The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Report
June 30, 2021

Contents

RSM

RSM US LLP

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, 2021 and 2020, 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; 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, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Irvine, California
December 17, 2021

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	**$ 23,851,823**	**$ 13,209,995**	**$ 37,061,818**	$ 54,872,963	$ 8,294,678	$ 63,167,641
Contracts receivable, net (Note 2)	**96,996,134**	**-**	**96,996,134**	65,120,288	-	65,120,288
Affiliate receivables, net (Note 3)	**18,957,357**	**-**	**18,957,357**	31,671,416	-	31,671,416
Pledges receivable, net (Note 4)	**-**	**61,196,803**	**61,196,803**	-	83,469,693	83,469,693
Other receivables (Note 5)	**7,213,748**	**198,413**	**7,412,161**	6,207,020	200,575	6,407,595
Notes receivable, net (Note 6)	**11,816,796**	**-**	**11,816,796**	13,338,604	-	13,338,604
Investments (Notes 7 and 8)	**730,530,890**	**76,842,507**	**807,373,397**	545,739,004	83,448,677	629,187,681
Properties held for sale	**46,999**	**-**	**46,999**	46,999	-	46,999
Property and equipment, net (Note 9)	**87,396,312**	**-**	**87,396,312**	88,852,219	1,442,881	90,295,100
Deferred cemetery sales commissions and benefits	**23,856,805**	**-**	**23,856,805**	22,941,982	-	22,941,982
Other assets	**777,065**	**-**	**777,065**	515,439	-	515,439
Goodwill, net (Note 10)	**22,466,061**	**-**	**22,466,061**	25,274,319	-	25,274,319
Total assets	**$ 1,023,909,990**	**$ 151,447,718**	**$ 1,175,357,708**	$ 854,580,253	$ 176,856,504	$ 1,031,436,757
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	**$ 17,332,417**	**$ 7,655,494**	**$ 24,987,911**	$ 32,609,499	$ 5,718,040	$ 38,327,539
Payable to affiliates (Note 16)	**4,248,591**	**51,192,964**	**55,441,555**	461,644	64,806,860	65,268,504
Preneed funeral contract liability	**1,382,477**	**-**	**1,382,477**	1,364,269	-	1,364,269
Insurance claims reserves (Notes 14 and 15)	**77,757,884**	**-**	**77,757,884**	70,956,503	-	70,956,503
Liability for pension and postretirement plan benefits (Note 11)	**165,291,000**	**-**	**165,291,000**	237,062,000	-	237,062,000
Deferred revenue (Note 1)	**181,008,778**	**-**	**181,008,778**	169,146,838	-	169,146,838
Cemetery sales return reserve	**28,843,817**	**-**	**28,843,817**	23,572,688	-	23,572,688
Custodial collections	**17,206,214**	**-**	**17,206,214**	15,250,911	-	15,250,911
Notes payable (Note 12)	**128,131,868**	**-**	**128,131,868**	132,178,572	-	132,178,572
Notes payable to affiliates (Note 13)	**2,979,728**	**-**	**2,979,728**	2,971,531	-	2,971,531
Total liabilities	**624,182,774**	**58,848,458**	**683,031,232**	685,574,455	70,524,900	756,099,355
Commitments and contingencies (Notes 14, 15 and 16)						
Net assets (Notes 18 and 19)	**399,727,216**	**92,599,260**	**492,326,476**	169,005,798	106,331,604	275,337,402
Total liabilities and net assets	**$ 1,023,909,990**	**$ 151,447,718**	**$ 1,175,357,708**	$ 854,580,253	$ 176,856,504	$ 1,031,436,757

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Donations and assessments (Note 16)	$ 22,074,740	$ 36,963,833	$ 59,038,573	$ 27,751,440	$ 60,162,491	$ 87,913,931
Donations, annual appeal	-	9,831,032	9,831,032	-	13,189,261	13,189,261
Cemetery sales	104,598,109	-	104,598,109	65,448,415	-	65,448,415
Mortuary sales	32,657,554	-	32,657,554	28,224,039	-	28,224,039
Insurance reimbursement	132,102,674	-	132,102,674	129,324,812	-	129,324,812
Investment Pool income, net of expenses (Note 8)	100,550,190	9,476,975	110,027,165	14,063,324	2,368,756	16,432,080
Other investment income, net of expenses (Note 8)	17,275,444	-	17,275,444	14,328,028	-	14,328,028
Rents, fees and other revenue	10,713,543	-	10,713,543	11,316,100	-	11,316,100
	419,972,254	56,271,840	476,244,094	290,456,158	75,720,508	366,176,666
Net assets released from restrictions	70,002,022	(70,002,022)	-	77,616,809	(77,616,809)	-
Total revenues	489,974,276	(13,730,182)	476,244,094	368,072,967	(1,896,301)	366,176,666
Program expenses:						
Education and formational services	34,671,456	-	34,671,456	26,493,813	-	26,493,813
Pastoral and evangelization	40,509,583	-	40,509,583	21,830,795	-	21,830,795
Social services	3,609,093	-	3,609,093	4,260,478	-	4,260,478
Pastoral regions	1,564,026	-	1,564,026	1,904,308	-	1,904,308
Priests' support and retirement	2,913,053	-	2,913,053	2,885,457	-	2,885,457
Cemetery expense	40,106,024	-	40,106,024	34,654,921	-	34,654,921
Mortuary expense	43,681,098	-	43,681,098	33,149,540	-	33,149,540
Total program expenses	167,054,333	-	167,054,333	125,179,312	-	125,179,312
Supporting services:						
General and administrative expense	86,240,139	-	86,240,139	294,780,762	-	294,780,762
Fundraising expense	5,950,722	-	5,950,722	9,816,790	-	9,816,790
Total supporting services	92,190,861	-	92,190,861	304,597,552	-	304,597,552
						-
Total expenses	259,245,194	-	259,245,194	429,776,864	-	429,776,864
(Decrease) increase in net assets before other changes	230,729,082	(13,730,182)	216,998,900	(61,703,897)	(1,896,301)	(63,600,198)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)
Years Ended June 30, 2021 and 2020

	2021			2020		
	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 17)	**$ (7,664)**	**$ (2,162)**	**$ (9,826)**	$ 51,549	$ 67,284	$ 118,833
(Decrease) increase in net assets	**230,721,418**	**(13,732,344)**	**216,989,074**	(61,652,348)	(1,829,017)	(63,481,365)
Net assets, beginning of year	**169,005,798**	**106,331,604**	**275,337,402**	230,658,146	108,160,621	338,818,767
Net assets, end of year (Note 18)	**$ 399,727,216**	**$ 92,599,260**	**$ 492,326,476**	$ 169,005,798	$ 106,331,604	$ 275,337,402

