,409,000)	1,027,000	487,000	(15,072,000)
Total	(24,150,000)	(7,112,000)	(3,157,000)	(54,258,000)	(88,677,000)
					-
New liabilities due to plan amendments	(1,511,000)	-	-	-	(1,511,000)
Ending projected benefit obligation, June 30, 2020	(69,466,000)	(23,833,000)	(23,579,000)	(452,862,000)	(569,740,000)
Assets	50,685,000	-	-	281,993,000	332,678,000
Liability for pension benefits, June 30, 2020	$ (18,781,000)	$ (23,833,000)	$ (23,579,000)	$ (170,869,000)	$ (237,062,000)

Note 11. Pension Plans and Other Postretirement Plan (Continued)

Lay employees: The Archdiocese sponsors a defined benefit pension plan covering substantially all full-time lay employees (except for Catholic Charities, which participates in its own joint plan) who have completed at least one year of service and have reached age 25. The Administrative Office administers the plan and assesses each of the participating affiliates and non-affiliates its portion of estimated annual pension cost. Contributions of $0 and $12,052,000 were made to the plan during the years ended June 30, 2020 and 2019, respectively. Benefit payments of $15,624,000 and $15,214,000 were made from the plan during the years ended June 30, 2020 and 2019, respectively. All contributions to the plan are made by the Archdiocese; there are no employee contributions to the plan.

The following items were the components of the net periodic pension cost for the plan as a whole for the years ended June 30:

	2020	2019
Service cost, benefits earned during the period	$ 9,127,000	$ 8,042,000
Interest cost on projected benefit obligation	13,531,000	14,430,000
Actual return on plan assets	(6,579,000)	(18,474,000)
Net amortization and deferral	(3,200,000)	5,690,000
Net periodic pension cost	$ 12,879,000	$ 9,688,000

The assessed portion for employees of the Administrative Office included in pension cost in the accompanying consolidated statements of activities as general and administrative expenses was $1,969,731 and $1,762,007 for the years ended June 30, 2020 and 2019, respectively.

The following table sets forth the plan's funded status at June 30:

	2020	2019
Accumulated benefit obligation for service rendered to date	$ (445,337,000)	$ (400,138,000)
Projected benefit obligation for service rendered to date	$ (452,862,000)	$ (404,046,000)
Plan assets at fair value	281,993,000	291,812,000
Funded status at end of year	$ (170,869,000)	$ (112,234,000)
Liability for pension benefits	$ (170,869,000)	$ (112,234,000)

Note 11. Pension Plans and Other Postretirement Plan (Continued)

Plan assets for the lay plan are comprised of the following investments and are categorized as follows in the fair value hierarchy table for the years ended June 30:

2020	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Cash	$ 18,092	$ -	$ 18,092	$ -	$ -
Money market funds	1,861,779	-	1,861,779	-	-
Domestic common stocks	10,168,558	-	10,168,558	-	-
Foreign stocks	1,230,227	-	1,230,227	-	-
Mutual funds- equity	102,785,007	-	-	102,785,007	-
Mutual funds- fixed income	65,487,122	-	-	65,487,122	-
Collective investment funds	100,442,215	100,442,215	-	-	-
Total plan assets	$ 281,993,000	$ 100,442,215	$ 13,278,656	$ 168,272,129	$ -

2019	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Cash	$ 11,788,182	$ -	$ 11,788,182	$ -	$ -
Money market funds	2,664,541	-	2,664,541	-	-
Domestic common stocks	12,313,264	-	12,313,264	-	-
Foreign stocks	1,813,456	-	1,813,456	-	-
Mutual funds- equity	106,631,841	-	-	106,631,841	-
Mutual funds- fixed income	55,146,790	-	-	55,146,790	-
Collective investment funds	101,453,926	101,453,926	-	-	-
Total plan assets	$ 291,812,000	$ 101,453,926	$ 28,579,443	$ 161,778,631	$ -

Amounts recognized in net assets without donor restrictions at June 30 consisted of the following:

	2020	2019
Net loss	$ 160,617,000	$ 114,861,000

Note 11. Pension Plans and Other Postretirement Plan (Continued)

Other changes in plan assets and benefit obligations recognized in the consolidated statements of activities at June 30 consisted of the following:

	2020	2019
Net loss	$ 54,258,000	$ 36,596,000
Amortization of gain	(8,502,000)	(5,275,000)
Total loss recognized in the statement of activities	$ 45,756,000	$ 31,321,000

	2020	2019
Total gain recognized in net periodic pension cost and the statement of activities	$ 58,635,000	$ 41,009,000

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 2.60% and 3.40% for the years ended June 30, 2020 and 2019, respectively, was used. The assumed rate of increase in future compensation levels was 3.75% and 4.00% for the years ended June 30, 2020 and 2019, respectively.

The Archdiocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the years ended June 30, 2020 and 2019, the expected long-term rate of return used in determining net periodic pension cost was 6.45% and 6.70%, respectively.

