

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Report
June 30, 2022

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Independent Auditor's Report

RSM US LLP

His Excellency
José H. Gomez
Archbishop of Los Angeles

Opinion

We have audited the consolidated financial statements of the Administrative Office of the Roman Catholic Archdiocese of Los Angeles and its related consolidated entities (the Administrative Office), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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).

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Administrative Office as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of ALA Insurance Company (ALAIC), a wholly owned entity, whose statements reflect total assets constituting 6.7% and 6.9%, respectively, of consolidated total assets at June 30, 2022 and 2021, and total revenues constituting 7.54% and 4.1%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ALAIC, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Administrative Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administrative Office's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Administrative Office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administrative Office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Irvine, California
March 27, 2023

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021 (as restated)
Assets		
Cash and cash equivalents	\$ 35,405,534	\$ 35,969,365
Restricted cash	970,438	-
Contracts receivable, net	121,649,728	97,573,818
Affiliate receivables, net	21,865,243	18,957,357
Pledges receivable, net	51,395,602	61,196,803
Other receivables	2,211,959	7,412,161
Notes receivable, net	18,478,354	11,816,796
Investments	734,749,129	771,441,831
Endowment assets:		
Endowment cash	1,482,010	1,092,453
Endowment investments	30,479,564	35,931,566
Property, plant and equipment, net	84,861,465	87,396,312
Deferred cemetery sales commissions and benefits	24,702,254	23,856,805
Other assets	1,017,493	824,064
Goodwill, net	19,657,803	22,466,061
	<u>\$ 1,148,926,576</u>	<u>\$ 1,175,935,392</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 20,823,373	\$ 26,243,195
Payable to affiliates	29,545,273	33,876,451
Preneed funeral contract liability	1,646,745	1,382,477
Insurance claims reserves	88,165,471	77,757,884
Pension and other postretirement benefit obligations	122,764,000	165,291,000
Deferred revenue	193,278,998	180,331,178
Cemetery sales return reserve	33,818,726	28,843,817
Custodial collections	18,447,760	17,206,214
Notes payable	128,601,335	128,131,868
Notes payable to affiliates	2,245,925	2,979,728
Total liabilities	<u>639,337,606</u>	<u>\$ 662,043,812</u>
Commitments and contingencies (Notes 14, 15 and 16)		
Net assets:		
Without donor restrictions	382,672,240	399,727,216
With donor restrictions	126,916,730	114,164,364
Total net assets	<u>509,588,970</u>	<u>513,891,580</u>
Total liabilities and net assets	<u>\$ 1,148,926,576</u>	<u>\$ 1,175,935,392</u>

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, 2022 and 2021

	2022			2021 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Donations	\$ 4,584,151	\$ 45,679,401	\$ 50,263,552	\$ 3,015,373	\$ 37,478,833	\$ 40,494,206
Donations, annual appeal	-	14,305,938	14,305,938	-	9,831,032	9,831,032
Cemetery sales	101,508,832	-	101,508,832	104,598,109	-	104,598,109
Mortuary sales	34,034,675	-	34,034,675	32,657,554	-	32,657,554
Insurance reimbursement	133,842,104	-	133,842,104	132,102,674	-	132,102,674
Assessments	19,242,753	-	19,242,753	19,059,367	-	19,059,367
Investment pool return, net of expenses	(71,874,599)	(4,605,849)	(76,480,448)	100,550,190	9,476,975	110,027,165
Other investment return, net of expenses	(6,441,183)	-	(6,441,183)	17,275,444	-	17,275,444
Interest income and other revenue	14,719,193	122,182	14,841,375	10,713,543	-	10,713,543
Change in value of beneficial interest in charitable gift annuity	(58,476)	(25,725)	(84,201)	(7,664)	(2,162)	(9,826)
	229,557,450	55,475,947	285,033,397	419,964,590	56,784,678	476,749,268
Net assets released from restrictions	42,723,581	(42,723,581)	-	70,002,022	(70,002,022)	-
Total revenues	272,281,031	12,752,366	285,033,397	489,966,612	(13,217,344)	476,749,268
Program expenses:						
Education and formational services	30,049,015	-	30,049,015	34,671,456	-	34,671,456
Pastoral and evangelization	19,505,389	-	19,505,389	40,509,583	-	40,509,583
Social services	4,287,732	-	4,287,732	3,609,093	-	3,609,093
Pastoral regions	1,773,848	-	1,773,848	1,564,026	-	1,564,026
Priests' support and retirement	3,714,774	-	3,714,774	2,913,053	-	2,913,053
Cemetery expense	45,109,954	-	45,109,954	40,106,024	-	40,106,024
Mortuary expense	46,749,087	-	46,749,087	43,681,098	-	43,681,098
Total program expenses	151,189,799	-	151,189,799	167,054,333	-	167,054,333
Supporting services:						
General and administrative expense	182,628,695	-	182,628,695	184,851,139	-	184,851,139
Fundraising expense	9,479,513	-	9,479,513	5,950,722	-	5,950,722
Total supporting services	192,108,208	-	192,108,208	190,801,861	-	190,801,861
Total expenses	343,298,007	-	343,298,007	357,856,194	-	357,856,194
(Decrease) increase in net assets before other changes	(71,016,976)	12,752,366	(58,264,610)	132,110,418	(13,217,344)	118,893,074

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2022 and 2021

	2022			2021 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other changes:						
Pension related changes other than net periodic pension costs	\$ 53,962,000	\$ -	\$ 53,962,000	\$ 98,611,000	\$ -	\$ 98,611,000
(Decrease) increase in net assets	(17,054,976)	12,752,366	(4,302,610)	230,721,418	(13,217,344)	217,504,074
Net assets, beginning of year, as previously reported	399,727,216	114,164,364	513,891,580	169,005,798	106,331,604	275,337,402
Correction of an error (Note 1)	-	-	-	-	21,050,104	21,050,104
Net assets, beginning of year, as restated	399,727,216	114,164,364	513,891,580	169,005,798	127,381,708	296,387,506
Net assets, end of year	\$ 382,672,240	\$ 126,916,730	\$ 509,588,970	\$ 399,727,216	\$ 114,164,364	\$ 513,891,580

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statement of Functional Expenses Year Ended June 30, 2022