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, 2021

	Program Expense								Supporting services			
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	General and Fundraising	Subtotal	Total
Salary and wages	$ 280,420	$ 4,549,798	$ 2,090,785	$ 927,202	$ 574,369	$ 11,247,347	$ 22,940,710	$ 42,610,631	$ 7,033,896	$ 1,820,095	$ 8,853,991	$ 51,464,622
Benefits	53,396	1,138,574	477,876	260,450	2,165,112	4,050,835	3,704,320	11,850,563	3,707,727	348,229	4,055,956	15,906,519
Subtotal	333,816	5,688,372	2,568,661	1,187,652	2,739,481	15,298,182	26,645,030	54,461,194	10,741,623	2,168,324	12,909,947	67,371,141
Amortization	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Bad debt expense	-	-	-	-	-	-	-	-	12,312,071	-	12,312,071	12,312,071
Bank charges	300	129	-	60	-	1,100,842	363,787	1,465,118	196,002	341,822	537,824	2,002,942
Conferences/meetings	15,707	32,359	36,122	9,574	20,288	633	75,836	190,519	1,688,702	228	1,688,930	1,879,449
Consultant	209,278	492,615	127,821	400	-	354,383	257,530	1,442,027	2,513,447	319,946	2,833,393	4,275,420
Contribution expense	112,182	24,219,777	-	-	-	-	-	24,331,959	239,140	1,820,010	2,059,150	26,391,109
Cost of sales	-	-	-	-	-	6,184,124	3,325,338	9,509,462	-	-	-	9,509,462
Depreciation	-	-	-	-	-	7,928,836	303,411	8,232,247	253,896	-	253,896	8,486,143
Development/donor appreciation expense	3,364	21,322	6,546	241	-	63,627	89,951	185,051	69,228	13,444	82,672	267,723
Equipment rental	394,679	1,417	156,638	330	5,682	602,150	539,430	1,700,326	954,550	88,583	1,043,133	2,743,459
Insurance expense (Note 15)	-	-	-	-	-	-	-	-	118,151,021	-	118,151,021	118,151,021
Interest expense (Note 12)	-	-	-	-	-	-	79,139	79,139	3,277,680	-	3,277,680	3,356,819
Marketing/advertising	94,176	34,965	5,951	-	-	84,265	398,933	618,290	44,285	33,165	77,450	695,740
Miscellaneous	316,262	1,111,508	332,934	14,368	(1,630)	2,825,360	1,477,026	6,075,828	1,323,951	464,463	1,788,414	7,864,242
Mortuary Care Center	-	-	-	-	-	-	1,980,163	1,980,163	-	-	-	1,980,163
Occupancy/facility expense	18,863	470,475	19,996	102,844	20,111	653,345	751,121	2,036,755	2,478,157	16,703	2,494,860	4,531,615
Office expense/supplies	1,150,322	469,936	307,227	140,382	8,975	2,084,959	1,393,317	5,555,118	442,952	640,277	1,083,229	6,638,347
Professional fees	-	8,830	-	-	101,822	123,530	2,332,665	2,566,847	2,197,531	13,479	2,211,010	4,777,857
Program events	-	13,572	-	-	-	-	-	13,572	-	-	-	13,572
Seminarian/educational expense	(2,000)	2,200	-	-	184	-	-	384	-	-	-	384
Settlement expense	-	-	-	-	-	-	-	-	1,114,555	-	1,114,555	1,114,555
Staff development	6,000	125,902	3,592	-	-	-	10,106	145,600	1,458	-	1,458	147,058
Subscriptions	8,630	25,722	12,498	1,492	508	1,016	8,501	58,367	9,259	12,984	22,243	80,610
Subsidy-TIM/contribution expense	31,988,866	7,585,225	-	-	-	-	-	39,574,091	1,355,995	-	1,355,995	40,930,086
Travel expenses	1,162	53,695	12,786	17,998	2,067	8,033	28,731	124,472	236,297	6,205	242,502	366,974
Uniforms	-	-	-	-	-	201,142	15,556	216,698	-	-	-	216,698
Utilities	19,824	82,476	2,088	51,779	-	2,573,060	751,685	3,480,912	243,159	-	243,159	3,724,071
Vehicle expenses	25	69,086	16,233	36,906	15,565	18,537	45,584	201,936	17,974	11,089	29,063	230,999
Subtotal	34,337,640	34,821,211	1,040,432	376,374	173,572	24,807,842	17,036,068	112,593,139	149,121,310	3,782,398	152,903,708	265,496,847
Pension expense, net of reimbursements (Note 11)	-	-	-	-	-	-	-	-	(73,622,794)	-	(73,622,794)	(73,622,794)
Total	$ 34,671,456	$ 40,509,583	$ 3,609,093	$ 1,564,026	$ 2,913,053	$ 40,106,024	$ 43,681,098	$ 167,054,333	$ 86,240,139	$ 5,950,722	$ 92,190,861	$ 259,245,194

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	General and Fundraising	Subtotal	Total
Salary and wages	$ 85,181	$ 4,888,412	$ 2,194,499	$ 933,754	$ 577,183	$ 11,207,111	$ 16,063,153	$ 35,949,293	$ 7,354,806	$ 2,116,531	$ 9,471,337	$ 45,420,630
Benefits	13,225	1,116,664	485,817	280,881	2,065,586	3,950,141	3,341,969	11,254,283	3,583,156	360,993	3,944,149	15,198,432
Subtotal	98,406	6,005,076	2,680,316	1,214,635	2,642,769	15,157,252	19,405,122	47,203,576	10,937,962	2,477,524	13,415,486	60,619,062
Amortization	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Bad debt expense	-	-	-	-	-	-	-	-	43,567,601	35	43,567,636	43,567,636
Bank charges	-	380	-	87	-	570,793	271,750	843,010	95,457	351,670	447,127	1,290,137
Conferences/meetings	156,002	107,198	83,750	27,052	10,027	734	14,087	398,850	1,734,791	627,844	2,362,635	2,761,485
Consultant	453,327	552,114	275,518	-	-	342,637	172,604	1,796,200	1,766,276	3,758,868	5,525,144	7,321,344
Contribution expense	88,590	3,372,822	6,000	-	-	-	-	3,467,412	140,825	320,000	460,825	3,928,237
Cost of sales	-	-	-	-	-	4,226,710	2,957,472	7,184,182	-	-	-	7,184,182
Depreciation	-	-	-	-	-	4,968,127	318,212	5,286,339	201,343	-	201,343	5,487,682
Development/donor appreciation expense	1,703	64,627	15,724	5,882	-	75,856	66,682	230,474	187,430	569,995	757,425	987,899
Equipment rental	748,787	2,558	278,776	1,442	-	365,008	348,069	1,744,640	1,076,480	70,780	1,147,260	2,891,900
Insurance expense (Note 15)	-	-	-	-	-	-	-	-	140,103,401	-	140,103,401	140,103,401
Interest expense (Note 12)	-	-	-	-	-	-	108,124	108,124	4,143,510	-	4,143,510	4,251,634
Marketing/advertising	124,827	42,583	19,174	-	3,410	41,802	416,481	648,277	55,204	40,070	95,274	743,551
Miscellaneous	434,930	420,799	341,026	14,770	25,609	3,252,284	(112,588)	4,376,830	1,277,754	647,474	1,925,228	6,302,058
Mortuary Care Center	-	-	-	-	-	-	1,597,935	1,597,935	-	-	-	1,597,935
Occupancy/facility expense	515,665	494,854	51,453	92,982	31,631	888,014	766,662	2,841,261	2,461,481	8,481	2,469,962	5,311,223
Office expense/supplies	729,744	1,049,349	406,612	419,605	4,387	2,235,799	1,022,490	5,867,986	819,608	861,780	1,681,388	7,549,374
Professional fees	-	1,883	1,410	-	126,383	134,296	2,270,818	2,534,790	2,933,721	12,837	2,946,558	5,481,348
Program events	-	100,110	(500)	-	(450)	-	-	99,160	-	-	-	99,160
Seminarian/educational expense	-	2,883	2,275	-	-	-	-	5,158	1,034	70	1,104	6,262
Settlement expense	-	-	-	-	-	-	-	-	1,769,627	-	1,769,627	1,769,627
Staff development	21,509	123,184	1,048	300	-	2,329	9,532	157,902	13,633	724	14,357	172,259
Subscriptions	1,500	16,184	10,724	3,042	-	7,076	6,142	44,668	9,300	12,412	21,712	66,380
Subsidy-TIM/contribution expense	22,934,037	9,161,923	-	-	-	-	-	32,095,960	1,184,100	-	1,184,100	33,280,060
Travel expenses	184,786	169,450	72,077	43,587	3,042	15,997	85,422	574,361	340,034	38,280	378,314	952,675
Uniforms	-	-	-	-	-	198,954	21,572	220,526	-	-	-	220,526
Utilities	-	76,919	2,001	48,482	-	2,127,822	583,133	2,838,357	1,516,842	-	1,516,842	4,355,199
Vehicle expenses	-	65,899	13,094	32,442	38,649	43,431	11,561	205,076	22,059	17,946	40,005	245,081
Subtotal	26,395,407	15,825,719	1,580,162	689,673	242,688	19,497,669	13,744,418	77,975,736	205,421,511	7,339,266	212,760,777	290,736,513
Pension expense, net of reimbursements (Note 11)	-	-	-	-	-	-	-	-	78,421,289	-	78,421,289	78,421,289
Total	$ 26,493,813	$ 21,830,795	$ 4,260,478	$ 1,904,308	$ 2,885,457	$ 34,654,921	$ 33,149,540	$ 125,179,312	$ 294,780,762	$ 9,816,790	$ 304,597,552	$ 429,776,864