The asset allocation for the lay employee pension plan as of June 30, and the target allocation by asset category, were as follows:

Asset Category	Archdiocesan Approved Asset Allocation	Policy Asset Allocation	Plan Assets at June 30 2020	2019
Equities	60%-80%	70%	74%	77%
Fixed income	25%-35%	30%	26%	23%

The pension plan has a diversified investment program utilizing a variety of asset classes that balances risk with return opportunities. It utilizes highly qualified external investment managers that have demonstrated skill in a particular asset class. The Archdiocese regularly monitors each investment manager’s performance and the overall fund relative to benchmarks and also regularly reviews the asset allocation and makes appropriate changes accordingly. Prohibited investments include short sales, selling on margin and writing options other than covered options. Investment decisions include consideration for corporate social responsibility and Roman Catholic social teaching.

Note 11. Pension Plans and Other Postretirement Plan (Continued)

The following benefit payments, which reflect expected future service as appropriate at June 30, 2020, are expected to be paid:

Years ending June 30:	
2021	$ 16,465,000
2022	18,453,000
2023	19,697,000
2024	20,907,000
2025	22,156,000
2026-2030	117,576,000
	$ 215,254,000

The Archdiocese expects to contribute approximately $12 million to the lay employee pension plan during the year ending June 30, 2021.

Priests:

Defined benefit pension plan—Qualified and Supplemental Plans: The Archdiocese sponsors a defined benefit pension plan covering all priests who are ordained or incardinated in the Archdiocese and are eligible for the respective benefits. Benefits are based on years of service.

The Qualified Plan provides a basic benefit for all eligible priests. The Supplemental Plan provides additional benefits to priests not living in a rectory, as well as other miscellaneous benefits.

Contributions to the priest pension plans were $1,300,000 and $1,301,000 for the years ended June 30, 2020 and 2019, respectively. Benefit payments of $2,689,000 and $2,741,000 from the Qualified Plan, and $1,301,000 and $1,301,000 from the Supplemental Plan, were made during the years ended June 30, 2020 and 2019, respectively.

The following items were the components of the net periodic pension cost for the Qualified Plan and Supplemental Plan for the years ended June 30:

	2020		2019	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	$ 795,000	$ 268,000	$ 725,000	$ 232,000
Interest cost on projected benefit obligation	1,574,000	573,000	1,758,000	657,000
Actual return on plan assets	(19,000)	-	(3,507,000)	-
Net amortization and deferral	(1,878,000)	555,000	1,319,000	512,000
Net periodic pension cost	$ 472,000	$ 1,396,000	$ 295,000	$ 1,401,000

Note 11. Pension Plans and Other Postretirement Plan (Continued)

The following table sets forth the funded status of the Qualified Plan and Supplemental Plan at June 30:

	2020		2019	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	$ (69,466,000)	$ (23,833,000)	$ (47,563,000)	$ (17,180,000)
Projected benefit obligation for service rendered to date	$ (69,466,000)	$ (23,833,000)	$ (47,563,000)	$ (17,180,000)
Plan assets at fair value	50,685,000	-	53,463,000	-
Funded status at end of year	$ (18,781,000)	$ (23,833,000)	$ 5,900,000	$ (17,180,000)
(Liability) asset for pension benefits	$ (18,781,000)	$ (23,833,000)	$ 5,900,000	$ (17,180,000)

Plan assets for the Qualified Plan are comprised of the following investments and are categorized as follows in the fair value hierarchy table for the years ended June 30:

	2020				
	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Cash	$ 3,841	$ -	$ 3,841	$ -	$ -
Money market funds	2,822,719	-	2,822,719	-	-
Domestic common stocks	2,085,496	-	2,085,496	-	-
Foreign stocks	252,280	-	252,280	-	-
Mutual funds- equity	18,303,022	-	18,303,022	-	-
Mutual funds- fixed income	8,341,159	-	-	8,341,159	-
Collective Investment Funds	18,876,483	18,876,483	-	-	-
Total plan assets	$ 50,685,000	$ 18,876,483	$ 23,467,358	$ 8,341,159	$ -

	2019				
	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Cash	$ 23,376	$ -	$ 23,376	$ -	$ -
Money market funds	1,690,342	-	1,690,342	-	-
Domestic common stocks	2,525,442	-	2,525,442	-	-
Foreign stocks	371,819	-	371,819	-	-
Mutual funds- equity	21,933,628	-	21,933,628	-	-
Mutual funds- fixed income	7,262,969	-	-	7,262,969	-
Collective investment funds	19,655,424	19,655,424	-	-	-
Total plan assets	$ 53,463,000	$ 19,655,424	$ 26,544,607	$ 7,262,969	$ -

Note 11. Pension Plans and Other Postretirement Plan (Continued)

Amounts recognized in the statement of activities for the years ended June 30 consisted of the following:

	2020		2019	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net gain	$ 32,282,000	$ 14,549,000	$ 8,360,000	$ 7,884,000
Prior service cost	10,892,000	(469,000)	10,605,000	(361,000)
	$ 43,174,000	$ 14,080,000	$ 18,965,000	$ 7,523,000