	Program Expense								Supporting Services			Total
	Education and		Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	General and		Subtotal	
	Formational Services	Pastoral and Evangelization							Administrative	Fundraising		
Salary and wages	\$ 865,746	\$ 5,039,326	\$ 2,095,748	\$ 1,069,880	\$ 611,874	\$ 13,131,202	\$ 24,386,174	\$ 47,199,950	\$ 7,887,307	\$ 2,045,244	\$ 9,932,551	\$ 57,132,501
Benefits	87,932	1,101,053	508,008	257,221	2,754,114	4,147,502	3,599,295	12,455,125	3,553,197	408,824	3,962,021	16,417,146
Subtotal	953,678	6,140,379	2,603,756	1,327,101	3,365,988	17,278,704	27,985,469	59,655,075	11,440,504	2,454,068	13,894,572	73,549,647
Amortization of goodwill	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Bad debt expense	-	-	-	-	-	-	-	-	8,352,599	-	8,352,599	8,352,599
Bank charges	16,070	818	-	60	-	1,290,983	409,055	1,716,986	208,156	403,817	611,973	2,328,959
Conferences/meetings	86,006	193,681	31,381	7,333	43,202	10,864	25,984	398,451	1,596,379	26,507	1,622,886	2,021,337
Consultant	443,799	929,031	130,478	-	-	464,201	242,759	2,210,268	1,724,630	2,616,103	4,340,733	6,551,001
Contribution expense	632,490	1,854,438	-	-	-	-	-	2,486,928	(38,283)	2,024,734	1,986,451	4,473,379
Cost of sales	-	-	-	-	-	7,321,259	6,235,870	13,557,129	-	-	-	13,557,129
Depreciation and amortization	-	-	-	-	-	8,217,329	192,970	8,410,299	153,073	-	153,073	8,563,372
Development/donor appreciation expense	7,579	39,578	9,013	7,800	-	82,048	138,810	284,828	99,770	413,321	513,091	797,919
Equipment rental	994,888	41,051	261,800	1,724	-	766,514	871,885	2,937,862	898,925	21,536	920,461	3,888,323
Insurance expense	-	-	-	-	-	-	-	-	141,663,557	-	141,663,557	141,663,557
Interest expense	-	-	-	-	-	-	80,231	80,231	7,307,901	-	7,307,901	7,388,132
Marketing/advertising	75,782	26,280	53,270	-	18,537	106,251	493,892	774,012	13,110	77,772	90,882	864,894
Miscellaneous	304,569	444,493	571,965	22,561	167	3,295,135	2,055,395	6,694,285	1,201,121	453,466	1,654,587	8,348,872
Mortuary Care Center	-	-	-	-	-	-	2,055,124	2,055,124	-	-	-	2,055,124
Occupancy/facility expense	426,911	460,012	29,673	108,457	15,715	1,120,617	703,750	2,865,135	2,461,464	3,362	2,464,826	5,329,961
Office expense/supplies	876,569	422,190	487,858	169,937	135,849	1,864,001	1,253,063	5,209,467	594,003	924,550	1,518,553	6,728,020
Professional fees	-	32,540	10,485	-	117,510	4,375	80,300	245,210	3,738,695	20,003	3,758,698	4,003,908
Program events	-	33,885	-	-	(1,000)	-	-	32,885	-	-	-	32,885
Seminarian/educational expense	-	113,127	2,444	-	92	-	-	115,663	775	1,049	1,824	117,487
Settlement expense	-	-	-	-	-	-	-	-	473,627	-	473,627	473,627
Staff development	2,389	139,989	-	1,597	-	-	36,895	180,870	24,349	4,400	28,749	209,619
Subscriptions	2,990	39,802	11,827	1,573	108	744	10,594	67,638	6,137	16,882	23,019	90,657
Subsidy-TIM/contribution expense	25,046,124	8,257,511	-	-	-	-	-	33,303,635	907,827	-	907,827	34,211,462
Travel expenses	179,171	192,288	64,044	36,489	1,015	6,230	44,225	523,462	283,331	17,808	301,139	824,601
Uniforms	-	-	-	-	-	214,080	28,456	242,536	-	-	-	242,536
Utilities	-	75,811	2,250	48,562	-	3,031,924	988,140	4,146,687	11,337	88	11,425	4,158,112
Vehicle expenses	-	68,485	17,488	40,654	17,591	34,695	7,962	186,875	19,750	47	19,797	206,672
Subtotal	30,049,015	19,505,389	4,287,732	1,773,848	3,714,774	45,109,954	46,749,087	151,189,799	183,142,737	9,479,513	192,622,250	343,812,049
Pension expense, net of reimbursements	-	-	-	-	-	-	-	-	(514,042)	-	(514,042)	(514,042)
Total	\$ 30,049,015	\$ 19,505,389	\$ 4,287,732	\$ 1,773,848	\$ 3,714,774	\$ 45,109,954	\$ 46,749,087	\$ 151,189,799	\$ 182,628,695	\$ 9,479,513	\$ 192,108,208	\$ 343,298,007

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	Program Expense								Supporting Services			Total	
	Education and Formational Services		Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	General and Administrative	Fundraising		Subtotal
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 of goodwill	-	-	-	-	-	-	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 and amortization	-	-	-	-	-	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	-	-	-	-	-	-	-	-	118,151,021	-	118,151,021	118,151,021	
Interest expense	-	-	-	-	-	-	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	1,395,369	5,994,171	1,323,951	464,463	1,788,414	7,782,585	
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	127,241	283,593	17,974	11,089	29,063	312,656	
Subtotal	34,671,456	40,509,583	3,609,093	1,564,026	2,913,053	40,106,024	43,681,098	167,054,333	159,862,933	5,950,722	165,813,655	332,867,988	
Pension expense, net of reimbursements	-	-	-	-	-	-	-	-	24,988,206	-	24,988,206	24,988,206	
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	\$ 184,851,139	\$ 5,950,722	\$ 190,801,861	\$ 357,856,194	

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, 2022 and 2021

	2022	2021 (as restated)
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (4,302,610)	\$ 217,504,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in defined benefit pension and postretirement plans other than periodic pension and postretirement expense	(53,962,000)	(98,611,000)
Net realized and unrealized losses (gains) on investments	90,703,573	(121,544,243)
Change in value of beneficial interest in charitable gift annuity	84,201	9,826
Change in the pledge and contract receivable discount	4,636,553	6,243,765
Gain on sale of fixed assets	(25,143)	-
Provision for bad debt	6,507,138	12,312,071
Change in allowance on pledges receivable	(3,581,371)	-
Change in sales return reserve	4,974,909	5,271,129
Change in deferred sales commissions	(623,899)	(914,823)
Change in preneed funeral liability	264,268	18,208
Depreciation and amortization	8,563,372	8,486,143
Amortization of goodwill	2,808,258	2,808,258
Assets contributed for endowments	(74,197)	(1,795,942)
Changes in assets and liabilities:		
Change in affiliate receivables	(4,089,662)	1,071,177
Change in contracts receivable	(28,469,849)	(38,598,919)
Change in pledges receivable	12,414,934	22,271,978
Change in other receivables	5,200,202	(1,018,535)
Change in other assets	(193,429)	(261,626)
Change in accounts payable and accrued expenses	(4,164,538)	(13,339,628)
Change in affiliate payables	(4,331,178)	(10,341,949)
Change in insurance claims reserves	10,407,587	6,801,381
Change in liability for pension and postretirement plan	11,435,000	26,840,000
Change in deferred revenue	12,270,220	11,861,940
Change in custodial collections	1,241,546	1,955,303
Change in notes payable to affiliates	-	8,197
Net cash provided by operating activities	67,693,885	37,036,785
Cash flows from investing activities:		
Purchase of investments	(171,169,507)	(184,630,798)
Proceeds from maturities or sale of investments	122,526,437	127,979,499
Additions of notes receivable	(13,064,662)	(150,250)
Repayment from notes receivable	1,225,082	1,497,058
Purchases of property and equipment	(6,250,075)	(7,850,179)
Proceeds from sale of property and equipment	25,143	2,262,824
Net cash used in investing activities	(66,707,582)	(60,891,846)
Cash flows from financing activities:		
Assets contributed for endowments	74,197	1,795,942
Principal payments on notes payable to affiliates	(733,803)	-
Proceeds from notes payable	970,438	-
Principal payments on notes payable	(500,971)	(4,046,704)
Net cash used in financing activities	(190,139)	(2,250,762)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
 Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Net increase (decrease) in cash, cash equivalents restricted cash and endowment cash	\$ 796,164	\$ (26,105,823)
Cash and cash equivalents and endowment cash, beginning of year	<u>37,061,818</u>	63,167,641
Cash, cash equivalents, restricted cash and endowment cash, end of year	<u>\$ 37,857,982</u>	<u>\$ 37,061,818</u>
Reconciliation of cash, cash equivalents, restricted cash and endowment cash:		
Cash and cash equivalents	\$ 35,405,534	\$ 35,969,365
Restricted cash	970,438	-
Endowment cash	<u>1,482,010</u>	<u>1,092,453</u>
Total cash, cash equivalents, restricted cash and endowment cash	<u>\$ 37,857,982</u>	<u>\$ 37,061,818</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,118,730</u>	<u>\$ 2,736,982</u>

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

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) provides pastoral, educational and administrative support to parishes, schools, seminaries, and other institutions in the Roman Catholic Archdiocese of Los Angeles (the Archdiocese). Under Canon Law, the Archbishop has certain oversight responsibilities for these entities; however, he does not have control as defined by Accounting Standards Codification (ASC) 958-805. The consolidated financial statements of the Administrative Office include the operations of Archdiocese Catholic Center (ACC), the Catholic Cemeteries (the Cemeteries), Together in Mission (TIM), the Archdiocese of Los Angeles Insurance Company (ALAI), the Archdiocese of Los Angeles Risk Management Corporation (ADLARM) and the Archdiocese of Los Angeles Funeral and Mortuary Services Corporation (the Mortuaries) over which the Administrative Office has certain fiscal controls and from which it receives certain economic benefit and burden. The financial operations of the individual parishes and schools, Catholic Education Foundation, St. John Seminary in California and certain other institutions and entities in the Archdiocese for which the Archbishop has certain oversight responsibilities and account for their operations separately; therefore, the accompanying financial statements are limited to the financial position and activities of the Administrative Office. All significant intercompany accounts and transactions have been eliminated in the Administrative Office 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. These revenues are expended by the Administrative Office for the various programs, ministries and needs of the Archdiocese. Administrative services provided also 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:

Principles of consolidation: All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

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) 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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 expenditure 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.

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

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

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

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

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

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

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

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

Cash and cash equivalents: The Administrative Office consider 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.