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets before other changes	**$ 216,998,900**	$ (63,600,198)
Adjustments to reconcile increase (decrease) in net assets before other changes to net cash provided by operating activities:		
Net realized and unrealized gains on investments	**(121,534,417)**	(21,245,894)
Change in value of beneficial interest in charitable gift annuity	**(9,826)**	118,833
Change in pledge discount	**(22,200)**	1,849,757
Provision for bad debt	**12,312,071**	43,090,314
Depreciation	**8,486,143**	5,753,467
Amortization	**2,808,258**	2,808,258
Assets contributed for endowments	**(1,795,942)**	(819,721)
Decrease (increase) in affiliate receivables	**1,071,177**	(20,364,255)
Increase in contracts receivable	**(32,332,954)**	(15,667,315)
Decrease (increase) in pledges receivable	**22,271,978**	(57,224,371)
Increase in other receivables	**(1,018,535)**	(5,094,539)
Decrease in assets for pension benefit obligation	**-**	5,900,000
(Increase) decrease in other assets	**(261,626)**	608,269
(Decrease) increase in accounts payable and accrued expenses	**(13,339,628)**	21,632,650
(Decrease) increase in affiliate payables	**(9,826,949)**	26,261,599
Increase in insurance claims reserves	**6,801,381**	6,447,444
(Decrease) increase in liability for pension and postretirement plan	**(71,771,000)**	87,996,000
Increase in deferred revenue	**11,861,940**	6,261,841
Increase (decrease) in preneed funeral liability	**18,208**	(483,089)
Increase in custodial collections	**1,955,303**	1,241,615
Increase in notes payables to affiliates	**8,197**	-
Increase in deferred sales commissions	**(914,823)**	-
Increase in sales return reserve	**5,271,129**	-
Net cash provided by operating activities	**37,036,785**	25,470,665
Cash flows from investing activities:		
Purchase of investments	**(184,630,798)**	(125,021,655)
Proceeds from maturities or sale of investments	**127,979,499**	122,465,251
Payments on notes receivable	**(150,250)**	-
Proceeds from notes receivable	**1,497,058**	429,493
Purchases of property and equipment	**(7,850,179)**	(11,381,819)
Proceeds from sale of property and equipment	**2,262,824**	20,988
Net cash used in investing activities	**(60,891,846)**	(13,487,742)
Cash flows from financing activities:		
Assets contributed for endowments	**1,795,942**	819,721
Principal payments on notes payable to affiliates	**-**	(674,803)
Proceeds from line of credit	**-**	25,000,000
Principal payments on notes payable	**(4,046,704)**	(5,395,604)
Net cash provided by (used in) financing activities	**(2,250,762)**	19,749,314

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Net increase (decrease) in cash and cash equivalents	**$ (26,105,823)**	**$ 31,732,237**
Cash and cash equivalents, beginning of year	**63,167,641**	31,435,404
Cash and cash equivalents, end of year	**$ 37,061,818**	$ 63,167,641
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 2,736,982**	$ 4,137,305

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

Pastoral and evangelization: Include 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, 2021 and 2020, the Administrative Office had $39,174,913 and $66,513,565, 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 0.07% to 0.46%, and 0.16% to 0.29% for the fiscal years ended June 30, 2021 and 2020, 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.

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%.

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. The allowance for doubtful accounts is developed based upon historical write-off experience and the current ability of the affiliate 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 $3,327,469 and $45,549,789 for the years ended June 30, 2021 and 2020, respectively. Called to Renew expenses are included in fundraising expenses and totaled $1,577,048 and $5,485,482 for the years ended June 30, 2021 and 2020, respectively. Amounts collected on behalf of other entities are recorded as payable to affiliates on the consolidated statements of financial position and were $49,778,261 and $62,333,751 at June 30, 2021 and 2020, respectively.

Investments: The Administrative Office records investments at fair value. For investment income earned from investments in the Archdiocese Investment Pool and investments at Catholic Charities Foundation of Los Angeles (CCFLA), the Administrative Office is allocated income (loss) based upon an allocation of the total return earned in invested equity and debt securities held by the Investment Pool and CCFLA, including realized and unrealized gains and losses. Gains and losses on investments are reported on 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 the fair value as of the donation date. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to sixty years. Land, cemetery and mausoleum development costs are amortized as cost of sales (using the weighted-average cost method) as sales of cemetery property are made.

Deferred cemetery sales commissions and benefits: This account represents 1) sales commissions and related benefits paid to Administrative Office personnel upon sale of resale products and services on preneed contracts. Under Topic 606, Revenue From Contracts With Customers, the related costs for selling sales contracts are deferred with revenue until the related resale product or service is delivered. 2) sales commissions and benefits related to the amounts included in the sales return reserve (see Note 1, sales return reserve.)

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, 2021 and 2020, 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 carrying amount. The fair value of each reporting unit is determined using a discounted cash flow methodology.

As of June 30, 2021 and 2020, management determined that there were no triggering 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 consolidated statements 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 on 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:

	2021	2020
Resale products and services on preneed cemetery contracts	$ 182,597,468	$ 170,210,181
Contract discount reserve	(2,179,958)	(1,846,483)
Patron deposits/other	591,268	783,140
Total	$ 181,008,778	$ 169,146,838

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 may be 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 cancelled until the day the patron dies. In accordance with Topic 606, Revenue From Contracts with Customers, 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 preneed sales. In addition to the reserve, the related cost of sales and sales commissions were also deferred and recorded as deferred cost of sales and sales commissions.

