The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Report
June 30, 2023

Contents

Independent Auditor's Report

Audit Committee
Administrative Office of the Roman Catholic Archdiocese 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, 2023 and 2022, 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, 2023 and 2022, 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 6.17% and 6.45%, respectively, of consolidated total assets at June 30, 2023 and 2022, and total revenues constituting 5.79% and 6.49%, 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 Matters
As discussed in Note 2 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the Administrative Office adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, the Administrative Office is a defendant in sexual misconduct litigation. 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 these 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 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

Gaithersburg, Maryland
May 14, 2024

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022 (as restated)
Assets		
Cash and cash equivalents	**$ 64,382,084**	$ 35,405,534
Restricted cash	**67,349**	970,438
Contracts receivable, net	**139,656,523**	121,649,728
Affiliate receivables, net	**4,712,348**	21,865,243
Pledges receivable, net	**88,693,105**	51,395,602
Other receivables	**15,145,546**	15,717,156
Notes receivable, net	**14,025,770**	18,478,354
Investments	**810,940,640**	734,749,129
Beneficial interest in trust, net	**19,226,857**	37,103,054
Endowment assets:		
Endowment cash	**1,818,434**	1,482,010
Endowment investments	**32,272,049**	30,479,564
Property and equipment, net	**83,497,117**	84,861,465
Deferred cemetery sales commissions and benefits	**25,544,663**	24,702,254
Other assets	**10,390,749**	7,380,629
Goodwill, net	**16,849,545**	19,657,803
Assets for pension benefits	**1,183,000**	-
Operating right-of-use asset, net	**17,940,150**	-
Total assets	**$ 1,346,345,929**	$ 1,205,897,963
Liabilities:		
Accounts payable and accrued expenses	**$ 18,072,204**	$ 14,279,644
Payable to affiliates	**57,703,392**	33,692,392
Preneed funeral contract liability	**3,301,941**	1,646,745
Insurance claims reserves	**319,602,590**	101,670,668
Pension and other postretirement benefit obligations	**97,577,000**	122,764,000
Deferred revenue	**207,989,431**	193,278,998
Cemetery sales return reserve	**38,128,954**	33,818,726
Custodial collections	**17,227,002**	18,447,760
Notes payable	**127,890,846**	128,601,335
Notes payable to affiliates	**2,157,122**	2,245,925
Operating lease liability	**17,970,605**	-
Total liabilities	**907,621,087**	650,446,193
Commitments and contingencies		
Net assets:		
Without donor restrictions	**266,575,328**	395,397,851
With donor restrictions	**172,149,514**	160,053,919
Total net assets	**438,724,842**	555,451,770
Total liabilities and net assets	**$ 1,346,345,929**	$ 1,205,897,963

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, 2023 and 2022

	2023			2022 (as restated)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Donations	**$ 3,645,626**	**$ 57,342,515**	**$ 60,988,141**	$ 4,584,151	$ 24,366,690	$ 28,950,841
Contributions of nonfinancial assets	**4,567,101**	**-**	**4,567,101**	-	-	-
Donations, annual appeal	**-**	**11,193,434**	**11,193,434**	-	14,305,938	14,305,938
Cemetery sales	**94,913,862**	**-**	**94,913,862**	101,508,832	-	101,508,832
Mortuary sales	**37,019,876**	**-**	**37,019,876**	34,034,675	-	34,034,675
Insurance reimbursement	**134,168,149**	-	**134,168,149**	133,842,104	-	133,842,104
Assessments	**20,378,521**	-	**20,378,521**	19,242,753	-	19,242,753
	294,693,135	**68,535,949**	**363,229,084**	293,212,515	38,672,628	331,885,143
Net assets released from restrictions	**46,996,618**	**(46,996,618)**	**-**	25,081,757	(25,081,757)	-
Total revenues and support	**341,689,753**	**21,539,331**	**363,229,084**	318,294,272	13,590,871	331,885,143
Expenses:						
Program expenses:						
Education and formational services	**33,796,168**	**-**	**33,796,168**	13,757,058	-	13,757,058
Pastoral and evangelization	**25,972,039**	**-**	**25,972,039**	18,111,234	-	18,111,234
Social services	**4,565,428**	**-**	**4,565,428**	4,287,732	-	4,287,732
Pastoral regions	**1,749,227**	**-**	**1,749,227**	1,773,848	-	1,773,848
Priests' support and retirement	**3,630,284**	**-**	**3,630,284**	3,225,528	-	3,225,528
Cemetery expense	**46,347,364**	**-**	**46,347,364**	45,109,954	-	45,109,954
Mortuary expense	**49,301,361**	**-**	**49,301,361**	46,749,087	-	46,749,087
Total program expenses	**165,361,871**	**-**	**165,361,871**	133,014,441	-	133,014,441
Supporting services:						
General and administrative expense	**408,104,473**	**-**	**408,104,473**	167,405,749	-	167,405,749
Fundraising expense	**13,702,326**	**-**	**13,702,326**	9,479,513	-	9,479,513
Total supporting services	**421,806,799**	**-**	**421,806,799**	176,885,262	-	176,885,262
Total expenses	**587,168,670**	**-**	**587,168,670**	309,899,703	-	309,899,703
Change in net assets before other changes	**(245,478,917)**	**21,539,331**	**(223,939,586)**	8,394,569	13,590,871	21,985,440