Restricted cash: The Administrative Office classified cash as restricted when the cash is unavailable for withdrawal or usage for general operations. The amount is held in the escrow account as required by contractual agreement for the purchase of fixed assets.

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, 2022 and 2021, the Administrative Office had \$40,876,416 and \$39,174,913, respectively, over federally insured limits.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

Other receivables: Other receivables include miscellaneous receivables from third parties, mortuary receivables, insurance recovery receivables and employee advances. Allowances are not established on these receivables since payment is generally received within a year. 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 from 3.1% to 4.6%, and 0% to 8.0% for the years ended June 30, 2022 and 2021, respectively. 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 accrual of interest on notes is discontinued after payments have not been received for one year. No delinquent fees are charged on past due loans. 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. At June 30, 2022 and 2021, the allowance was \$17,737,093 and \$12,608,473, respectively.

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 fair value which approximates the present value of their estimated future cash flows using a risk-free discount rate. The discounts on those amounts are computed using a fair value rate applicable to the years in which the promises are received. The discount rates ranged from 0.29% to 3.10%, and 0.29% to 1.76%% for the fiscal years ended June 30, 2022 and 2021, respectively. The discounts and accreditation of the discount are netted against donation revenue. Conditional promises to give are not included in pledges receivable until the conditions are met. Allowances on pledges receivable are estimated based on analysis of cash collection history. At June 30, 2022 and 2021, the allowance was \$32,990,180 and \$42,576,840, respectively.

Contracts receivable: Contracts receivable represent sales contracts entered into for interment/entombment rights and merchandise and services related to cemetery operations. No interest is charged to customers on these sales contracts (see Note 1). Allowances are established based on collection history on at need contracts. At June 30, 2022 and 2021, the allowance on at need contracts was \$1,155,381 and \$995,098, respectively. Preneed contracts have variable consideration and can be cancelled up until the customer dies. The collectability of these contracts are accounted for as part of the Administrative Office's estimate of the sales return reserve which is recorded as a liability on the consolidated statements of financial position.

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 aging of receivables and current financial condition of parish or school. At June 30, 2022 and 2021, the allowance was \$49,507,748 and \$48,325,972, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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 revenue and totaled \$12,963,714 and \$1,448,416 for the years ended June 30, 2022 and 2021, respectively. Called to Renew expenses are included in fundraising expenses and totaled \$6,454,157 and \$3,233,172 for the years ended June 30, 2022 and 2021, respectively. Amounts collected on behalf of other entities are recorded as payable to affiliates on the consolidated statements of financial position and were \$22,388,004 and \$27,663,807 at June 30, 2022 and 2021, respectively.

Payable to affiliates: In addition to Call to Renew donations payable to parishes and schools, this account includes miscellaneous amounts due to affiliates in the amount of \$7,157,269 and \$6,212,644 at June 30, 2022 and 2021, respectively.

Correction of an error: Prior to 2022, the Administrative Office recorded changes to the reserve and discount on gross pledge receivables including amounts corresponding to agency payables directly to the consolidated statement of activities in error as opposed to reducing the corresponding payable to affiliates in accordance with agency transactions under ASC 958-25-24. In addition, the Administrative Office improperly recorded a liability for a portion of pledge receivables from parishes when there was not an agency transaction. The result of these two errors to affiliates payable resulted in the correction of the following accounts on each consolidated statement below for the year ended June 30, 2021. All financial information contained in the accompanying notes to the consolidated financial statements have been revised to reflect the correction of these errors.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

The following tables set forth the previously reported amounts and their restated amounts in the accompanying statements:

Consolidated Statement of Financial Position	June 30, 2021		
	Previously reported	Adjustment	Restated
Payable to affiliates	\$ 55,441,555	\$ (21,565,104)	\$ 33,876,451
Total liabilities	683,031,232	(21,565,104)	662,043,812
Net assets with donor restrictions	92,599,260	21,565,104	114,164,364
Total net assets	492,326,476	21,565,104	513,891,580

Consolidated Statement of Activities	June 30, 2021		
	Previously reported	Adjustment	Restated
Beginning net assets with donor restrictions	\$ 106,331,604	\$ 21,050,104	\$ 127,381,708
Ending net assets with donor restrictions	92,599,260	21,565,104	114,164,364
Total beginning net assets	275,337,402	21,050,104	296,387,506
Total ending net assets	492,326,476	21,565,104	513,891,580
Donations—with donor restrictions	36,963,833	515,000	37,478,833

Consolidated Statement of Cash Flows	June 30, 2021		
	Previously reported	Adjustment	Restated
(Decrease) increase in net assets	\$ 216,989,074	\$ 515,000	\$ 217,504,074
(Decrease) increase in affiliates payable	(9,826,949)	(515,000)	(10,341,949)

Investments: The Administrative Office records investments at fair value. For investment income earned from investments in the Archdiocese Investment Pool and investments at Catholic Community 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.

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 60 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

Deferred cemetery sales commissions and benefits: This account represents the following contract assets: 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 and 2) sales commissions and benefits related to the amounts included in the cemetery 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, 2022 and 2021, 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. The Administrative Office accounts for goodwill in accordance with Accounting Standards Update (ASU) 2019-06, *Intangibles—Goodwill and Other, Business Combinations and Not for Profit Entities*. Under this amendment, the Administrative Office amortizes goodwill using the straight-line method over a 10-year period and tests 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, 2022 and 2021, 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 which is recorded as general and administrative expense on the consolidated statement of activities. Costs plus an administrative fee are billed to participants which are recorded as insurance reimbursement revenues in the consolidated statements of activities. Billings outstanding at year end are recorded as affiliates receivable on the consolidated statements of financial position. Consistent with ASC 944-605-55, insurance revenue is recorded gross and not netted against insurance expense due to the Administrative Office being the primary obligator of the insurance arrangement, having control over the supplier selection, determination of the pricing and retaining all the risk. Benefits from insurance billings are set aside in investments to meet accrued claim liabilities on self-insured programs.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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:

	2022	2021
Resale products and services on preneed cemetery contracts	\$ 191,922,310	\$ 178,764,830
Patron deposits/other	574,975	591,268
Mortuary payments	781,713	975,080
Total	<u>\$ 193,278,998</u>	<u>\$ 180,331,178</u>

Merchandise and services: Cemetery sales related to merchandise and services are deferred and recognized at fulfillment.

Patron deposits: 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 sales return reserve. The reserve was based on historical return data and ranged from 11% to 21% of preneed sales based on if the contract was sold by in-house sales team or a third-party sales team. 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.

Custodial collections: Custodial collections represent contributions received by the Administrative Office on behalf of another third-party nonprofit. The Administrative Office acts as an intermediary or agent to facilitate the transfer of funds to the beneficiary nonprofit. These transactions are not recorded as donation revenue but recorded as liabilities on the consolidated statements of financial position.

Interest rate swap agreement: The Administrative Office accounts for its interest rate swap agreement in accordance with U.S. GAAP. The agreement is recorded at fair value and is included in accounts payable and accrued expenses in the consolidated statements of financial position. Amounts were \$6,363,136 and \$1,470,996 for the years ended June 30, 2022 and 2021, respectively. Changes on the fair value of the swap agreement are recorded as other revenue on the consolidated statement of activities for the year ended June 30, 2022.

Revenue recognition: The Administrative Office has cemetery and mortuary sales, assessments and insurance reimbursement 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

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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. Variable consideration on preneed contracts is estimated and recorded as a reduction in cemetery sales revenue and a sales return reserve. Variable consideration amounted to \$4,975,000 and \$5,271,129 for the years ended June 30, 2022 and 2021, respectively. Contract assets are recorded for the related sales commissions and benefits paid on those contracts as deferred cemetery sales commissions and benefits. These amounted to \$845,540 and 914,823 for the years ended June 30, 2022 and 2021, respectively.

The performance obligation is satisfied, and revenue is recognized at a point in time 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 at a point in time 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. Maintenance and care of the cemetery property is recorded as an operating cost of the cemetery and is not a part of the contract price.

For preneed cemetery merchandise and service, the performance obligations occurs at the time of need (when death occurs) and revenue is recognized at a point in time 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 at a point in time on the date of the funeral service when all performance obligations have been satisfied.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

Patrons may prearrange their funeral services through the purchase of third-party insurance policies, which guarantees prices for certain funeral merchandise and services prevailing at the date the contract is signed. The Mortuaries, acting as an agent for a third-party insurance company, earn commissions based on the sales of these insurance contracts. The performance obligation related to insurance commission revenue is met at a point in time 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.