Revenue recognition: 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 graves, lawn crypts, mausoleum crypts and cremation interment property), 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 preneed 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.

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

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.

Cemetery arrangements sold prior to death are referred to as preneed cemetery contracts. For preneed cemetery interment rights, the performance obligation is satisfied upon 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, and services are not provided on preneed contracts 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 preneed 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 when all performance obligations have been satisfied.

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 on the consolidated statements of activities as net assets released from restrictions.

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

Assessments: Assessments are levied upon parishes of the Archdiocese based on 10% of the ordinary income reported by the parish. Assessments are billed monthly to parishes and are recognized as revenue in the month billed. The purpose of the assessments is 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: 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 the value of property in their possession. The premium allocation is prepared by external consulting actuaries and billed to all affiliate locations in monthly installments 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.

Annual appeal: The Administrative Office administers a special collection program, *Together in Mission,* which is conducted by the parishes. This program provides 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 on the consolidated statements of activities. The consolidated statements of functional expenses present 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.

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

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. 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, 2021 or 2020.

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 cemetery sales reserve, 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, and 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.

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 the 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.

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

Recently issued accounting standards: 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 statement of financial position 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 statement of activities. 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.

ASU 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*, is effective for fiscal year ended June 30, 2022. It requires contributed non-financial assets to be reported separately on the statement of activities from contributions of cash and other financial assets. It also requires additional disclosures on qualitative information about whether the assets were monetized or utilized during the reporting period. If utilized, a description of the programs or activities in which those assets were used. It also requires information on how any donor-imposed restrictions associated with these assets and how fair value was determined at initial recognition. The Administrative Office is currently evaluating the effect of this standard on the consolidated financial statements and disclosures.

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:

	2021	2020
Cemeteries	$ 110,917,138	$ 72,292,980
Mortuaries	269,852	235,456
	111,186,990	72,528,436
Allowance for uncollectible accounts	(995,098)	(500,555)
Discount	(13,195,758)	(6,907,593)
Contracts receivable, net	$ 96,996,134	$ 65,120,288

	2021	2020
Amounts due in:		
Less than one year	$ 25,979,744	$ 29,012,003
One to five years	85,207,246	43,516,433
	$ 111,186,990	$ 72,528,436

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 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.

On December 23, 2020, $1,197,739 of outstanding school receivables were written-off as a condition of a donor gift, and on June 30, 2021, $7,264,835 of deferred parish assessment from March through June 2020 was forgiven due to the impact of the COVID-19 pandemic.

Affiliate receivables consisted of the following at June 30:

	2021	2020
Parishes	$ 18,432,770	$ 24,237,669
Elementary schools	27,380,474	29,751,068
High schools	6,983,985	8,352,912
Education & Welfare Corporation	15,499,711	11,601,701
Catholic Education Foundation	509,400	94,107
Other	(1,523,011)	3,423,102
	67,283,329	77,460,559
Allowance for uncollectible accounts	(48,325,972)	(45,789,143)
Affiliate receivables, net	$ 18,957,357	$ 31,671,416

Note 4. Pledges Receivable, Net

Pledges receivable at June 30 consisted of the following:

2021	Gross	Discount	Net of Discount	Allowance for Uncollectibles	Net of Discount and Allowance
Called to Renew	$ 100,622,786	$ (205,814)	$ 100,416,972	$ (42,576,840)	$ 57,840,132
Annual appeal	3,533,338	-	3,533,338	(176,667)	3,356,671
	$ 104,156,124	$ (205,814)	$ 103,950,310	$ (42,753,507)	$ 61,196,803

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

Note 4. Pledges Receivable, Net (Continued)

	2021	2020
Amounts due in:		
Less than one year	$ 44,209,488	$ 39,780,587
One to five years	59,946,636	89,033,777
	$ 104,156,124	$ 128,814,364

The discount rate applied on pledges greater than one-year ranges from 0.07% to 0.46%, and 0.16% to 0.29% for the fiscal years ended June 30, 2021 and 2020, respectively.

Note 5. Other Receivables

Other receivables at June 30 consist of the following:

	2021	2020
Administrative third-party receivables	$ 3,943,065	$ 1,737,676
Legal settlement receivables	-	900,000
Cemetery employee receivables	20,413	102,816
Mortuary receivables	465,654	773,526
Insurance recovery receivable	2,983,030	2,893,577
Total	$ 7,412,161	$ 6,407,595

Note 6. Notes Receivable, Net

Notes receivable at June 30 consisted of the following:

	2021	2020
Parishes, high schools and elementary schools	$ 15,789,130	$ 16,347,373
St. John's Seminary College	7,851,446	8,714,696
Other nonaffiliated entities	784,694	1,085,008
	24,425,269	26,147,077
Allowance for uncollectible accounts	(12,608,473)	(12,808,473)
Notes receivable, net	$ 11,816,796	$ 13,338,604

Note 6. Notes Receivable, Net (Continued)

Aggregate maturities of notes receivable as of June 30, 2021, are as follows:

Years ending June 30:		
2022	$	285,503
2023		481,477
2024		641,060
2025		581,968
2026		318,875
Thereafter		22,116,386
	$	24,425,269

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, 2021:

	2021				
	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	$ 198,413			$ -	$ 198,413
Investments:					
Money market funds	84,184	-	84,184	-	-
Bonds	43,211	-	43,211	-	-
Charitable Remainder Trusts:	-	-		-	-
Cash	11,295	-	11,295	-	-
Equities	549,308	-	549,308	-	-
Fixed income	405,154	-	405,154	-	-
Mutual funds	9,891	-	9,891	-	-
Archdiocese Investment Pool	730,516,496	-	-	-	730,516,496
Investments held at CCFLA	87,240	-	-	-	87,240
Private company stock—Watson land	74,694,384	-	-	-	74,694,384
Rabbi Trust:	-	-	-	-	-
Cash and cash equivalents	6	-	6	-	-
Money market funds	970,090	-	970,090	-	-
Custodial securities—stock	2,138	-	2,138	-	-
Total investments	807,373,397	-	2,075,277	-	805,298,120
Total assets	$ 807,571,810	$ -	$ 2,075,277	$ -	$ 805,496,533
Liabilities:					
Accounts payable—liabilities to beneficiaries	534,781	-	-	-	534,781
Accounts payable—interest swap agreements	1,470,996	-	-	-	1,470,996
Preneed funeral liability	1,382,477				1,382,477
Total liabilities	$ 3,388,254	$ -	$ -	$ -	$ 3,388,254

Note 7. Fair Value Measurements (Continued)

The Administrative Office 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	-	-
Mutual funds	47,802	-	47,802	-	-
Archdiocese Investment Pool	556,506,781	-	-	-	556,506,781
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	-	-
Custodial securities—stock	1,083	-	1,083	-	-
Total investments	629,187,681	-	3,447,510	-	625,740,171
Total assets	$ 629,388,256	$ -	$ 3,447,510	$ -	$ 625,940,746
Liabilities:					
Accounts payable—liabilities to beneficiaries	$ 503,938	$ -	$ -	$ -	$ 503,938
Accounts payable—interest swap agreements	1,096,336	-	-	-	1,096,336
Preneed funderal contract liability	1,364,269				1,364,269
Total liabilities	$ 2,964,543	$ -	$ -	$ -	$ 2,964,543

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

	2021					
	Other Receivables-Beneficial Interest In Trust	Archdiocese Investment Pool	Investments Held at CCFLA	Private Company Stock - Watson Land	Accounts Payable-Liabilities to Beneficiaries	Accounts Payable-Interest Rate Swaps
Contributions	$ -	$ 177,348,538	$ 88,767	$ -	$ -	$ -
Withdrawals	(9,826)	(114,901,005)	-	-	-	(374,660)
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	(13,007,512)	-	-	-

	2020					
	Other Receivables-Beneficial Interest In Trust	Archdiocese Investment Pool	Investments Held at CCFLA	Private Company Stock - Watson Land	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	-	-	-	-	-	-

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, 2020, rolled forward to the date of the Administrative Office's consolidated statements of financial position using publicly traded real estate stock prices as a benchmark.