Other changes in plan assets and benefit obligations recognized in the statement of activities for the years ended June 30 consisted of the following:

	2020		2019	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss	$ 24,150,000	$ 7,112,000	$ 3,240,000	$ 1,488,000
Prior service cost	1,511,000	-	-	-
Amortization of gain	(228,000)	(447,000)	-	(394,000)
Amortization of prior service credit	(1,224,000)	(108,000)	(1,249,000)	(118,000)
Total loss recognized in the statement of activities	$ 24,209,000	$ 6,557,000	$ 1,991,000	$ 976,000

	2020		2019	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total loss recognized in the statement of activities	$ 24,681,000	$ 7,953,000	$ 2,286,000	$ 2,377,000

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 2.64% and 3.40% was used for the years ended June 30, 2020 and 2019, respectively.

The Archdiocese employs a methodical process to determine the estimates of the expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the years ended June 30, 2020 and 2019, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.45% and 6.70%, respectively.

The Archdiocese expects to contribute approximately $1.3 million to the priest pension plans during the year ending June 30, 2021.

Retiree welfare benefit plan: The Archdiocese sponsors a retiree welfare benefit plan for retired priests. This plan provides automobile insurance benefits and Medicare supplements for participants eligible to receive Medicare. The plan pays medical costs not covered by Parts A and B of Medicare. The plan also reimburses a priest's contribution for Part B expenses.

Note 11. Pension Plans and Other Postretirement Plan (Continued)

Contributions of $575,000 and $606,000 were made to the plan during the years ended June 30, 2020 and 2019, respectively.

The following items were the components of the net periodic postretirement benefit cost for the plan as a whole for the years ended June 30:

	2020	2019
Service cost, benefits earned during the period	$ 673,000	$ 559,000
Interest cost on projected benefit obligation	672,000	685,000
Net amortization and deferral	67,000	(78,000)
Net periodic pension cost	$ 1,412,000	$ 1,166,000

The Administrative Office's assessed portion of net periodic pension cost for the priests' pension and retiree welfare benefit plans included in priests' support and retirement in the accompanying consolidated statements of activities was $428,900 and $603,611 for the years ended June 30, 2020 and 2019, respectively.

The following table sets forth the plan's funded status at June 30:

	2020	2019
Accumulated postretirement benefit obligation for service rendered to date	$ (23,579,000)	$ (19,652,000)
Projected benefit obligation for service rendered to date	$ (23,579,000)	$ (19,652,000)
Funded status as of end of year	$ (23,579,000)	$ (19,652,000)
Liability for postretirement benefits	$ (23,579,000)	$ (19,652,000)

Amounts recognized in the statement of activities at June 30 consisted of the following:

	2020	2019
Net loss	$ 6,980,000	$ 3,890,000

Other changes in plan assets and benefit obligations recognized in the statement of activities for the years ended June 30 consisted of the following:

	2020	2019
Net loss	$ 3,157,000	$ 2,016,000
Amortization of gain	(411,000)	(266,000)
Amortization of prior service cost	344,000	344,000
Total loss recognized in net assets without donor restrictions	$ 3,090,000	$ 2,094,000

Note 11. Pension Plans and Other Postretirement Plan (Continued)

	2020	2019
Total gain recognized in net periodic postretirement benefit costs and net assets without donor restrictions	$ 4,502,000	$ 3,260,000

For the June 30, 2020, valuation, for active employees, the Pri-2012 Bottom Quartile Employee Mortality table for males projected generationally by scale MP-2019 was used. For pensioners, the Pri-2012 Total Health Retiree Mortality table for males projected generationally by scale MP-2019 was used. In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 2.82% and 3.40% was used for the years ended June 30, 2020 and 2019, respectively.

The Archdiocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the years ended June 30, 2020 and 2019, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.45% and 6.70%, respectively.

For the retiree welfare benefit plan, future expected health costs are assumed to increase initially 5.3% per year, gradually declining to 3.9% in the year 2075.

Plan assets for the priest defined benefit pension plan and retiree welfare benefit plan are combined in a single trust account. The asset allocation of the trust at June 30, and the target allocation by asset category, were as follows:

	Archdiocesan Finance Council Approved Asset	Policy Benchmark Asset	Actual Percentage of Plan Assets at June 30	
Asset Category	Allocation	Allocation	2020	2019
Equities	60%-80%	70%	75%	81%
Fixed income	25%-35%	30%	25%	19%

The priest plan has a diversified investment program utilizing a variety of asset classes that balances risk with return opportunities. It utilizes highly qualified external investment managers that have demonstrated skill in a particular asset class. The Archdiocese regularly monitors each investment manager's performance and the overall fund relative to benchmarks and also regularly reviews the asset allocation and makes appropriate changes accordingly. Prohibited investments include short sales, selling on margin and writing options other than covered options. Investment decisions include consideration for corporate social responsibility and Roman Catholic social teaching.