Assessments: Assessments are levied upon parishes of the Archdiocese based on 10% of the ordinary income reported by the parish. Assessment revenue is recognized over time as services are provided and are billed monthly to parishes on a right to invoice basis. The purpose of the assessments is to cover services the Administrative Office provides on behalf of the parishes, 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 plus a management fee 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 over time as revenue in the month billed.

In accordance with ASC 606, the Administrative office has the following contract assets and liabilities at the beginning and end of the period for the years ended June 30, 2022 and 2021:

	2022	2021	2020
Affiliates receivable	\$ 21,865,243	\$ 18,957,357	\$ 31,671,416
Contracts receivable	121,649,728	97,573,818	65,120,288
Deferred cemetery sales commissions and benefit:	24,702,254	23,856,805	22,941,982
Deferred revenue	193,278,998	180,331,178	169,146,838
Cemetery sales return reserve	33,818,726	28,843,817	23,572,688
Preneed funeral contract liability	1,646,745	1,382,477	1,364,269

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 at fair value 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. Donations received that have both a barrier and a right of return are considered conditional and not recorded as revenue until conditions are met. Donations from one donor represented 26% and 43% of total donations for the years ended June 30, 2022 and 2021, respectively.

Interest income and other revenue: This balance consists primarily of investment management fees charged to investment pool participants, interest income on cemetery contract discount, program fees and settlements reached on litigation.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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. Annual appeal revenue is included in donations, annual appeal revenue in the accompanying consolidated statements of activities and was \$14,305,938 and \$9,831,032 for the years ended June 30, 2022 and 2021, respectively.

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.

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. Fundraising expenses amounted to \$9,479,513 and \$5,950,722 for the years ended June 30, 2022 and 2021, respectively.

TIM/contribution expense: This account consists of grants made to parishes and schools from the TIM annual appeal to fund shortfalls in parish and school operating revenues or fund capital projects.

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 are directly charged to a cost center, and then management assigns each cost center to a functional category based on the nature of the activity. Expenses within a cost center are not allocated to multiple functional categories.

Pension and other postretirement benefit obligations: 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. In accordance with ASC 715, the Administrative Office records liabilities equal to the unfunded projected benefit obligation using the Projected Unit Credit Actuarial Cost Method. Plan assets are recorded at fair value as of the measurement date. The Administrative Office is the obligor of the plans and bills affiliated agencies who participate in the plans for a portion of the cost based on their payroll costs times 4% each year. In accordance with ASC 715, contributions received from affiliate entities are netted against pension costs in the consolidated statements of functional expenses.

Income taxes: Except for insurance commission income which is subject to unrelated business income tax per federal tax form 990-T, 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. No unrelated business income taxes were payable in the fiscal years ended June 30, 2022 and 2021.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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, 2022 or 2021.

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

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 (see Note 7).

Recently adopted accounting pronouncement: In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*. The guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. On July 1, 2021, the Administrative Office adopted the standard, which had no impact to the disclosures.

Recently issued accounting standard: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements 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 consolidated statements 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 consolidated financial statements, with certain practical expedients available. The Administrative Office does not believe the impact of this ASU on the consolidated financial statements and disclosures will be material. Management is still evaluating the effect of adoption of this standard.

Reclassification: Certain amounts in the prior year's consolidated statement of financial position, consolidated statement of activities and consolidated statement of cash flow have been reclassified to conform to the current year presentation with no effect on net assets.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 2. Contracts Receivable, Net

Contracts receivable consisted of the following at June 30:

	2022	2021
Cemeteries	\$ 139,228,801	\$ 110,917,138
Mortuaries	428,038	847,536
	<u>139,656,839</u>	<u>111,764,674</u>
Allowance for uncollectible accounts	(1,155,381)	(995,098)
Discount for imputed interest	(16,851,730)	(13,195,758)
Contracts receivable, net	<u>\$ 121,649,728</u>	<u>\$ 97,573,818</u>
	2022	2021
Amounts due in:		
Less than one year	\$ 30,228,515	\$ 26,557,428
One to five years	109,428,324	85,207,246
	<u>\$ 139,656,839</u>	<u>\$ 111,764,674</u>

Note 3. Affiliate Receivables, Net

Affiliate receivables consisted of the following at June 30:

	2022	2021
Parishes	\$ 17,032,588	\$ 16,909,759
Elementary schools	30,026,943	27,380,474
High schools	6,898,371	6,983,985
Education & Welfare Corporation (E&W)	14,010,830	15,499,711
Catholic Education Foundation	392,814	509,400
Other	3,011,445	-
	<u>71,372,991</u>	<u>67,283,329</u>
Allowance for uncollectible accounts	(49,507,748)	(48,325,972)
Affiliate receivables, net	<u>\$ 21,865,243</u>	<u>\$ 18,957,357</u>

Note 4. Pledges Receivable, Net

Pledges receivable at June 30 consisted of the following:

	2022				
	Gross	Discount	Net of Discount	Allowance for Uncollectibles	Net of Discount and Allowance
Called to Renew	\$ 82,646,213	\$ (1,240,634)	\$ 81,405,579	\$ (32,990,180)	\$ 48,415,399
Annual appeal	2,189,687	(109,484)	2,080,203	-	2,080,203
Other	900,000	-	900,000	-	900,000
	<u>\$ 85,735,900</u>	<u>\$ (1,350,118)</u>	<u>\$ 84,385,782</u>	<u>\$ (32,990,180)</u>	<u>\$ 51,395,602</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 4. Pledges Receivable, Net (Continued)

	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	(176,667)	3,356,671	-	3,356,671
	<u>\$ 104,156,124</u>	<u>\$ (382,481)</u>	<u>\$ 103,773,643</u>	<u>\$ (42,576,840)</u>	<u>\$ 61,196,803</u>

	2022	2021
Amounts due in:		
Less than one year	\$ 46,198,062	\$ 44,209,488
One to five years	39,537,838	59,946,636
	<u>\$ 85,735,900</u>	<u>\$ 104,156,124</u>

The discount rates applied on pledges ranges from 0.29% to 3.10%, and 0.29% to 1.76%% for the fiscal years ended June 30, 2022 and 2021, respectively.

Note 5. Other Receivables

Other receivables at June 30 consisted of the following:

	2022	2021
Administrative third-party receivables	\$ 1,745,973	\$ 3,943,064
Cemetery employee receivables	107,221	20,413
Mortuary receivables	269,312	465,654
Insurance recovery receivable	89,453	2,983,030
Total	<u>\$ 2,211,959</u>	<u>\$ 7,412,161</u>

Note 6. Notes Receivable

Notes receivable at June 30 consisted of the following:

	2022	2021
Parishes, high schools and elementary schools	\$ 15,404,724	\$ 15,789,129
St. John's Seminary	6,988,196	7,851,446
Investment Pool	12,989,958	-
Other nonaffiliated entities	832,569	784,694
	<u>36,215,447</u>	<u>24,425,269</u>
Allowance for uncollectible accounts	(17,737,093)	(12,608,473)
Notes receivable, net	<u>\$ 18,478,354</u>	<u>\$ 11,816,796</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 6. Notes Receivable (Continued)

The aging of notes receivable portfolio as of June 30, 2022 and 2021, is presented as follows:

	2022					
	Current	Loans			Total Past Due	Total
		30–59 Days Past Due	60–89 Days Past Due	Past Due 90 Days or More		
Parishes, high schools and elementary schools	\$ 3,579,974	\$ -	\$ -	\$ 11,824,750	\$ 11,824,750	\$ 15,404,724
St. John's Seminary	6,988,196	-	-	-	-	6,988,196
Investment Pool	7,793,975	-	-	5,195,983	5,195,983	12,989,958
Other nonaffiliated entities	116,209	-	-	716,360	716,360	832,569
Total loans	<u>\$ 18,478,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,737,093</u>	<u>\$ 17,737,093</u>	<u>\$ 36,215,447</u>

	2021					
	Current	Loans			Total Past Due	Total
		30–59 Days Past Due	60–89 Days Past Due	Past Due 90 Days or More		
Parishes, high schools and elementary schools	\$ 3,897,988	\$ -	\$ -	\$ 11,891,141	\$ 11,891,141	\$ 15,789,129
St. John's Seminary	7,851,446	-	-	-	-	7,851,446
Investment Pool	-	-	-	-	-	-
Other nonaffiliated entities	67,362	-	-	717,332	717,332	784,694
Total loans	<u>\$ 11,816,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,608,473</u>	<u>\$ 12,608,473</u>	<u>\$ 24,425,269</u>

Aggregate maturities of notes receivable as of June 30, 2022, are as follows:

Years ending June 30:

2023	\$ 3,458,861
2024	3,496,731
2025	3,654,091
2026	3,598,884
2027	3,368,243
Thereafter	18,638,637
	<u>\$ 36,215,447</u>

The Administrative Office purchased the Investment pool participant loans in the amount of \$12,989,958, consisting of \$12,114,994 in principal and interest of \$874,964. There was no gain or loss on the acquisition. The notes receivable investment pool loans bear interest at a rate ranging from 3.13% to 4.60% for the year ended June 30, 2022.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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.