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.

Note 8. Investments

Investments consisted of the following at June 30:

	2021	2020
Pooled investments	$ 730,516,496	$ 556,506,781
Other investments	76,856,901	72,680,900
	$ 807,373,397	$ 629,187,681

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:

	2021	2020
Balanced Pool	$ 530,112,313	$ 387,061,590
Income Pool	200,404,183	169,445,191
	$ 730,516,496	$ 556,506,781

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 are 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.

Other investments: Other investments consisted of the following at June 30:

	2021	2020
Watson Land Company securities (all equities)	$ 74,694,384	$ 58,044,353
Charitable Remainder Trust:		
Cash	11,295	10,610
Equities	549,308	545,643
Fixed income	405,154	245,248
Alternative investments	9,891	47,802
	975,648	849,303
Investments held at CCFLA	87,240	11,189,037
Rabbi Trust - money market funds	970,095	2,469,434
Other (bonds and money market)	127,396	127,690
Custodial securities - stock	2,138	1,083
Total other investments	$ 76,856,901	$ 72,680,900

The fair value of the Watson Land Company securities is based upon certain industry standard valuation methodologies, including the methodology used for land holdings of other publicly traded real estate investment trusts. At June 30, 2021 and 2020, the investment in Watson Land Company was considered a Level 3 investment under FASB ASC 820 fair value hierarchy levels.

At June 30, 2021 and 2020, the Rabbi Trust invested $18,524,133 and $15,173,000, respectively, in the Investment Pool and $970,090 and $2,469,322, respectively, in money market funds. Money market funds are considered to be Level 1 under the fair value hierarchy. For investment detail in the Investment Pool of the Rabbi Trust, please see the separate Investment Pool financial statements.

Note 9. Property and Equipment

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

	2021	2020
Land	$ 32,748,142	$ 33,191,825
Cemetery and mausoleum developments	99,719,249	99,719,249
Buildings and improvements	49,529,609	49,611,893
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	7,443,841	1,395,120
Furniture, fixtures and equipment	16,849,977	16,785,376
	212,021,457	206,434,102
Less accumulated depreciation and amortization	(124,625,145)	(116,139,002)
	$ 87,396,312	$ 90,295,100

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 consideration of $27,000,000 prior to certain adjustments. The assets acquired and liabilities assumed constituted a business. Total goodwill of $28,082,576 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 and $2,808,258 for the years ended June 30, 2021 and 2020 respectively.

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:

	2021	2020
Qualified Priest Pension Plan	$ (4,679,000)	$ (18,781,000)
Lay Employees Pension Plan	(113,660,000)	(170,869,000)
Priests Supplemental Retirement Plan	(23,873,000)	(23,833,000)
Priests Other Postretirement Benefit Plan	(23,079,000)	(23,579,000)
Total liability for pension and postretirement plan benefits	$ (165,291,000)	$ (237,062,000)

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

A reconciliation of beginning and ending balances of each plan's projected benefit obligation is as follows for the years ended June 30, 2021 and 2020:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
Projected benefit obligation, June 30, 2019	$ (47,563,000)	$ (17,180,000)	$ (19,652,000)	$ (404,046,000)	$ (488,441,000)
Assets	53,463,000	-	-	291,812,000	345,275,000
Asset (liability) for pension benefits	5,900,000	(17,180,000)	(16,998,000)	(83,277,000)	(111,555,000)
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)
Projected benefit obligation, June 30, 2020	(69,466,000)	(23,833,000)	(23,579,000)	(452,862,000)	(569,740,000)
Plan assets	50,685,000	-	-	281,993,000	332,678,000
Assets (liability) for pension benefits, June 30, 2020	(18,781,000)	(23,833,000)	(23,579,000)	(170,869,000)	(237,062,000)
Pension expense	(268,000)	(1,112,000)	(1,479,000)	(5,485,000)	(8,344,000)
Contributions	-	1,300,000	629,000	10,700,000	12,629,000
Gains and losses:					
Due to remeasurement	1,948,000	(740,000)	259,000	(14,808,000)	(13,341,000)
Investment performance	11,036,000	-	-	59,941,000	70,977,000
Discount rate change	459,000	154,000	209,000	4,871,000	5,693,000
Mortality assumption change	927,000	358,000	586,000	2,075,000	3,946,000
Change due in other assumptions	-	-	296,000	(85,000)	211,000
Total	14,370,000	(228,000)	1,350,000	51,994,000	67,486,000
					-
Ending projected benefit obligation, June 30, 2021	(66,651,000)	(23,873,000)	(23,079,000)	(463,749,000)	(577,352,000)
Assets	61,972,000	-	-	350,089,000	412,061,000
Liability for pension benefits, June 30, 2021	$ (4,679,000)	$ (23,873,000)	$ (23,079,000)	$ (113,660,000)	$ (165,291,000)

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 nonaffiliates its portion of estimated annual pension cost. Contributions of $10,700,000 and $0 and were made to the plan during the years ended June 30, 2021 and 2020, respectively. Benefit payments of $18,919,000 and $15,624,000 were made from the plan during the years ended June 30, 2021 and 2020, respectively. All contributions to the plan are made by the Archdiocese; there are no employee contributions to the plan.

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

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

	2021	2020
Service cost, benefits earned during the period	$ 10,733,000	$ 9,127,000
Interest cost on projected benefit obligation	11,889,000	13,531,000
Actual return on plan assets	(77,078,000)	(6,579,000)
Net amortization and deferral	74,236,000	(3,200,000)
Net periodic pension cost	$ 19,780,000	$ 12,879,000

The assessed portion for employees of the Administrative Office included in pension cost on the accompanying consolidated statements of activities as general and administrative expenses were $2,123,348 and $1,969,731 for the years ended June 30, 2021 and 2020, respectively.