Note 11. Pension Plans and Other Postretirement Plan (Continued)

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid from the qualified, supplemental and retiree welfare benefit plan:

	Qualified Plan	Supplemental Plan	Retiree Welfare Benefit Plan
Years ending June 30:			
2021	$ 2,953,000	$ 1,151,000	$ 654,000
2022	2,977,000	1,153,000	675,000
2023	3,068,000	1,167,000	706,000
2024	3,094,000	1,168,000	734,000
2025	3,126,000	1,156,000	756,000
2026-2028	16,103,000	5,781,000	4,222,000
	$ 31,321,000	$ 11,576,000	$ 7,747,000

403(b) workplace retirement savings plan: On May 9, 2006, the Archdiocese implemented a 403(b) workplace retirement savings plan (the 403(b) Plan), a voluntary defined contribution plan. Under the 403(b) Plan, priests within the Archdiocese can defer and invest a portion of their salaries with Fidelity Investments. The monies that are deferred, and any monies contributed by the Archdiocese, are not considered assets or liabilities of the Archdiocese. The Administrative Office of the Archdiocese contributed and expensed $86,400 and $97,000 to the 403(b) Plan during the years ended June 30, 2020 and 2019, respectively.

Note 12. Notes Payable

Notes payable at June 30 consisted of the following:

	2020	2019
Church construction loan—St. Mary's Parish	$ 3,428,572	$ 3,824,176
Litigation loans	103,750,000	108,750,000
Line of credit	25,000,000	-
	$ 132,178,572	$ 112,574,176

On February 7, 2011, the Archdiocese entered into an agreement with a financial institution for credit facilities totaling $175 million. The proceeds from the loan were used to repay the consolidated loan facilities with the previous lender and the shortfall resulting from the sexual misconduct litigation settlement (see Note 14). The credit facilities include (1) a $25 million unsecured revolving line of credit to support working capital needs and for general corporate purposes. The revolver bears interest based on LIBOR (0.16% at June 30, 2020) plus a margin of 1.5% and matures on February 7, 2021, with a requirement that it be paid down to zero for a minimum of 30 consecutive days during any 12-month period; (2) a $100 million term loan (Term Loan A) with interest payable quarterly and the principal due at maturity. Term Loan A bears interest based on LIBOR plus a margin of 0.95% and matures on February 7, 2021; and (3) a $50 million term loan (Term Loan B), requiring quarterly payments of interest and $1.25 million of principal. Term Loan B bears interest based on LIBOR plus a margin of 1.75% and matures on February 7, 2021. This agreement contains various restrictions and nonfinancial covenants. At June 30, 2020, the amount outstanding on this agreement was $100,000,000 on Term Loan A, $3,750,000 on Term B and $25,000,000 on the revolving line of credit. At June 30, 2019, the amount outstanding was $100,000,000 Term Loan A and $8,750,000 Term Loan B, respectively.

Note 12. Notes Payable (Continued)

The Archdiocese of Los Angeles Education & Welfare Corporation (E&W) has guaranteed these loans. In addition, the lender required security in the form of Pool investments for Term Loan A and real estate security for Term Loan B. To accommodate this requirement, the Archdiocese has set aside certain eligible securities from its Pool investments covering at a minimum 100% of Term Loan A. As of any reporting date, the sum of these eligible securities needs to equal to (i) 90% of the aggregate value of the Income Pool collateral; and (ii) 80% of the aggregate value of the Balanced Pool collateral. In no event shall the Balanced Pool collateral constitute more than 49% of the total eligible securities. To secure Term Loan B, E&W provided deeds of trust relating to two Archdiocesan high school physical plants.

In conjunction with this credit facility, the Administrative Office entered into interest rate swap agreements with the lender. Under FASB ASC 815, the instruments' fair value and changes therein must be measured in the Administrative Office's net assets. The value of the swap instruments represent the estimated cost to the Administrative Office to cancel the agreements at the reporting date, which is based on pricing models that consider risks and market factors. The fair value of the swap resulted in a liability amount of $1,096,336 and $1,282,884 was included in accounts payable and accrued expenses at June 30, 2020 and 2019, respectively. The corresponding reduction in interest expense of $186,548 and increase of $588,352 for the years ended June 30, 2020 and 2019, respectively, was included in administrative expense. The interest rate swap agreements expire on February 7, 2021.

On January 24, 2014, the Archdiocese entered into an unsecured loan agreement with a lender in the amount of $6,000,000. The loan is due on February 7, 2021, and bears interest at 2.00% in excess of LIBOR. Principal and interest payments are due on the seventh day of each quarter commencing on March 7, 2014. On June 30, 2020 and 2019, the note had an outstanding principal balance of $3,428,572 and $3,824,176, respectively.