During the years ended June 30, 2022 and 2021, there were no changes to the Administrative Office's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or results of operations. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within the entire fair value measurement falls is based on the lowest level input that is significant to the fair value in its entirety.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

The Administrative Office's investments are categorized as follows for the year ended June 30, 2022:

	2022			
	Total	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	\$ 172,688	\$ -	\$ -	\$ 172,688
Investments:				
Money market funds	86,685	86,685	-	-
Bonds	38,615	38,615	-	-
Charitable Remainder Trusts:				
Equities	410,071	410,071	-	-
Fixed income	316,137	316,137	-	-
Alternative investments	11,190	11,190	-	-
Archdiocese Investment Pool	691,298,003	-	-	691,298,003
Investments held at CCFLA	86,392	-	-	86,392
Private company stock—Watson land	71,946,796	-	-	71,946,796
Rabbi Trust:				
Money market funds	1,011,221	1,011,221	-	-
Custodial securities—stock	1,283	1,283	-	-
	765,206,393	1,875,202	-	763,331,191
Charitable remainder trusts—cash	22,300			
Total investments	765,228,693			
Total assets	\$ 765,379,081	\$ 1,875,202	\$ -	\$ 763,503,879
Liabilities:				
Accounts payable—liabilities to beneficiaries	\$ 481,915	\$ -	\$ -	\$ 481,915
Accounts payable—interest swap agreements	6,363,136	-	-	6,363,136
Total liabilities	\$ 6,845,051	\$ -	\$ -	\$ 6,845,051

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements (Continued)

The Administrative Office investments are categorized as follows for the year ended June 30, 2021:

	2021			
	Total	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:				
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:				
Money market funds	970,090	970,090	-	-
Custodial securities—stock	2,138	2,138	-	-
	807,362,096	2,063,976	-	805,298,120
Charitable remainder trusts and Rabbi trust—cash	11,301			
Total investments	807,373,397			
Total assets	\$ 807,560,509	\$ 2,063,976	\$ -	\$ 805,496,533
Liabilities:				
Accounts payable—liabilities to beneficiaries	\$ 534,781	\$ -	\$ -	\$ 534,781
Accounts payable—interest swap agreements	1,470,996	-	-	1,470,996
Total liabilities	\$ 2,005,777	\$ -	\$ -	\$ 2,005,777

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

	2022					
	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	\$ -	\$ 165,236,410	\$ -	\$ -	\$ -	\$ -
Withdrawals	(131,747)	(124,392,980)	(850)	-	-	(4,891,480)
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-

	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)	-	-	-

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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, 2021, 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.

The fair value of beneficial interests in charitable trusts held by others based on 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.

The fair value of the interest rate swap agreement is based on no observable inputs such as yield curves provided by the Administrative Office's counterparty.

Note 8. Investments

Investments consisted of the following at June 30:

	2022	2021
Pooled investments—investment pool and CCFLA	\$ 691,384,395	\$ 730,603,736
Other investments	73,844,298	76,769,661
	<u>\$ 765,228,693</u>	<u>\$ 807,373,397</u>

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 Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 8. Investments (Continued)

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:

	2022	2021
Balanced Pool	\$ 501,407,235	\$ 530,112,313
Income Pool	189,890,768	200,404,183
	<u>\$ 691,298,003</u>	<u>\$ 730,516,496</u>

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.

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. Amounts in this Pool were \$86,392 and \$87,240 for the years ended June 30, 2022 and 2021, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 8. Investments (Continued)

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

	2022	2021
Watson Land Company securities (all equities)	\$ 71,946,796	\$ 74,694,384
Charitable Remainder Trust:		
Cash	22,300	11,301
Equities	410,071	549,308
Fixed income	316,137	405,154
Alternative investments	11,190	9,891
	<u>759,698</u>	<u>975,654</u>
Rabbi Trust—money market funds	1,011,221	970,090
Other (bonds and money market)	125,300	127,395
Custodial securities—stock	1,283	2,138
Total other investments	<u>\$ 73,844,298</u>	<u>\$ 76,769,661</u>

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, 2022 and 2021, the investment in Watson Land Company was considered a Level 3 investment under FASB ASC 820 fair value hierarchy levels.

At June 30, 2022 and 2021, the Rabbi Trust invested \$14,153,359 and \$18,524,133, respectively, in the Investment Pool and \$1,011,221 and \$970,090, 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, Plant and Equipment, Net

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

	2022	2021
Land	\$ 32,748,142	\$ 32,748,142
Cemetery and mausoleum developments	102,363,177	99,719,249
Buildings and improvements	57,403,634	49,529,609
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	2,869,703	7,443,841
Furniture, fixtures and equipment	17,090,939	16,849,977
	<u>218,206,234</u>	<u>212,021,457</u>
Less accumulated depreciation and amortization	(133,344,769)	(124,625,145)
	<u>\$ 84,861,465</u>	<u>\$ 87,396,312</u>

Depreciation and amortization expense totaled \$8,563,372 and \$8,486,143 for the years ended June 30, 2022, and 2021, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 9. Property, Plant and Equipment, Net (Continued)

Construction in progress represents cemetery developments currently under construction. As such, this asset category is not depreciated. Upon completion, construction in progress 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. Amortization expense on goodwill was \$2,808,258 for both years ended June 30, 2022 and 2021.

The following is the change in goodwill for the years ended June 30:

	2022	2021
Goodwill, beginning of the year	\$ 22,466,061	\$ 25,274,319
Amortization	(2,808,258)	(2,808,258)
Goodwill, end of the year	<u>\$ 19,657,803</u>	<u>\$ 22,466,061</u>

Note 11. Pension and Other Postretirement Benefit Obligations

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

	2022	2021
Qualified Priest Pension Plan	\$ (1,933,000)	\$ (4,679,000)
Lay Employees Pension Plan	(84,069,000)	(113,660,000)
Priests Supplemental Retirement Plan	(19,139,000)	(23,873,000)
Priests Other Postretirement Benefit Plan	(17,623,000)	(23,079,000)
Pension and other postretirement benefit obligations	<u>\$ (122,764,000)</u>	<u>\$ (165,291,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

A reconciliation of beginning and ending balances of each plan's projected benefit obligation is as follows for the years ended June 30, 2022 and 2021:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
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
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)
Plan 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)
Pension expense	617,000	(1,111,000)	(1,469,000)	(1,062,000)	(3,025,000)
Contributions	-	1,300,000	589,000	10,700,000	12,589,000
Gains and losses:					
Due to remeasurement	998,000	(593,000)	192,000	(3,040,000)	(2,443,000)
Investment performance	(11,942,000)	-	-	(67,343,000)	(79,285,000)
Discount rate change	14,007,000	4,683,000	6,139,000	99,411,000	124,240,000
Mortality assumption change	(264,000)	(101,000)	(120,000)	(985,000)	(1,470,000)
Change due in other assumptions	(670,000)	556,000	125,000	(8,090,000)	(8,079,000)
Total	2,129,000	4,545,000	6,336,000	19,953,000	32,963,000
Ending projected benefit obligation, June 30, 2022	(53,050,000)	(19,139,000)	(17,623,000)	(380,365,000)	(470,177,000)
Plan assets	51,117,000	-	-	296,296,000	347,413,000
Liability for pension benefits, June 30, 2022	\$ (1,933,000)	\$ (19,139,000)	\$ (17,623,000)	\$ (84,069,000)	\$ (122,764,000)

Lay employees: The Archdiocese sponsors a defined benefit pension plan covering substantially all full-time lay employees (the Lay Plan), 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 were made to the Lay Plan during both years ended June 30, 2022 and 2021. Benefit payments of \$17,744,000 and \$18,919,000 were made from the Lay Plan during the years ended June 30, 2022 and 2021, respectively. All contributions to the Lay Plan are made by the Archdiocese; there are no employee contributions to the plan.