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)
Years Ended June 30, 2023 and 2022

	2023			2022 (as restated)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Other changes:						
Change in value of beneficial interest in charitable gift annuity	**$ (118,452)**	**$ 23,317**	**$ (95,135)**	$ (58,476)	$ (25,725)	$ (84,201)
Change in value of beneficial interest in trust	**-**	**(12,078,879)**	**(12,078,879)**	-	(2,210,264)	(2,210,264)
Investment pool return, net of expenses	**50,335,664**	**2,611,826**	**52,947,490**	(71,874,599)	(4,605,849)	(76,480,448)
Other investment return, net of expenses	**24,480,114**	**-**	**24,480,114**	(6,441,183)	-	(6,441,183)
Interest income and other revenue	**17,518,068**	**-**	**17,518,068**	22,553,324	122,182	22,675,506
Other net periodic pension costs	**(3,710,000)**	**-**	**(3,710,000)**	1,724,000	-	1,724,000
Pension related changes other than net periodic pension costs	**28,151,000**	**-**	**28,151,000**	41,373,000	-	41,373,000
Total other changes	**116,656,394**	**(9,443,736)**	**107,212,658**	(12,723,934)	(6,719,656)	(19,443,590)
Change in net assets	**(128,822,523)**	**12,095,595**	**(116,726,928)**	(4,329,365)	6,871,215	2,541,850
Net assets, beginning of year, as previously reported	**395,397,851**	**160,053,919**	**555,451,770**	399,727,216	114,164,364	513,891,580
Correction of an error (Note 2)	**-**	**-**	**-**	-	39,018,340	39,018,340
Net assets beginning of year, as restated	**395,397,851**	**160,053,919**	**555,451,770**	399,727,216	153,182,704	552,909,920
Net assets, end of year	**$ 266,575,328**	**$ 172,149,514**	**$ 438,724,842**	$ 395,397,851	$ 160,053,919	$ 555,451,770