Aggregate principal payments on these notes are as follows at June 30, 2020:

Years ending June 30:	
2021	$ 132,178,572
Total	$ 132,178,572

Loan guarantee: On November 28, 2007, E&W entered into a 20-year secured loan in the principal amount of $8 million on behalf of and for the benefit of Mary Star of the Sea High School in San Pedro (MSSHS). The loan is secured by the newly constructed MSSHS real and personal property and other operating assets of MSSHS, and is guaranteed by the Archdiocese. The proceeds of the loan are defraying $8 million of the approximately $14.5 million spent to prepare the site and to plan, build, furnish and equip the new high school, which opened in Fall 2007. The principal and interest at 5.81% per annum are to be repaid monthly by MSSHS. E&W advanced the construction funding during the construction phase and is the record borrower and guarantor solely on behalf of MSSHS, which is obligated to repay the loan.

On September 24, 2013, with an effective date of September 1, 2013, this loan was refinanced. The new loan has a term of 172 months and interest of 4.14% per annum. Payments started on October 1, 2013, and are due on the first of each month, with the final payment due on December 1, 2027. At June 30, 2020 and 2019, the balance on this loan payable was $3,887,125 and $4,325,875, respectively, and was recorded on E&W.

Note 13. Notes Payable to Affiliates

Notes payable to affiliates consist of amounts received from parishes and schools to be used in the funding of the global settlement, as discussed in Note 14. As of June 30, 2020 and 2019, the amount outstanding on these notes was $2,971,531 and $3,646,334, respectively. The notes have a term of up to 10 years, with interest ranging from 0% to 5% over the term of the notes and are unsecured.

As of June 30, 2020, aggregate future maturities of long-term debt at June 30, 2020, are as follows:

Years ending June 30:	
2021	$ 2,930,531
2022	41,000
	$ 2,971,531

The interest expense relating to the notes payable to affiliates was $10,197 and $10,252 for the years ended June 30, 2020 and 2019, respectively.

Note 14. Commitments and Contingencies

Sexual misconduct litigation: In December 2006 and July 2007, global settlements were reached to resolve more than 550 claims brought against the Archdiocese and other parties as a result of 2002 California legislation allowing claims that might be otherwise barred to be filed during 2003. The Archdiocese completed the funding in 2011 (see Note 12).

In 2013, 2014 and 2018, legislation to expand the current statute of limitations for claims alleging the misconduct of minors generally was proposed and passed by the California legislature but was vetoed each year. In October 2019, legislation was passed (2019 legislation) again by the California legislature and was signed by the governor.

On October 13, 2019, the governor of California signed a legislation (AB 218) that expands the statute of limitations for claims alleging sexual misconduct by clergy and lay persons. The legislation applies to religious organizations and related institutions and all other public and private entities (other than the state of California or its agencies or institutions); revives for three years claims for childhood sexual abuse that are currently barred; extends the time for filing a complaint from a plaintiff’s 26th birthday or three-years-from-discovery that adult injury was caused by the childhood abuse to plaintiff’s 40th birthday or five-years-from-discovery of the causal connection. A plaintiff can file until the later of the three-year revival or age 40 or five years from discovery of the causal connection. The new legislation retains the right to seek punitive damages and also allows a claimant to recover treble damages if the claimant can prove that his or her sexual abuse was as the result of a “cover-up” by the defendant. As of June 30, 2020, the Archdiocese is aware of 17 claims that have been filed and will be considered under the current revival of the statute of limitations. Subsequent to June 30, 2020, a substantial number of additional claims have been filed under the revival statute of limitations.

Note 14. Commitments and Contingencies (Continued)

In May 2019, the Archdiocese and six other dioceses in California announced that they would be participating in an Independent Compensation Program (ICP) administered by Kenneth Feinberg to compensate victims of abuse by diocesan priests when the victims were minors. The program was launched in September 2019 and follows a model used in certain other dioceses in the United States. Persons were required to register or be listed as known victims by February 29, 2020 (an extension from January 31, 2020), claims could be filed through March 2020 and were initially set to be acted on by June 30, 2020. However, given the impact of the COVID-19 pandemic and number of claims filed, the process was extended and is continuing, with no specified deadline for completion. The program is intended to streamline and facilitate an independent review and valuation of claims and to allow for prompt compensation to victims without the need for the cost or burdens of litigation. In the ICP program, 677 persons were initially listed as known victims or new claimants who registered personally or through counsel with a claim naming the Archdiocese; some withdrew or did not complete their claims and others who named non-diocesan (religious or visiting/extern priest) were immediately found ineligible, resulting in a working total of 322 registrants. As of June 30, 2020, the administrator reported that 54 determination letters had been issued on behalf of the Archdiocese, with proposed payments totaling $4,395,000. Of those, 29 claims totaling $2,980,000 had been accepted and paid by the Archdiocese. The Archdiocese has also initiated planning for a parallel effort to resolve claims against non-diocesan priests and religious brothers that are ineligible to be considered in the ICP but the implementation of the plan has been delayed due to the challenges of the impact of COVID-19.

As described above, since the global settlement additional litigated and nonlitigated claims have been asserted on an individual basis or under the current ICP, it is likely that additional claims alleging misconduct by clergy or lay persons will be made in the future pursuant to the ICP and the 2019 legislation. The Archdiocese accrues for amounts related to the settlement or other resolution of these matters if it is probable that a liability has been incurred and an amount can be reasonably estimated. The Administrative Office has estimated its loss related to ICP settlements to be approximately $16,809,000. The Administrative Office has an accrual of $18,841,500 to cover this estimated loss.