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

	2021	2020
Accumulated benefit obligation for service rendered to date	$ (455,845,000)	$ (445,337,000)
Projected benefit obligation for service rendered to date	$ (463,749,000)	$ (452,862,000)
Plan assets at fair value	350,089,000	281,993,000
Funded status at end of year	$ (113,660,000)	$ (170,869,000)
Liability for pension benefits	$ (113,660,000)	$ (170,869,000)

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:

	2021				
	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	$ 160,466	$ -	$ 160,465	$ -	$ -
Money market funds	12,089,152	-	12,089,152	-	-
Domestic common stocks	58,911,511	-	58,911,511	-	-
Foreign stocks	7,453,958	-	7,453,958	-	-
Mutual funds - equity	116,514,359	-	-	116,514,359	-
Mutual funds - fixed income	76,409,247	-	-	76,409,247	-
Collective investment funds	78,549,933	78,549,933	-	-	-
Total plan assets	$ 350,088,626	$ 78,549,933	$ 78,615,086	$ 192,923,606	$ -

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

	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	$ -

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

	2021	2020
Net loss	$ 94,328,000	$ 160,617,000

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

	2021	2020
Net loss	$ (51,994,000)	$ 54,258,000
Amortization of loss	(14,295,000)	(8,502,000)
Total (gain) loss recognized on the consolidated statements of activities	$ (66,289,000)	$ 45,756,000

	2021	2020
Total gain recognized in net periodic pension cost and the consolidated statements of activities	$ (46,509,000)	$ 58,635,000

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 2.69% and 2.60% for the years ended June 30, 2021 and 2020, respectively, was used. The assumed rate of increase in future compensation levels was 3.75% and 3.75% for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the expected long-term rate of return used in determining net periodic pension cost was 6.31% and 6.45%, respectively.

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

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, 2021	2020
Equities	60%-80%	70%	72%	74%
Fixed income	25%-35%	30%	28%	26%

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 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.

The following benefit payments, which reflect expected future service as appropriate at June 30, 2021, are expected to be paid:

Years ending June 30:	
2022	$ 17,259,000
2023	19,060,000
2024	20,795,000
2025	22,049,000
2026	22,861,000
2027-2031	122,793,000
	$ 224,817,000

The Archdiocese expects to contribute approximately $11 million to the lay employee pension plan during the year ending June 30, 2022.

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 of $0 to the Qualified Plan and $1,300,000 to the Supplemental Plan were made during the year ended June 30, 2021. Contributions of $0 to the Qualified Plan and $1,300,000 to the Supplemental Plan were made during the year ended June 30, 2020. Benefit payments of $2,756,000 from the Qualified Plan and $1,300,000 from the Supplemental Plan were made during the year ended June 30, 2021. Benefit payments of $2,689,000 from the Qualified Plan and $1,300,000 from the Supplemental Plan were made during the year ended June 30, 2020.

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

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:

	2021		2020	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	$ 1,611,000	$ 476,000	$ 795,000	$ 268,000
Interest cost on projected benefit obligation	1,753,000	636,000	1,574,000	573,000
Actual return on plan assets	(14,132,000)	-	(19,000)	-
Net amortization and deferral	14,030,000	988,000	(1,878,000)	555,000
Net periodic pension cost	$ 3,262,000	$ 2,100,000	$ 472,000	$ 1,396,000

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

	2021		2020	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	$ (66,651,000)	$ (23,873,000)	$ (69,466,000)	$ (23,833,000)
Projected benefit obligation for service rendered to date	$ (66,651,000)	$ (23,873,000)	$ (69,466,000)	$ (23,833,000)
Plan assets at fair value	61,972,000	-	50,685,000	-
Funded status at end of year	$ (4,679,000)	$ (23,873,000)	$ (18,781,000)	$ (23,833,000)
(Liability) for pension benefits	$ (4,679,000)	$ (23,873,000)	$ (18,781,000)	$ (23,833,000)

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:

	2021				
	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	$ (4,477,026)	$ -	$ (4,477,026)	$ -	$ -
Money market funds	7,488,605	-	7,488,605	-	-
Domestic common stocks	7,452,630	-	7,452,630	-	-
Foreign stocks	932,820	-	932,820	-	-
Mutual funds - equity	19,233,673	-	-	19,233,673	-
Mutual funds - fixed income	17,254,763	-	-	17,254,763	-
Collective investment funds	14,086,889	14,086,889	-	-	-
Total plan assets	$ 61,972,353	$ 14,086,889	$ 11,397,029	$ 36,488,436	$ -

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

	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	$ 5,164,336	$ 26,644,181	$ -

Amounts recognized on the consolidated statements of activities for the years ended June 30 consisted of the following:

	2021		2020	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss	$ 16,223,000	$ 13,858,000	$ 32,282,000	$ 14,549,000
Prior service cost	9,587,000	(538,000)	10,892,000	(469,000)
	$ 25,810,000	$ 13,320,000	$ 43,174,000	$ 14,080,000

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

	2021		2020	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss (gain)	$ (14,370,000)	$ 228,000	$ 24,150,000	$ 7,112,000
Prior service cost	-	-	1,511,000	-
Amortization of (loss)	(1,689,000)	(919,000)	(228,000)	(447,000)
Amortization of prior service credit	(1,305,000)	(69,000)	(1,224,000)	(108,000)
Total (gain) loss recognized on the consolidated statements of activities	$ (17,364,000)	$ (760,000)	$ 24,209,000	$ 6,557,000

	2021		2020	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total loss (gain) recognized on the consolidated statements of activities	$ (14,102,000)	$ 1,340,000	$ 24,681,000	$ 7,953,000

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 2.71% and 2.64% was used for the years ended June 30, 2021 and 2020, respectively.

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

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, 2021 and 2020, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.31% and 6.45%, respectively.

The Archdiocese expects to contribute approximately $3 million to the priest pension plans during the year ending June 30, 2022.

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.

Contributions of $629,000 and $575,000 were made to the plan during the years ended June 30, 2021 and 2020, 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:

	2021	2020
Service cost, benefits earned during the period	$ 830,000	$ 673,000
Interest cost on projected benefit obligation	649,000	672,000
Net amortization and deferral	219,000	67,000
Net periodic pension cost	$ 1,698,000	$ 1,412,000

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 $452,314 and $428,900 for the years ended June 30, 2021 and 2020, respectively.

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

	2021	2020
Accumulated postretirement benefit obligation for service rendered to date	$ (23,079,000)	$ (23,579,000)
Projected benefit obligation for service rendered to date	$ (23,079,000)	$ (23,579,000)
Funded status as of end of year	$ (23,079,000)	$ (23,579,000)
Liability for postretirement benefits	$ (23,079,000)	$ (23,579,000)

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

Amounts recognized on the consolidated statements of activities at June 30 consisted of the following:

	2021	2020
Net loss	$ 7,700,000	$ 9,613,000
Prior service cost	(2,289,000)	(2,633,000)
Total loss recognized in statement of activities	$ 5,411,000	$ 6,980,000

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

	2021	2020
Net (gain) loss	$ (1,350,000)	$ 3,157,000
Amortization of loss	(563,000)	(411,000)
Amortization of prior service cost	344,000	344,000
Total (gain) loss recognized on the consolidated statements of activities	$ (1,569,000)	$ 3,090,000

	2021	2020
Total gain recognized in net periodic postretirement benefit costs and net assets without donor restrictions	$ 129,000	$ 4,502,000

Assumptions Used to Determine Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost:

	2021	2020
Discount rate - Qualified and Supplemental Plan (pension)	2.66%	3.40%
Discount rate - Supplemental Plan (postretirement medical)	2.82%	3.40%
Expected long-term rate of return on assets (qualified plan)	6.61%	6.45%
Future benefit increases - Qualified and Supplemental Plan (pension)	2.00%	0.00%

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, 2021 and 2020, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.61% and 6.45%, respectively.