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, 2023

	Program Expense								Supporting services			
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal	Total
Salary and wages	$ 6,651,042	$ 6,147,452	$ 2,402,114	$ 1,021,397	$ 676,322	$ 13,869,247	$ 23,236,152	$ 54,003,726	$ 8,561,242	$ 2,306,829	$ 10,868,071	$ 64,871,797
Benefits	1,188,611	1,394,704	544,137	256,244	2,608,366	4,401,550	3,787,906	14,181,518	4,194,801	441,351	4,636,152	18,817,670
Subtotal	7,839,653	7,542,156	2,946,251	1,277,641	3,284,688	18,270,797	27,024,058	68,185,244	12,756,043	2,748,180	15,504,223	83,689,467
Amortization of goodwill	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Provision for bad debt	-	-	-	-	-	-	-	-	21,075,702	-	21,075,702	21,075,702
Provision for uncollectible notes receivable	-	-	-	-	-	-	-	-	(246,233)	-	(246,233)	(246,233)
Bank charges	36,111	949	-	324	-	1,537,627	458,783	2,033,794	156,641	477,600	634,241	2,668,035
Conferences/meetings	279,563	146,987	72,416	8,633	(1,726)	2,808	55,569	564,250	1,508,114	817,637	2,325,751	2,890,001
Consultant	1,744,017	957,167	183,656	6,325	-	521,301	303,055	3,715,521	5,730,446	479,428	6,209,874	9,925,395
Contribution expense	197,200	1,673,391	-	-	-	-	-	1,870,591	122,000	6,331,867	6,453,867	8,324,458
Cost of sales	-	-	-	-	-	7,322,169	6,738,529	14,060,698	-	-	-	14,060,698
Depreciation and amortization	-	-	-	-	-	8,295,342	115,570	8,410,912	127,347	-	127,347	8,538,259
Development/donor appreciation expense	94,305	52,180	21,512	2,814	467	88,327	168,706	428,311	127,956	95,571	223,527	651,838
Equipment rental	923,317	5,134	230,702	1,605	-	561,705	1,343,273	3,065,736	699,948	73,002	772,950	3,838,686
Insurance expense	-	-	-	-	-	-	-	-	356,386,984	-	356,386,984	356,386,984
Interest expense	-	-	-	-	-	-	-	-	3,429,953	-	3,429,953	3,429,953
Marketing/advertising	184,394	25,341	18,940	1,400	19,265	58,834	647,175	955,349	15,422	145,533	160,955	1,116,304
Miscellaneous	1,512,577	582,310	376,071	25,712	12,411	3,706,367	4,242,899	10,458,347	1,344,775	766,532	2,111,307	12,569,654
Mortuary Care Center	-	-	-	-	-	-	2,126,999	2,126,999	-	-	-	2,126,999
Occupancy/facility expense	583,622	624,361	95,460	89,963	26,968	925,723	750,745	3,096,842	3,202,713	233,799	3,436,512	6,533,354
Office expense/supplies	595,437	618,488	474,347	224,077	75,941	2,259,699	1,296,921	5,544,910	794,154	1,430,264	2,224,418	7,769,328
Professional fees	452,103	29,782	550	540	193,502	7,955	84,023	768,455	2,665,523	13,100	2,678,623	3,447,078
Program events	-	27,453	-	-	(3,892)	-	-	23,561	2,450	-	2,450	26,011
Seminarian/educational expense	5,547	2,397,091	3,129	-	-	-	-	2,405,767	99	99	198	2,405,965
Settlement expense	-	-	-	-	-	-	-	-	266,136	-	266,136	266,136
Staff development	20,643	114,169	3,709	170	-	895	79,285	218,871	29,966	-	29,966	248,837
Subscriptions	228,238	34,145	18,015	2,303	-	7,167	16,537	306,405	10,954	15,187	26,141	332,546
Subsidy-TIM/contribution expense	15,686,752	10,581,180	-	-	-	-	-	26,267,932	1,061,886	-	1,061,886	27,329,818
Travel expenses	424,790	322,039	95,044	26,667	1,871	12,298	50,780	933,489	298,723	73,517	372,240	1,305,729
Uniforms	-	-	-	-	-	234,326	43,928	278,254	-	-	-	278,254
Utilities	2,985,638	125,046	2,837	44,152	-	2,410,519	935,566	6,503,758	1,593,299	368	1,593,667	8,097,425
Vehicle expenses	2,261	112,670	22,789	36,901	20,789	123,505	10,702	329,617	51,665	642	52,307	381,924
Subtotal	25,956,515	18,429,883	1,619,177	471,586	345,596	28,076,567	22,277,303	97,176,627	400,456,623	10,954,146	411,410,769	508,587,396
Pension expense, net of reimbursements	-	-	-	-	-	-	-	-	(5,108,193)	-	(5,108,193)	(5,108,193)
Total	$ 33,796,168	$ 25,972,039	$ 4,565,428	$ 1,749,227	$ 3,630,284	$ 46,347,364	$ 49,301,361	$ 165,361,871	$ 408,104,473	$ 13,702,326	$ 421,806,799	$ 587,168,670

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 (as restated)