Other litigation: The Archdiocese is subject to various other lawsuits and claims, including general litigation, which arise in the general course of the operations of the Archdiocese and its parishes, schools and other activities. Various lawsuits and claims, not related to the sexual misconduct claims, are pending against the Archdiocese. The Archdiocese believes the majority of these claims are subject to coverage under the Archdiocese's insurance programs. The effect of the Archdiocese's obligation for payment of any of these claims is not expected to be material.

Lease commitment: On January 10, 2008, the Archdiocese entered into a lease agreement with a third party for the rental of office space to be occupied by the Administrative Office and other affiliates of the Archdiocese.

The lease term was for an initial period of five years, with the option to renew for an additional 15 consecutive one-year periods. On November 1, 2013, the lease was changed to include approximately 14,000 additional square feet and extended for a 36-month term after completion of the new expansion, which started on May 1, 2014, and ended on April 30, 2017. On June 8, 2017, a second lease change was executed and extended for 60 months, commencing May 1, 2017. The second lease change includes an expansion of approximately 14,000 additional square feet, which was completed in April 2018. A third lease change was pending execution at June 30, 2019, effective June 24, 2019, through June 30, 2021. The third lease change includes 917 additional square feet of storage space and will increase the lease commitment by $13,205 at June 30, 2021. At June 30, 2020, monthly lease payments were $136,701 and the lease expires on April 30, 2022.

Note 14. Commitments and Contingencies (Continued)

The future lease commitments at June 30, 2020, are as follows:

Years ending June 30:		
2021	$	1,653,617
2022		1,367,010
	$	3,020,627

Rent expense for the years ended June 30, 2020 and 2019, was $1,640,436 and $1,620,234, respectively.

Certain ministries and administrative functions occupy office space at various parishes and schools. Rent expense relating to this was $99,283 and $93,134 for the years ended June 30, 2020 and 2019, respectively.

Note 15. Insurance Claims Reserves

Prior to November 15, 2011, the Archdiocese utilized an assortment of insurance programs to finance the property and casualty exposures of its parishes, offices, schools and other related entities. The Archdiocese purchased property, earthquake and excess auto liability and general liability coverage through commercial insurers. The Archdiocese was self-insured for workers' compensation liabilities. It maintained certain deductibles, coinsurance, self-insured retention and excess exposures related to auto liability, general liability, sexual misconduct liability, property and earthquake, as well as full exposures related to auto physical damage and cyber liability. The Ordinary Mutual, a Risk Retention Group Corp. (TOM), of which the Archdiocese is a member and shareholder, provided liability insurance coverage for auto liability, general liability, errors and omissions, employment practices liability, and sexual misconduct liability.

Effective November 15, 2011, TOM ceased writing new business and TOM was placed into solvent run-off by its members. TOM maintains assets in excess of its liabilities, which are calculated at 75% actuarial confidence level. TOM experienced favorable loss development in the past several years and, accordingly, it received regulatory approval to pay dividends to its members. There were no dividends received during the fiscal years ended June 30, 2020 or 2019. There exists the potential for future dividends of TOM's accrued equity and/or potential return of capital. TOM has been in a solvent run-off of its claims and is now ready to be formally dissolved. Upon dissolution, remaining accrued equity of the company will be returned to member shareholders, including the Archdiocese.

In September 2011, the Archdiocese formed ALAIC, a captive insurance company organized in the state of Montana as a nonprofit organization. On November 15, 2011, ALAIC began writing liability insurance previously written by TOM, including the liability insurance for Archdiocesan parishes, offices, schools and other entities. ALAIC writes workers' compensation insurance as part of the Archdiocese's certificate of self-insurance from the California Department of Industrial Relations.

Effective November 15, 2011, ALAIC also began insuring a portion of parish, schools and other Archdiocesan entities' property (fire and all risk), earthquake (and flood), auto physical damage, fiduciary liability and crime exposures. Fine art in the Archdiocese is not insured by ALAIC. Fine art continues to be insured under a separate commercial policy.

Note 15. Insurance Claims Reserves (Continued)

Concurrently, in September 2011, the Archdiocese formed ADLARM, a California nonprofit organization, to act internally as the administrator of the Archdiocese's insurance programs. Based upon independent actuarial analysis, ADLARM will pay to ALAIC gross premiums for the above coverage in the amount of approximately $17,200,000 per year. Losses in excess of ALAIC's insurance are commercially insured and ADLARM administers the commercial insurance program.

ADLARM will assess the Administrative Office for its expenses, which include almost all of the Archdiocese's total cost of the property-casualty risk. Archdiocesan claims currently payable, plus an estimated amount for incurred-but-not-reported claims, have been accrued as liabilities. Insurance assessments are set aside and invested to meet accrued claim liabilities on self-insured programs.