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

	2022	2021
Service cost, benefits earned during the period	\$ 10,390,000	\$ 10,733,000
Interest cost on projected benefit obligation	12,277,000	11,889,000
Actual return on plan assets	45,738,000	(77,078,000)
Net amortization and deferral	(61,711,000)	74,236,000
Net periodic pension cost	\$ 6,694,000	\$ 19,780,000

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

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 \$2,276,814 and \$2,123,348 for the years ended June 30, 2022 and 2021, respectively.

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

	2022	2021
Accumulated benefit obligation for service rendered to date	<u>\$ (375,253,000)</u>	<u>\$ (455,845,000)</u>
Projected benefit obligation for service rendered to date	\$ (380,365,000)	\$ (463,749,000)
Plan assets at fair value	<u>296,296,000</u>	<u>350,089,000</u>
Funded status at end of year	<u>\$ (84,069,000)</u>	<u>\$ (113,660,000)</u>
Liability for pension benefits	<u>\$ (84,069,000)</u>	<u>\$ (113,660,000)</u>

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:

	2022				
	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:					
Money market funds	\$ 11,983,472	\$ -	\$ 11,983,472	\$ -	\$ -
Domestic common stocks	27,984,206	-	27,984,206	-	-
Foreign stocks	2,863,015	-	2,863,015	-	-
Mutual funds—equity	92,353,186	-	-	92,353,186	-
Mutual funds—fixed income	87,370,866	-	-	87,370,866	-
Collective investment funds	63,056,678	63,056,678	-	-	-
	<u>285,611,423</u>	<u>\$ 63,056,678</u>	<u>\$ 42,830,693</u>	<u>\$ 179,724,052</u>	<u>\$ -</u>
Cash	(15,423)				
Contribution receivable	10,700,000				
Total plan assets	<u>\$ 296,296,000</u>				

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

	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:					
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	-	-	-
	349,928,160	\$ 78,549,933	\$ 78,454,621	\$ 192,923,606	\$ -
Cash	160,840				
Total plan assets	<u>\$ 350,089,000</u>				

Amounts recognized in net assets without donor restrictions for the years ended June 30, consisted of the following:

	2022	2021
Net loss	\$ 68,743,000	\$ 94,328,000

Other changes in plan assets and benefit obligations recognized are included in pension related changes other than net periodic pension costs on the accompanying consolidated statements of activities at June 30 consisted of the following:

	2022	2021
Net gain	\$ (19,953,000)	\$ (51,994,000)
Amortization of gain	(5,632,000)	(14,295,000)
Total gain recognized on the consolidated statements of activities	<u>\$ (25,585,000)</u>	<u>\$ (66,289,000)</u>

	2022	2021
Total gain recognized in net periodic pension cost and the consolidated statements of activities	\$ (18,891,000)	\$ (46,509,000)

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 4.62% and 2.69% for the years ended June 30, 2022 and 2021, respectively, was used. The assumed rate of increase in future compensation levels was 3.75% for both the years ended June 30, 2022 and 2021.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

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, 2022 and 2021, the expected long-term rate of return used in determining net periodic pension cost was 6.36% and 6.31%, respectively.

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

Asset Category	Archdiocesan Approved Asset Allocation	Policy Asset Allocation	Plan Assets at June 30	
			2022	2021
Equities	60%-80%	70%	62%	72%
Fixed income	25%-35%	30%	38%	28%

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, 2022, are expected to be paid:

Years ending June 30:	
2023	\$ 20,911,000
2024	21,420,000
2025	21,734,000
2026	21,680,000
2027	22,131,500
Thereafter	120,250,500
	<u>\$ 228,127,000</u>

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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

Contributions of \$0 to the Qualified Plan and \$1,300,000 to the Supplemental Plan were made during the year ended June 30, 2022. Contributions of \$0 to the Qualified Plan and \$1,300,000 to the Supplemental Plan were made during the year ended June 30, 2021. Benefit payments of \$2,643,000 from the Qualified Plan and \$1,300,000 from the Supplemental Plan were made during the year ended June 30, 2022. 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.

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:

	2022		2021	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	\$ 1,482,000	\$ 466,000	\$ 1,611,000	\$ 476,000
Interest cost on projected benefit obligation	1,736,000	645,000	1,753,000	636,000
Actual return on plan assets	8,107,000	-	(14,132,000)	-
Net amortization and deferral	(10,082,000)	849,000	14,030,000	988,000
Net periodic pension cost	<u>\$ 1,243,000</u>	<u>\$ 1,960,000</u>	<u>\$ 3,262,000</u>	<u>\$ 2,100,000</u>

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

	2022		2021	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	<u>\$ (53,050,000)</u>	<u>\$ (19,139,000)</u>	<u>\$ (66,651,000)</u>	<u>\$ (23,873,000)</u>
Projected benefit obligation for service rendered to date	\$ (53,050,000)	\$ (19,139,000)	\$ (66,651,000)	\$ (23,873,000)
Plan assets at fair value	51,117,000	-	61,972,000	-
Funded status at end of year	<u>\$ (1,933,000)</u>	<u>\$ (19,139,000)</u>	<u>\$ (4,679,000)</u>	<u>\$ (23,873,000)</u>
(Liability) for pension benefits	<u>\$ (1,933,000)</u>	<u>\$ (19,139,000)</u>	<u>\$ (4,679,000)</u>	<u>\$ (23,873,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 11. Pension and Other Postretirement Benefit Obligations (Continued)

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:

	2022				
	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:					
Money market funds	\$ 4,856,725	\$ -	\$ 4,856,725	\$ -	\$ -
Domestic common stocks	4,382,930	-	4,382,930	-	-
Foreign stocks	450,307	-	450,307	-	-
Mutual funds—equity	14,115,395	-	-	14,115,395	-
Mutual funds—fixed income	15,839,948	-	-	15,839,948	-
Collective investment funds	11,471,695	11,471,695	-	-	-
Total plan assets	\$ 51,117,000	\$ 11,471,695	\$ 9,689,962	\$ 29,955,343	\$ -

	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:					
Money market funds	\$ 3,011,225	\$ -	\$ 3,011,225	\$ -	\$ -
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	\$ 61,972,000	\$ 14,086,889	\$ 11,396,675	\$ 36,488,436	\$ -

Amounts recognized are included in pension related changes other than net periodic pension costs on the accompanying consolidated statements of activities for the years ended June 30 consisted of the following:

	2022		2021	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss	\$ 13,494,000	\$ 8,482,000	\$ 16,223,000	\$ 13,858,000
Prior service cost	8,327,000	(556,000)	9,587,000	(538,000)
	\$ 21,821,000	\$ 7,926,000	\$ 25,810,000	\$ 13,320,000

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

Other changes in plan assets and benefit obligations recognized are included in pension related changes other than net periodic pension costs on the accompanying consolidated statements of activities at June 30 consisted of the following:

	2022		2021	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net (gain) loss	\$ (2,129,000)	\$ (4,545,000)	\$ (14,370,000)	\$ 228,000
Amortization of gain	(600,000)	(831,000)	(1,689,000)	(919,000)
Amortization of prior service credit	(1,260,000)	(18,000)	(1,305,000)	(69,000)
Total gain recognized on the consolidated statements of activities	\$ (3,989,000)	\$ (5,394,000)	\$ (17,364,000)	\$ (760,000)

	2022		2021	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total (gain) loss recognized on the consolidated statements of activities	\$ (2,746,000)	\$ (3,434,000)	\$ (14,102,000)	\$ 1,340,000

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 4.59% and 2.71% was used for the years ended June 30, 2022 and 2021, respectively.

The Archdiocese employs a methodical process to determine the estimates of the expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the years ended June 30, 2022 and 2021, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.36% and 6.31%, respectively.

Priests' other postretirement 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 \$589,000 and \$629,000 were made to the plan during the years ended June 30, 2022 and 2021, 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:

	2022	2021
Service cost, benefits earned during the period	\$ 821,000	\$ 830,000
Interest cost on projected benefit obligation	648,000	649,000
Net amortization and deferral	69,000	219,000
Net periodic pension cost	\$ 1,538,000	\$ 1,698,000

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

The Administrative Office's assessed portion of net periodic pension cost for the priests' pension and priest's other postretirement benefit plan included in priests' support and retirement in the accompanying consolidated statements of activities was \$489,246 and \$452,314 for the years ended June 30, 2022 and 2021, respectively.