	Program Expense								Supporting Services			
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal	Total
Salary and wages	$ 2,053,685	$ 5,039,326	$ 2,095,748	$ 1,069,880	$ 611,874	$ 13,131,202	$ 24,386,174	$ 48,387,889	$ 7,887,307	$ 2,045,244	$ 9,932,551	$ 58,320,440
Benefits	87,932	1,101,053	508,008	257,221	2,264,868	4,147,502	3,599,295	11,965,879	3,559,058	408,824	3,967,882	15,933,761
Subtotal	2,141,617	6,140,379	2,603,756	1,327,101	2,876,742	17,278,704	27,985,469	60,353,768	11,446,365	2,454,068	13,900,433	74,254,201
Amortization of goodwill	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Provision for bad debt	-	-	-	-	-	-	-	-	3,223,979	-	3,223,979	3,223,979
Provision for uncollectible notes receivable	-	-	-	-	-	-	-	-	5,128,620	-	5,128,620	5,128,620
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	3,858,323
Insurance expense	-	-	-	-	-	-	-	-	141,663,557	-	141,663,557	141,663,557
Interest expense	-	-	-	-	-	-	80,231	80,231	2,416,421	-	2,416,421	2,496,652
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	7,566,228	6,863,356	-	-	-	-	-	14,429,584	907,827	-	907,827	15,337,411
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	11,615,441	11,970,855	1,683,976	446,747	348,786	27,831,250	18,763,618	72,660,673	166,810,753	7,025,445	173,836,198	246,496,871
Pension expense, net of reimbursements	-	-	-	-	-	-	-	-	(10,851,369)	-	(10,851,369)	(10,851,369)
Total	$ 13,757,058	$ 18,111,234	$ 4,287,732	$ 1,773,848	$ 3,225,528	$ 45,109,954	$ 46,749,087	$ 133,014,441	$ 167,405,749	$ 9,479,513	$ 176,885,262	$ 309,899,703

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, 2023 and 2022

	2023	2022 (as restated)
Cash flows from operating activities:		
Change in net assets	$ (116,726,928)	$ 2,541,850
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	(28,151,000)	(41,373,000)
Change in other net periodic pension costs	3,710,000	(1,724,000)
Net realized and unrealized (gains) losses on investments	(59,828,654)	90,703,573
Change in value of beneficial interest in charitable gift annuity	(95,135)	84,201
Change in value of beneficial interest in trust	12,078,879	2,210,264
Change in value of interest rate swap	(3,002,231)	(7,834,132)
Change in the pledge and contract receivable discount	11,409,474	4,636,553
Gain on sale of property and equipment	(27,130)	(25,143)
Provision for bad debt	21,075,705	(2,202,853)
Change in provision for uncollectible notes receivable	(246,233)	5,128,620
Change in sales return reserve	4,310,228	4,974,909
Change in deferred sales commissions	(631,814)	(623,899)
Reduction in carrying value of operating right-of-use assets	3,815,487	-
Change in preneed funeral contract liability	1,655,196	264,268
Depreciation and amortization	8,538,259	8,563,372
Amortization of goodwill	2,808,258	2,808,258
Cash received restricted for endowments	(179,534)	(74,197)
Changes in assets and liabilities:		
Contracts receivable	(20,773,276)	(28,469,849)
Affiliate receivables	10,069,113	(4,089,662)
Pledges receivable	(54,748,037)	8,836,873
Other receivables	571,610	(8,304,995)
Other assets	(11,023)	(193,429)
Overfunded pension benefit obligation	(1,183,000)	-
Accounts payable and accrued expenses	3,792,560	(2,222,557)
Payables to affiliates	24,011,000	(3,915,690)
Insurance claims reserves	217,931,922	23,912,784
Liability for pension and other postretirement benefit obligations	(746,000)	570,000
Deferred revenue	14,710,433	12,270,220
Custodial collections	(1,220,758)	1,241,546
Operating lease liability	(3,781,898)	-
Net cash provided by operating activities	49,135,473	67,693,885
Cash flows from investing activities:		
Purchase of investments	(191,532,133)	(171,169,507)
Proceeds from maturities or sale of investments	173,376,791	122,526,437
Advances under notes receivable	(475,710)	(13,064,662)
Repayment from notes receivable	1,910,151	1,225,082
Proceeds from trust termination	3,972,447	-
Purchases of property and equipment	(7,384,506)	(6,250,075)
Proceeds from sale of property and equipment	27,130	25,143
Net cash used in investing activities	(20,105,830)	(66,707,582)
Cash flows from financing activities:		
Cash received restricted for endowments	179,534	74,197
Principal payments on notes payable to affiliates	(88,803)	(733,803)
Proceeds from notes payable	-	970,438
Principal payments on notes payable	(710,489)	(500,971)
Net cash used in financing activities	(619,758)	(190,139)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Net increase in cash, cash equivalents restricted cash and endowment cash	**$ 28,409,885**	$ 796,164
Cash and cash equivalents and endowment cash, beginning of year	**37,857,982**	37,061,818
Cash, cash equivalents, restricted cash and endowment cash, end of year	**$ 66,267,867**	$ 37,857,982
Reconciliation of cash, cash equivalents, restricted cash and endowment cash:		
Cash and cash equivalents	**$ 64,382,084**	$ 35,405,534
Restricted cash	**67,349**	970,438
Endowment cash	**1,818,434**	1,482,010
Total cash, cash equivalents, restricted cash and endowment cash	**$ 66,267,867**	$ 37,857,982
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 3,424,421**	$ 2,118,730