The Archdiocese is self-insured for health care. For workers' compensation, the Archdioceses is self-insured for the first $25,000 per claim and then Captive insures the next $975,000 for all claims after November 15, 2011. For all outstanding workers' compensation claims that occurred before that date, the Archdiocese is self-insured for the first $1,000,000 of each claim. For general liability, the Captive insures up to $1,000,000 per claim. The amount of each claim in excess of $1,000,000, regardless of the date of occurrence, is insured by the Archdiocese's excess insurer. For sensitive claims, the Captive insures up to $2,000,000 per claim, with an annual aggregate limit of $4,000,000.

The discounted claims reserve on the Administrative Office's consolidated financial statements for insurance claims is $70,956,503 and $64,509,059 for the years ended June 30, 2020 and 2019, respectively. Management utilized a discount rate of 3% on workers' compensation claims for the years ended June 30, 2020 and 2019. Health care reserves were not discounted but are net of expenses of $90,071 and $85,994 for the years ended June 30, 2020 and 2019, respectively. General liability and sensitive claims are not discounted.

Note 16. Related-Party Transactions

Other related parties of the Administrative Office include corporations held by the Roman Catholic Archbishop of Los Angeles in his official capacity, parishes, schools and other ministries and activities of the Archdiocese. In addition to balances and activities described in Notes 3 and 7, the Administrative Office had a payable to affiliates of $65,268,504 and $39,006,905 as of June 30, 2020 and 2019, respectively. Parish assessments and interest on affiliate loans contributed $21,665,459 and $21,519,510 to revenues for the years ended June 30, 2020 and 2019, respectively. The Administrative Office manages leases of certain properties that are owned by E&W. Proceeds from leases of these properties are collected by the Administrative Office and accounted for as a contribution to other income from E&W. Corresponding contribution expense to the Administrative Office is recorded by E&W. Total contribution to other income amounted to $145,981 and $155,706 for the years ended June 30, 2020 and 2019, respectively.

Note 16. Related-Party Transactions (Continued)

Expenses incurred on behalf of such related parties consist of subsidies and insurance program benefits. Subsidies are provided through a number of programs and for a variety of activities. Subsidies support the work of the Church by providing funding for sacraments, ministries, Catholic education, service programs and construction of facilities throughout the Archdiocese. Most often, subsidies are provided to parishes and schools whose sources of revenues do not meet operating needs. The largest of all Archdiocesan subsidy programs is *Together in Mission*, an annual appeal that facilitates support to 67 parishes and 74 elementary schools that do not have the means to continue their ministries without subsidy. The Administrative Office also provides construction subsidies to Archdiocesan schools by administering funds donated from various foundations and restricted to construction spending. Finally, a certain amount of subsidies are provided to other corporations owned by the Roman Catholic Archbishop of Los Angeles. Total expense incurred on behalf of related parties amounted to $50,688,203 and $34,458,572 for the years ended June 30, 2020 and 2019, respectively.

On January 18, 2012, the Archdiocese entered into a Technology Finance Master Lease Agreement with a lessor in order to facilitate the leasing of equipment at schools and parishes. The lease terms vary and payments are made directly by the schools and parishes who participate in the program. The Archdiocese acts as a guarantor. On November 16, 2017, the lease was amended with revised terms and conditions. At June 30, 2020, there are three equipment leases in place for two schools with monthly lease payments of $6,648, which expire through January 1, 2021.

Note 17. Split-Interest Agreements

Charitable Remainder Unitrusts: The Archdiocese serves as trustee for various charitable remainder trusts and utilizes BNY Mellon Wealth Management (BNY Mellon) as custodian for the assets held in trust. Under the terms of these trust agreements, BNY Mellon makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Archdiocese. The Archdiocese records the assets held in these trusts at their fair value based on current quoted market values, records a liability for the respective agreements at the estimated discounted value of the amounts due to the income beneficiaries, and records gains and losses for the difference between the two values. The present value of payments to beneficiaries under these arrangements is calculated using present value rates, which were in existence at the date of gift. The fair value of the assets in trust are $849,304 and $894,048 for the year ended June 30, 2020 and 2019. Total amounts payable to beneficiaries are $503,938 and $516,938 for the year ended June 30, 2020 and 2019. Gains or losses resulting from changes in actuarial present assumptions and accretions of the discount are recorded as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. The discount rates used for the years ended June 30, 2020 and 2019, ranged from 3.7% to 9.0%.

Charitable Gift Annuities: The Archdiocese is the designated beneficiary of certain gift annuities. The fair value of these gift annuities totaled $200,575 and $134,102 as of June 30, 2020 and 2019, respectively, and is included in the consolidated statements of financial position under affiliate receivables. The Administrative Office did not receive any death payouts during the years ended June 30, 2020 or 2019.

Note 18. Net Assets With Restrictions

Assets with donor restrictions represent gifts and bequests for which donor-imposed restrictions have not been met, and permanent endowments established by donor-restricted gifts and bequests.