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

	2022	2021
Accumulated postretirement benefit obligation for service rendered to date	\$ (17,623,000)	\$ (23,079,000)
Projected benefit obligation for service rendered to date	\$ (17,623,000)	\$ (23,079,000)
Funded status as of end of year	\$ (17,623,000)	\$ (23,079,000)
Liability for postretirement benefits	\$ (17,623,000)	\$ (23,079,000)

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

	2022	2021
Net loss	\$ 951,000	\$ 7,700,000
Prior service cost	(1,945,000)	(2,289,000)
Total loss recognized in statement of activities	\$ (994,000)	\$ 5,411,000

Other changes in plan assets and benefit obligations recognized are included in pension related changes other than net periodic pension costs on the accompanying consolidated statements of activities at June 30 consisted of the following:

	2022	2021
Net gain	\$ (6,336,000)	\$ (1,350,000)
Amortization of gain	(413,000)	(563,000)
Amortization of prior service cost	344,000	344,000
Total gain recognized on the consolidated statements of activities	\$ (6,405,000)	\$ (1,569,000)

Assumptions used to determine net periodic pension cost and net periodic postretirement benefit cost:

	2022	2021
Discount rate—Qualified and Supplemental Plan (pension)	2.71%	2.66%
Discount rate—Supplemental Plan (postretirement medical)	2.87%	2.82%
Expected long-term rate of return on assets (qualified plan)	6.36%	6.61%
Future benefit increases—Qualified and Supplemental Plan (pension)	2.00%	2.00%

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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, 2022 and 2021, the expected long-term rate of return used in determining net periodic pension cost and net periodic postretirement benefit cost was 6.36% and 6.61%, respectively.

Assumptions used to determine benefit obligations at year-end:

	2022	2021
Discount rate—Qualified and Supplemental Plan (pension)	4.59%	2.71%
Discount rate—Supplemental Plan (postretirement medical)	4.66%	2.87%
Future benefit increases—Qualified and Supplemental Plan (pension)	2.00%	2.00%

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	
			2022	2021
Equities	60%-80%	70%	56%	67%
Fixed income	25%-35%	30%	44%	33%

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 Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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

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

	Qualified Plan	Supplemental Plan	Retiree Welfare Benefit Plan
Years ending June 30:			
2023	\$ 3,237,000	\$ 1,276,000	\$ 628,000
2024	3,272,000	1,284,000	660,000
2025	3,297,000	1,300,000	681,000
2026	3,353,000	1,302,000	710,000
2027	3,339,000	1,297,000	733,000
Thereafter	17,155,000	6,521,000	4,092,000
	<u>\$ 33,653,000</u>	<u>\$ 12,980,000</u>	<u>\$ 7,504,000</u>

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 \$62,760 and \$82,400 to the 403(b) Plan during the years ended June 30, 2022 and 2021, respectively.

Note 12. Notes Payable

Notes payable at June 30 consisted of the following:

	2022	2021
Term A loan	\$ 100,000,000	\$ 100,000,000
Term B loan	2,736,264	3,131,868
Cemetery equipment loan payable	865,071	-
Line of credit	25,000,000	25,000,000
	<u>\$ 128,601,335</u>	<u>\$ 128,131,868</u>

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. The maturity date was extended to May 1, 2026, see further details below. At June 30, 2022, the interest rate in effect was 2.44%. Principal and interest payments in the amount of \$98,901 are due on the seventh day of each quarter commencing on March 7, 2014. On June 30, 2022 and 2021, the note had an outstanding principal balance of \$2,736,264 and \$3,131,868, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 12. Notes Payable (Continued)

On April 30, 2021, the Archdiocese entered into an amended and restated credit agreement with a bank. 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 non-amortizing \$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). At June 30, 2022, the interest rate in effect was 2.14% on the revolving line of credit and 2.44% on Term Loan A.

Term Loan B bears interest based on Daily Simple SOFR plus a margin of 1% and matures May 1, 2026. At June 30, 2022 and 2021, the amount outstanding on this agreement was \$100,000,000 for both years on Term Loan A, \$2,736,264 and \$3,131,868, respectively, on Term Loan B, and \$25,000,000 for both years on the revolving line of credit.

In conjunction with this credit facility, the Administrative Office entered into interest rate swap agreement with the lender. Under FASB ASC 815, the instruments' fair value and changes therein must be recorded in the Administrative Office's statement of activities. 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 of \$6,363,136 and \$1,470,996, and was included in accounts payable and accrued expenses at June 30, 2022 and 2021, respectively. The corresponding increase in interest expense of \$4,891,480 and \$374,660 for the years ended June 30, 2022 and 2021, respectively, was included in administrative expense. The interest rate swap agreement was effective on May 1, 2021, and matures on May 1, 2026.

Cemetery equipment loan: Effective March 11, 2022, the Cemetery entered into a loan payable with a bank in the amount of \$970,438 for 36 months to purchase equipment for its cemeteries. Principal payments in the amount of \$28,369 and interest payments ranging from \$83 to \$2,779 are due monthly. The loan bears 3.54% interest and is secured by the equipment totaling \$970,438.

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.

On March 8, 2021, with an effective date of April 30, 2021, this loan was refinanced. The new loan has a term of five years and interest of daily simple SOFR plus a margin of 1%. At June 30, 2022 and 2021, the balance on this loan payable was \$2,736,264 and \$3,131,868, respectively; this is secured by marketable securities.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 12. Notes Payable (Continued)

Schedule of future maturities of notes payable is as follows:

Years ending June 30:	
2023	\$ 710,490
2024	721,819
2025	619,576
2026	126,549,450
Total	<u>\$ 128,601,335</u>

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, 2022 and 2021, the amount outstanding on these notes was \$2,245,925 and \$2,979,728, 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.

Aggregate future maturities of notes payable to affiliates debt at June 30, 2022, are as follows:

Year ending December 31:	
2023	<u>\$ 2,245,925</u>

Note 14. Commitments and Contingencies

Sexual misconduct litigation: In December 2006 and July 2007, global settlements were reached to resolve more than 550 claims brought against the Archdiocese and other parties as a result of 2002 California legislation allowing claims that might be otherwise barred to be filed during 2003. The Archdiocese completed the funding in 2011 through debt borrowings (see Note 13).

In 2013, 2014 and 2018, the California legislature passed legislation to again revive barred claims and to expand the statute of limitations for claims alleging the misconduct of minors generally. The bills were vetoed each year.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies (Continued)

In 2019 a bill (AB 218) was again passed by the legislature and in October 2019, the governor of California signed the legislation. AB 218 expanded the statute of limitations for claims alleging sexual misconduct by clergy and lay persons. The legislation applied to religious organizations and related institutions and all other public and private entities (other than the state of California or its agencies or institutions); revived for three years (through December 2022, unless extended under the COVID pandemic related extensions of certain statutes of limitations) claims for childhood sexual abuse that are currently barred and extended 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. AB 218 retained the right to seek punitive damages and allowed 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. The proceedings have been coordinated into three proceedings in California with one coordinated proceeding in the Los Angeles court for the Archdiocese and the Diocese of Orange. As of June 30, 2022, the Archdiocese was aware of 425 claims in 329 lawsuits that have been filed naming the Archdiocese under the current revival of the statute of limitations. Subsequent to June 30, 2022, additional claims have been filed under the revival statute of limitations. As of December 15, 2022, the Archdiocese was aware of approximately 1,250 claims in 1,100 lawsuits that had been filed naming the Archdiocese; as noted above, claims could be and were filed through the closing of the statute of limitations, December 2022.

Limited factual information is available to assess the claims since there has been only limited disclosure of the charging allegations and, accordingly, assessment of potential losses in the coordinated litigation cannot be made at this time. The Archdiocese and certain other (arch)dioceses in California asserted constitutional challenges to AB 218, some of which have been accepted and others denied. A petition for certiorari review by the United States Supreme Court of these matters was denied in June 2022. Further appellate proceedings continue to be considered and, as appropriate, may be pursued further.

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 initially allowed claims through February 2020 but was extended into summer 2021 due to the COVID-19 pandemic. In the ICP, 90 claims (including two claims shared with another participating diocese) were resolved, with the Archdiocese funding a total of \$9,751,667 as of June 30, 2021

The Archdiocese also initiated planning for a parallel effort to resolve claims against non-diocesan priests and religious brothers that are ineligible to be considered in the Independent Compensation Program (ICP) but the implementation of the plan was not implemented due to the challenges of the impact of COVID-19.