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Roman Catholic Archbishop of Los Angeles, a Corporation sole, (Corporation Sole) is a legal entity created under California civil law in 1904, which serves as the principal civil corporation for the civil affairs and activities of the Roman Catholic Archdiocese of Los Angeles (Archdiocese); the Archbishop is the titular owner during his tenure. The individual canonical powers and role of the Corporation Sole are defined and established by Canon Law.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles (the Administrative Office) consists of the departments that provide pastoral, educational and administrative support to parishes, schools, seminaries and other institutions geographically located within the Archdiocese. The consolidated financial statements of the Administrative Office include the operations of Archdiocese Catholic Center (ACC), the Catholic Cemeteries (Cemeteries), Together in Mission (TIM), the Archdiocese of Los Angeles Funeral and Mortuary Services Corporation (Mortuaries), the ALA Insurance Company (ALAIC), and the Archdiocese of Los Angeles Risk Management Corporation (ADLARM). The Mortuaries, ALAIC and ADLARM are all separate not-for-profit entities. The supporting departments and programs of the Mortuaries, ALAIC and ADLARM are fiscally responsible to the Archbishop.

The Archbishop, by virtue of his office, serves as chairman of the board or president of numerous separately incorporated Catholic organizations that operate within the Archdiocese. These organizations, which include the financial operations of the individual parishes, schools and certain other institutions and entities, account for their operations separately from the Administrative Office and management does not consider them to be under the control of the Administrative Office, therefore the accompanying consolidated financial statements do not reflect the financial position or activities for such organizations.

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:

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 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.

Insurance and risk management: Includes the operations of the various insurance programs administered by the Administrative Office.

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

A summary of the Administrative Office's significant accounting policies 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 generally accepted accounting principles in the United States of America (U.S. GAAP).

Basis of presentation: The accompanying consolidated financial presentation of the Administrative Office follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements of Not-For-Profit Organizations. This standard provides guidance on reporting information regarding its consolidated financial position and changes in consolidated 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 nor time restrictions. Net assets without donor restrictions include expendable funds available to support general activities.

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.

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

Restricted cash: The Administrative Office classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations.

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, 2023 and 2022, the Administrative Office had $72,614,361 and $40,155,978, respectively, over federally insured limits. Subsequent to year-end, for accounts with material balances, the Administrative Office implemented an automatic daily sweep to accounts that invest in U.S. Treasury securities and repurchase agreements collateralized by such obligations.

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

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. Provisions are established based on collection history on at need contracts. At June 30, 2023 and 2022, the provision on at need contracts was $1,410,336 and $1,155,381, respectively. Preneed contracts have variable consideration and can be canceled up until the customer dies. The collectability of these contracts is 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 provision for bad debt is developed based upon payment history, surplus investment portfolio balances and any known specific issues that exist as of the consolidated statements of financial position date. At June 30, 2023 and 2022, the provision for bad debt was $31,210,847 and $49,507,748, respectively.