Assumptions Used to Determine Benefit Obligations at Year-End:

	2021	2020
Discount rate - Qualified and Supplemental Plan (pension)	2.71%	3.40%
Discount rate - Supplemental Plan (postretirement medical)	2.87%	3.40%
Future benefit increases - Qualified and Supplemental Plan (pension)	2.00%	6.45%

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

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:

Asset Category	Archdiocesan Finance Council Approved Asset Allocation	Policy Benchmark Asset Allocation	Actual Percentage of Plan Assets at June 30 2021	2020
Equities	60%-80%	70%	67%	75%
Fixed income	25%-35%	30%	33%	25%

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.

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:			
2022	$ 3,048,000	$ 1,195,000	$ 619,000
2023	3,177,000	1,202,000	641,000
2024	3,211,000	1,228,000	677,000
2025	3,238,000	1,239,000	708,000
2026	3,273,000	1,256,000	731,000
2027-2031	16,772,000	6,354,000	4,102,000
	$ 32,719,000	$ 12,474,000	$ 7,478,000

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 $82,400 and $86,400 to the 403(b) Plan during the years ended June 30, 2021 and 2020, respectively.

Note 12. Notes Payable

Notes payable at June 30 consisted of the following:

	2021	2020
Church construction loan—St. Mary's Parish	$ 3,131,868	$ 3,428,572
Litigation loans	100,000,000	103,750,000
Line of credit	25,000,000	25,000,000
	$ 128,131,868	$ 132,178,572

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 matured 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 matured 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.

On January 24, 2014, the Archdiocese entered into an unsecured loan agreement with a lender in the amount of $6,000,000. The loan was 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, 2021 and 2020, the note had an outstanding principal balance of $3,131,868 and $3,428,572, respectively.

On April 30, 2021, the Archdiocese entered into an amended and restated credit agreement. The credit facilities include: (1) a $25 million revolving line of credit to support working capital needs and for general corporate purposes, secured by pledge of marketable securities. The revolver bears interest based on LIBOR plus a margin of 0.9% and matures on May 1, 2026; (2) a nonamortizing $100 million term loan facility (Term Loan A) with the purpose of refinancing the “Term A Loans” under the existing credit agreement, with interest payable quarterly and the principal due at maturity. Term Loan A bears interest based on Daily Simple Secured Overnight Funding Rate (SOFR) plus a margin of 1.00% and matures on May 1, 2026. The SOFR is an alternative reference rate to LIBOR, which is in the process of being replaced in the U.S.; and (3) a term loan facility (Term Loan B) in the amount of $3,230,769 for the purpose of refinancing the outstanding amount of a separate loan (St. Mary’s Parish - “Palmdale Loan”). Term Loan B bears interest based on Daily Simple SOFR plus a margin of 1% and matures May 1, 2026. At June 30, 2021, the amount outstanding on this agreement was $100,000,000 on Term Loan A, $3,131,868 on Palmdale Loan and $25,000,000 on the revolving line of credit.

Note 12. Notes Payable (Continued)

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 represents 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 $1,470,996 and $1,096,336 was included in accounts payable and accrued expenses at June 30, 2021 and 2020, respectively. The corresponding reduction in interest expense of $374,660 and reduction in interest expense of $186,548 for the years ended June 30, 2021 and 2020, respectively, was included in administrative expense. The interest rate swap agreements were effective on May 1, 2021, and matures on May 1, 2026.

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, the balance on this loan payable was $3,887,125, and was recorded on E&W.

On March 8, 2021, with an effective date of April 30, 2021, this loan was refinanced. The new loan has a term of 5 years and interest of daily simple SOFR plus a margin of 1%. At June 30, 2021, the balance on this loan payable was $3,131,868; this is secured by marketable securities.

Schedule of future maturities of long-term debt is as follows:

Years ending June 30:	
2022	$ 395,604
2023	395,604
2024	395,604
2025	395,604
2026	126,549,451
Total	$ 128,131,868

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, 2021 and 2020, the amount outstanding on these notes was $2,979,728 and $2,971,531, 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.

Note 13. Notes Payable to Affiliates (Continued)

Aggregate future maturities of long-term debt at June 30, 2021, are as follows:

Years ending June 30:	
2022	$ 2,954,728
2023	25,000
Total	$ 2,979,728

Note 14. Commitments and Contingencies

The interest expense relating to the notes payable to affiliates was $9,197 and $10,197 for the years ended June 30, 2021 and 2020, respectively.

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 passed by the California legislature but was vetoed each year.

On October 13, 2019, the governor of California signed legislation (AB 218) that had passed the legislature. AB 218 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 (through December 2022) 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 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, 2021, the Archdiocese is aware of 96 claims that have been filed and will be considered under the current revival of the statute of limitations. Subsequent to June 30, 2021, additional claims have been filed under the revival statute of limitations and it is expected that such claims will continue to be filed through the December 2022 deadline. The Archdiocese and certain other (arch)dioceses in California have asserted constitutional challenges to AB 218, some of which have been accepted and others denied. The appellate process is continuing to be considered and, as appropriate, may be pursued further.

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 into summer 2021, with one final claim paid after June 30, 2021. The program was 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, more than 670 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 nondiocesan (religious or visiting/extern priest) were immediately found ineligible, resulting in a working total of 329 claims. In the ICP, of the 329 claims, one was withdrawn, and 113 claims were found to be ineligible for compensation, resulting in offers being made on 215 claims. Of the 215 claims, 114 claims expired without acceptance, one was extended and paid after June 30, 2021, 10 were rejected and 90 claims (including two claims shared with another participating diocese) had been resolved and paid by June 30, 2021, with the Archdiocese funding a total of $9,751,667 exclusive of the $15,000 additional settlement paid after June 30, 2021.

The Archdiocese also initiated planning for a parallel effort to resolve claims against nondiocesan 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 and funded on an individual basis or under the ICP. It is likely that additional claims alleging misconduct by clergy or lay persons will be made in the future pursuant to AB 218 or through the ongoing process to address claims without litigation. The Archdiocese accrues for amounts related to settlement or other resolution of these matters if it is probable that a liability has been incurred and an amount can be reasonably estimated. See reserves for these sexual abuse claims at Note 15.

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. See reserves for this litigation at Note 15.

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.

Note 14. Commitments and Contingencies (Continued)

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, 2021, monthly lease payments were $136,701 and the lease expires on April 30, 2022.

The future lease commitment at June 30, 2021, is as follows:

Year ending June 30:	
2022	$ 1,367,010
	$ 1,367,010

Rent expense for the years ended June 30, 2021 and 2020, was $1,652,317 and $1,640,436, respectively.

Certain ministries and administrative functions occupy office space at various parishes and schools. Rent expense relating to this was $79,750 and $99,283 for the years ended June 30, 2021 and 2020, respectively.

Note 15. Insurance Claims Reserves

In fiscal 2012, the Archdiocese established a captive insurance company organized in the state of Montana as a nonprofit organization (ALAIC). ALAIC writes liability insurance for Archdiocesan parishes, offices, schools and other entities. ALAIC also writes workers' compensation insurance as part of the Archdiocese's certificate of self-insurance from the California Department of Industrial Relations.