Since the global settlement additional litigated and non-litigated 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 through the Archdiocese's 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies (Continued)

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. On June 1, 2022, the Archdiocese entered into the Third Amendment of the lease to expand the Existing Premises, which consists of 85,438 rentable square feet for purposes of calculating base rent, to include six additional suites comprising 4,320 square feet located on the eighth (8th) floor of the building known as the "Expansion Premises," for a total of 89,758 square feet (collectively, New Premises).

The lease term for the Existing Premises was extended for 36 months, to commence retroactively on May 1, 2022, and terminate on May 1, 2025. The lease term for the Expansion Premises commence on various months but do not extend beyond May 1, 2025, except for one suite which terminated on December 31, 2022. There are two options to extend the lease term of the New Premises for an additional year.

The base rent of the Existing Premises for first 12 months of the extended term shall be \$158,060 per month, with an annual 2% increase thereafter. The base rate of the Expansion Premises shall be a flat rate through the lease term ending on May 1, 2025, except for one suite that shall increase 2% annually. There will be an additional 2% increase in the base rent immediately before any option to extend the lease term of the New Premises.

The future lease commitment at June 30, 2022, is as follows:

Years ending June 30:

2023	\$ 1,947,108
2024	1,968,359
2025	1,670,240
	<u>\$ 5,585,707</u>

Rent expense for the years ended June 30, 2022 and 2021, was \$1,695,675 and \$1,652,317, respectively, and is included in occupancy/facility expense in the accompanying consolidated statements of functional expenses.

Note 15. Insurance Claims Reserves

In fiscal 2012, the Archdiocese established ALAIC, a captive insurance company organized in the state of Montana as a nonprofit organization. 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 and Equipment Breakdown continue to be insured under a separate commercial policy.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 15. Insurance Claims Reserves (Continued)

The insurance program is administered by ADLARM, a California nonprofit organization, established by the Archdiocese. 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 ALAIC 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, ALAIC 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, ALAIC 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.

The undiscounted insurance claims reserve on the Administrative Office's consolidated statements of financial position for insurance claims is \$88,165,471 and \$77,757,884 as of June 30, 2022 and 2021, respectively.

The insurance claims coverage as of June 30, 2022, follows:

Coverage	ALAIC Retentions		Risk Mgt.	Commercial	Comments
	Per Occ.	Annual Agg.	Corp. Retention	Insurance Policy Limit	
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	\$ 1,500,000	None	(a)	\$ 60,000,000	
Other Liability	\$ 1,500,000	None	(a)	\$ 60,000,000	Excluding Sensitive Claims
Workers Compensation	\$ 975,000	None	\$ 25,000	Statutory	ALAIC retention is excess of the RMC retention
Sexual Misconduct (before 7/1/18)	\$ 2,000,000	\$4,000,000	Excess Agg	No Coverage	Retentions apply to settlement and expense combined
Sexual Misconduct (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.
Equipment Breakdown/Boiler and Machinery	None	None	(a)	\$ 250,000,000	\$10,000 deductible
Fine Arts	None	None	(a)	\$ 10,000,000	\$1,000 deductible
Crime/Fiduciary Liability	\$ 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 \$29,545,273 and \$33,876,451 as of June 30, 2022 and 2021, respectively. Parish assessments and interest on affiliate loans comprised \$19,242,753 and \$19,059,367 to revenues for the years ended June 30, 2022 and 2021, 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 other income from E&W. Corresponding contribution expense to the Administrative Office is recorded by E&W. Total contribution to other income amounted to \$109,127 and \$121,494 for the years ended June 30, 2022 and 2021, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 16. Related-Party Transactions (Continued)

Expenses incurred on behalf of such related parties consist of subsidies and insurance program benefits. Subsidies are provided through 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 93 parishes and 79 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 \$47,977,612 and \$69,422,709 for the years ended June 30, 2022 and 2021, 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 \$759,698 and \$975,654 for the years ended June 30, 2022 and 2021, respectively. Total amounts payable to beneficiaries are \$568,143 and \$534,781 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, ranged from 3.8% to 9.4%.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

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:

	2022	2021
Purpose restrictions:		
Repair and maintenance	\$ 2,519,374	\$ 1,337,179
Operating subsidies	4,978,262	4,978,262
Educational purposes	7,203,152	6,014,199
Office of Religious Education	116,975	116,975
House of Prayer	24,894	24,894
Called to Renew	32,083,471	22,450,048
Together in Mission	14,233,352	12,577,017
Cardinal Award Dinner	226,840	21,930
Other	6,433,607	5,563,736
Time restrictions:		
Pledges receivable, net of affiliate liability	26,962,541	23,857,692
Other receivables—beneficial interest in trust	172,688	198,413
Endowments	31,961,574	37,024,019
	<u>\$ 126,916,730</u>	<u>\$ 114,164,364</u>

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 of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 19. Endowment Fund (Continued)

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

The Administrative Office may appropriate for expenditure or accumulate so much of the endowment fund as the Administrative Office determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The amount appropriated, the spending policy, is a board-approved percentage applied to the average fair value of the endowment fund investments for the three preceding years. The board-approved spending percentage was 5% for both of the years ended June 30, 2022 and 2021. Endowment income appropriated for spending is recorded as net asset released from restriction in the consolidated statements of activities.

Assets of the endowment fund in the amount of \$31,961,574 and \$37,024,019 as of June 30, 2022 and 2021, respectively, were held in cash, investments and accounts payable.

Endowment net assets at June 30 were as follows:

	2022	2021
Vocation in Progress	\$ 5,138,136	\$ 6,330,706
Adopt-a-Family	3,210,558	3,610,933
Repair and maintenance	8,408,076	9,957,400
Educational purposes	8,882,823	10,243,140
Office of Religious Education	2,183,355	2,473,536
House of Prayer	1,161,232	1,345,256
Called to Renew	2,204,280	2,172,215
Other	773,114	890,833
	<u>\$ 31,961,574</u>	<u>\$ 37,024,019</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 19. Endowment Fund (Continued)

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

	2022	2021
Endowment net assets, beginning of year	\$ 37,024,019	\$ 39,453,018
Investment return:		
Investment income	428,153	350,905
Net (depreciation) appreciation (realized and unrealized)	(5,034,002)	9,126,070
Total investment return	(4,605,849)	9,476,975
Contributions	74,198	1,795,942
Appropriation of endowment funds for expenditure	(530,794)	(694,404)
Transfer of endowment to CCFLA	-	(13,007,512)
Endowment net assets, end of year	<u>\$ 31,961,574</u>	<u>\$ 37,024,019</u>

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, 2022 and 2021, 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 statement of financial position and consolidated statements of activities for the year ended June 30, 2021.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Notes to Consolidated Financial Statements

Note 20. Liquidity and Availability

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

	2022	2021
Cash, cash equivalents, restricted cash and endowment cash	\$ 37,857,982	\$ 37,061,818
Contracts receivable, net	121,649,728	97,573,818
Affiliate receivables, net	21,865,243	18,957,357
Pledges receivable, net	51,395,602	61,196,803
Other receivables	2,211,959	7,412,161
Notes receivable	18,478,354	11,816,796
Investments	765,228,693	807,373,397
Total financial assets	<u>1,018,687,561</u>	<u>1,041,392,150</u>
Less:		
Restricted cash	970,438	-
Net assets with donor restrictions	126,916,730	114,164,364
Affiliates payable	29,545,273	33,876,451
Custodial collections	18,447,760	17,206,214
Private company stock—Watson land company	71,946,796	74,694,384
Contracts receivable—over one year	109,428,324	85,207,246
Notes receivable—over one year	32,756,586	11,531,293
Investments pledged on debt	127,736,264	128,131,868
	<u>517,748,171</u>	<u>464,811,820</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 500,939,390</u>	<u>\$ 576,580,330</u>

The Administrative Office has evaluated its liquidity and determined it has adequate resources available to meet general expenses. The 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 March 27, 2023, the date the consolidated financial statements were available to be issued, in preparing the consolidated financial statements and notes thereto.

Effective February 7, 2023, the Administrative Office committed to a \$46 million dollar contribution to the Catholic Education Foundation (CEF) which is conditional on CEF not receiving payments on a previously recorded pledge to fund Catholic Education Foundation's New Enrollment Initiative (NEI) Program.