Note 18. Net Assets With Restrictions (Continued)

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Purpose restrictions:		
Repair and maintenance	$ -	$ 4,928,529
Operating subsidies	4,978,262	4,809,881
Educational purposes	3,468,828	3,808,999
Office of Religious Education	116,975	133,022
House of Prayer	24,895	24,395
Called to Renew	16,520,788	3,757,088
Together in Mission	14,283,460	15,616,291
Cardinal Award Dinner	306,025	320,652
Other	5,851,204	7,459,957
Time restrictions:		
Pledges receivable, net of affiliate liability (Call to Renew and *Together in Mission*)	21,127,574	29,362,405
Other receivables—beneficial interest in trust	200,575	134,102
Endowments	39,453,018	37,805,300
	$ 106,331,604	$ 108,160,621

Note 19. Endowment Fund

In August 2008, the FASB issued ASC 958, Financial Statements of Not-for-Profit Organizations, which provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and improves disclosures for endowment funds, both donor-restricted and Board-designated (quasi-endowment). The Endowment Fund of the Administrative Office consists of various donor-restricted endowment funds.

The Administrative Office has interpreted UPMIFA, adopted by the 2008 California legislature, as requiring the preservation of the fair value of the original 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, the Administrative Office classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as restricted net assets until those amounts are appropriated for expenditure by the Administrative Office in a manner consistent with the standard of prudence prescribed by the state of California in its enacted version of UPMIFA. In accordance with UPMIFA, the Administrative Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund, (2) the purposes of the Administrative Office and the donor-restricted Endowment Fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Administrative Office, and (7) the investment policies of the Administrative Office.

Note 19. Endowment Fund (Continued)

The Administrative Office has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the Administrative Office a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. The Administrative Office, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long term of at least 5%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the Administrative Office expects to maintain appropriate diversification among equity, fixed-income and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Administrative Office may appropriate for expenditure or accumulate so much of the Endowment Fund as the Administrative Office determines is prudent for the uses, benefits, purposes and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is a Board-approved percentage applied to the average fair value of the Endowment Fund investments for the three preceding years. The Board-approved spending percentage was 5% for both of the years ended June 30, 2020 and 2019.

Assets of the Endowment Fund in the amount of $39,453,018 and $37,805,300 as of June 30, 2020 and 2019, respectively, were held in investments in pooled funds.

Endowment net assets at June 30 were as follows:

	2020	2019
Vocation in progress	$ 4,963,052	$ 4,799,537
Adopt-a-Family	2,751,615	2,739,626
Repair and maintenance	8,122,824	8,139,383
Educational purposes	8,168,130	8,077,242
Office of Religious Education	1,998,354	1,912,453
House of Prayer	12,147,250	11,367,427
Called to Renew	609,490	100,745
Other	692,303	668,887
	$ 39,453,018	$ 37,805,300

The changes in endowment net assets for the years ended June 30 were as follows:

	2020	2019
Endowment net assets, beginning of year	$ 37,805,300	$ 35,568,016
Investment return:		
Investment income	563,235	584,537
Net appreciation (realized and unrealized)	840,474	1,702,167
Total investment return	1,403,708	2,286,704
Contributions	819,721	330,520
Appropriation of endowment funds for expenditure	(575,711)	(379,940)
Endowment net assets, end of year	$ 39,453,018	$ 37,805,300

Note 19. Endowment Fund (Continued)

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Administrative Office to retain as a fund of perpetual duration. These deficiencies are reported in net assets without donor restrictions and are the result of unfavorable market fluctuations. As of June 30, 2020 and 2019, no donor-restricted endowments fell below this required level.

Note 20. Liquidity and Availability

The following financial assets could be made readily available to meet general expenses within one year at June 30:

	2020	2019
Cash and cash equivalents	$ 63,167,641	$ 31,435,404
Contracts receivable	65,120,288	49,452,973
Affiliate receivables	31,671,416	16,282,822
Pledges receivable	83,469,693	64,407,081
Other receivables	6,407,595	1,733,272
Notes receivable	13,338,604	13,300,775
Investments	629,187,681	605,385,384
Property and equipment- restricted	1,442,881	334,897
Total financial assets	893,805,799	781,997,711
Less:		
Net assets with donor restrictions and liabilities on donor restricted gifts	176,856,504	145,043,873
Private company stock- Watson land company	58,044,352	44,603,302
Contracts receivable—over one year	43,516,433	31,074,660
Notes receivable—over one year	12,899,193	12,899,114
Custodial collections	15,250,911	14,009,296
	306,567,393	180,101,456
Financial assets available to meet cash needs for general expenditures within one year	$ 587,238,406	$ 601,896,255

The Administrative Office has evaluated its liquidity and determined it has adequate resources available to meet general expenses. Administrative Office management monitors bank accounts on a daily basis to ensure sufficient funds are available to cover checks written and wires sent, and budgets are reviewed monthly to monitor expenses.

Note 21. Subsequent Events

The Administrative Office has considered subsequent events through January 27, 2021, the date the consolidated financial statements were available to be issued, in preparing the consolidated financial statements and notes thereto.