Additionally, ALAIC also insures 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.

The insurance program is administered by ADLARM, a California nonprofit organization, established by the Archdiocese. Based upon independent actuarial analysis, ADLARM pays gross premiums to ALAIC for the above coverage in the amount of approximately $19,600,000 per year. Losses in excess of ALAIC's insurance are commercially insured and ADLARM administers the commercial insurance program.

The Archdiocese is self-insured for health care. For workers' compensation, the Archdiocese 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, Captive insures up to $1,500,000 per claim. The amount of each claim in excess of $1,500,000, regardless of the date of occurrence, is insured by the Archdiocese's excess insurer. For sexual abuse claims, Captive insures up to $2,000,000 per claim in excess of a $2,000,000 retention, with an annual aggregate limit of $4,000,000. See discussion of status of sexual abuse litigation at Note 14.

Note 15. Insurance Claims Reserves (Continued)

The undiscounted claims reserve on the Administrative Office's consolidated financial statements for insurance claims is $77,757,884 and $70,956,503 for the years ended June 30, 2021 and 2020, respectively.

The insurance claims coverage as of June 30, 2021, follows:

Coverage	ALAIC Retentions Per Occ.	ALAIC Retentions Annual Agg.	Risk Mgt. Corp. Retention	Commercial Insurance Policy Limit	Comments
Property	$ 500,000	$ 2,500,000	Excess Agg	$ 400,000,000	
Earthquake/Flood	5%	$ 2,000,000	(a)	$ 110,000,000	ALAIC retention subject to $100,000 minimum
Auto Physical Damage	Unlimited	Unlimited	(a)	No Coverage	
Auto Liability	$ 1,000,000	None	(a)	$60,000,000	
Other Liability	$ 1,000,000	None	(a)	$60,000,000	Excluding Sensitive Claims
Workers Compensation	$ 975,000	None	$ 25,000	Statutory	ALAIC retention is excess of the RMC retention
Sensitive (before 7/1/18)	$ 2,000,000	$ 4,000,000	Excess Agg	No Coverage	Retentions apply to settlement and expense combined
Sensitive (on/after 7/1/18)	$ 2,000,000	$ 4,000,000	$ 2,000,000	No Coverage	ALAIC retention applies to settlement only and is excess of the $2m RMC retention. RMC covers all expense
Crime/Fiduciary Liab	$ 25,000	$ 500,000	(a)	$3m/$10m	

(a) The RMC/ADLA is responsible for any otherwise uninsured claims, i.e., uninsured or underinsured exposure.

There were no changes in insurance claims coverage from prior year.

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 $55,441,555 and $65,268,504 as of June 30, 2021 and 2020, respectively. Parish assessments and interest on affiliate loans contributed $19,061,013 and $21,665,459 to revenues for the years ended June 30, 2021 and 2020, 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 $121,494 and $145,981 for the years ended June 30, 2021 and 2020, respectively.

Expenses incurred on behalf of such related parties consist of subsidies and insurance program benefits. Subsidies are provided through several 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 number 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 $69,422,709 and $50,688,203 for the years ended June 30, 2021 and 2020, respectively.

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 $975,648 and $849,304 for the years ended June 30, 2021 and 2020, respectively. Total amounts payable to beneficiaries are $534,781 and $503,938 for the years ended June 30, 2021 and 2020, respectively. 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 on the accompanying consolidated statements of activities. The discount rates used for the years ended June 30, 2021 and 2020, ranged from 3.7% to 9.0%.

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.

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

	2021	2020
Purpose restrictions:		
Repair and maintenance	$ 1,337,179	$ -
Operating subsidies	4,978,262	4,978,262
Educational purposes	6,014,199	3,468,828
Office of Religious Education	116,975	116,975
House of Prayer	24,894	24,895
Called to Renew	22,450,048	16,520,788
Together in Mission	12,577,017	14,283,460
Cardinal Award Dinner	21,930	306,025
Other	5,563,736	5,851,204
Time restrictions:		
Pledges receivable, net of affiliate liability (Called to Renew and Together in Mission)	2,292,588	21,127,574
Other receivables - beneficial interest in trust	198,413	200,575
Endowments	37,024,019	39,453,018
	$ 92,599,260	$ 106,331,604

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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) income earned on permanent endowment until it is appropriated for spending 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.

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, 2021 and 2020.

Assets of the endowment fund in the amount of $37,024,019 and $39,453,018 as of June 30, 2021 and 2020, respectively, were held in investments in pooled funds.

Note 19. Endowment Fund (Continued)

Endowment net assets at June 30 were as follows:

	2021	2020
Vocation in progress	$ 6,330,706	$ 4,963,052
Adopt-a-Family	3,610,933	2,751,615
Repair and maintenance	9,957,400	8,122,824
Educational purposes	10,243,140	8,168,130
Office of Religious Education	2,473,536	1,998,354
House of Prayer	1,345,256	12,147,250
Called to Renew	2,172,215	609,490
Other	890,833	692,303
	$ 37,024,019	$ 39,453,018

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

	2021	2020
Endowment net assets, beginning of year	$ 39,453,018	$ 37,805,300
Investment return:		
Investment income	350,905	563,235
Net appreciation (realized and unrealized)	9,126,070	840,473
Total investment return	9,476,975	1,403,708
Contributions	1,795,942	819,721
Appropriation of endowment funds for expenditure	(694,404)	(575,711)
Transfer of endowment to Catholic Community Foundation	(13,007,512)	-
Endowment net assets, end of year	$ 37,024,019	$ 39,453,018

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, 2021 and 2020, no donor-restricted endowments fell below this required level.

On December 31, 2020, the Catholic Community Foundation of Los Angeles created the Order of St. Gregory the Great's House of Prayer for Priests Endowment Fund to provide income in perpetuity for the exclusive benefit of the Cardinal Timothy Manning House of Prayer for Priests (HOPP) to support the continuing spiritual formation of clergy. Endowment funds were transferred from the Roman Catholic Archdiocese of Los Angeles to the Catholic Community Foundation in the amount of $13,007,512. This transaction was recorded as a reduction of investments and contribution expense on the consolidated statements of financial position and statements of activities.

Note 20. Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	$ 37,061,818	$ 63,167,641
Contracts receivable	96,996,134	65,120,288
Affiliate receivables	18,957,357	31,671,416
Pledges receivable	61,196,803	83,469,693
Other receivables	7,412,161	6,407,595
Notes receivable	11,816,796	13,338,604
Investments	807,373,397	629,187,681
Property and equipment- restricted	-	1,442,881
Total financial assets	1,040,814,466	893,805,799
Less:		
Net assets with donor restrictions and liabilities on donor restricted gifts	151,447,718	176,856,504
Private company stock - Watson land company	74,694,384	58,044,352
Contracts receivable - over one year	85,207,246	43,516,433
Notes receivable - over one year	11,531,293	12,899,193
Investments pledged on debt	128,131,868	132,178,572
	451,012,509	423,495,054
Financial assets available to meet cash needs for general expenditures within one year	$ 589,801,957	$ 470,310,745

The Administrative Office has evaluated its liquidity and determined it has adequate resources available to meet general expenses. Administrative Office management monitors bank accounts daily 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 December 17, 2022, the date the consolidated financial statements were available to be issued, in preparing the consolidated financial statements and notes thereto.