Affiliate receivables arise from revenue streams subject to the guidance of ASC 606, Revenue from Contracts with Customers. That standard requires that collectibility of the consideration to which the entity expects to be entitled in exchange for those goods or services be reasonably assured in order for revenue to be recognized. Accordingly, the Administrative Office does not record revenue or affiliates receivable from affiliates from whom collection for current year billings is not reasonably assured.

Pledges receivable: In accordance with ASC 958, unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which approximates the present value of their estimated future cash flows using a risk-adjusted discount rate. The discounts on those amounts are computed using a U.S. Treasury Daily Treasury Par Yield Curve Rate applicable to the years in which the promises are received, plus a small margin. The discount rates ranged from 0.79% to 4.63% and 0.29% to 3.10% for the fiscal years ended June 30, 2023, and 2022, respectively. The discounts and accretion of the discount are netted against donation revenue. Conditional promises to give are not included in pledges receivable until the conditions are met. The provision for uncollectible pledges receivable is estimated based on past cash collection history. At June 30, 2023 and 2022, the provision for uncollectible pledges was $44,411,889 and $32,990,180, respectively.

Other receivables: Other receivables include miscellaneous receivables from third parties, Mortuary receivables, insurance recovery receivables and employee advances. Provisions are not established on these receivables since amounts are expected to be fully collectible. Amounts are written off when determined uncollectible.

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

Notes receivable: Notes receivable consist mostly of loans to parishes and schools and nonaffiliates of the Administrative Office and are recorded at cost, less a provision for uncollectible notes receivable. Interest rates on the loans range between 3.1% and 5.29% and between 3.1% and 4.6% for the years ended June 30, 2023 and 2022, 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. Interest continues to accrue on delinquent loans based contractual terms. The provision for notes receivable is developed based upon payment history, surplus investment portfolio balances and any known specific issues that exist as of the consolidated statements of financial position date. A note receivable is considered impaired when, based on current information and events, it is probable that the Administrative Office will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Notes that experience insignificant payment delays and payment shortfalls, generally, are not classified as impaired. The Administrative Office determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

The provision for uncollectible notes receivable consists of allocated and general components. The allocated component relates to notes receivable that are classified as impaired. The general component consists of quantitative and qualitative factors and covers non-impaired loans. The quantitative factors are based on actual historical charge-off experience. The qualitative factors are determined based on an assessment of internal and/or external influences on credit quality that are not fully reflected in the historical loss data. The evaluation of these qualitative factors requires that management make significant judgments regarding these factors, which may significantly impact the estimated allowance.

Investments: The Administrative Office records investments at fair value. For investment income earned from investments held in the Archdiocese Investment Portfolio and investments held at and managed by 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 Portfolio 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.

The Administrative Office's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. It is possible that changes in the fair value of investments may occur and that such changes could materially affect the Administrative Office's consolidated financial statements.

Beneficial interests in trust, net: The Administrative Office records interest in irrevocable trusts at their fair value. The change in fair value of trusts is recorded as Change in value in beneficial interest in trust on the consolidated statements of activities.

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.

Note 1. Nature of Activities and 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 ASC 606, Revenue From Contracts With Customers, costs for selling sales contracts are deferred 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.

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, 2023 and 2022, management has determined that there was no impairment of long-lived assets.

Capital campaign: The Called to Renew capital fundraising campaign (the campaign) commenced in 2018 and 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 will support parishes, Restorative Justice and Hospital Ministries, St. John's Seminary, Queen of Angels Center for Priestly Formation, Cardinal Manning House of Prayer, religious education and faith formation programs.

Campaign revenue is included in donation revenue and totaled $50,713,709 and $12,963,714 for the years ended June 30, 2023 and 2022, respectively. Campaign expenses are included in fundraising expenses and totaled $9,855,877 and $6,454,157 for the years ended June 30, 2023, and 2022, respectively. Amounts collected on behalf of other entities are recorded as payable to affiliates on the consolidated statements of financial position and were $43,228,961 and $22,388,004 at June 30, 2023 and 2022, respectively.

Payable to affiliates: In addition to campaign donations payable to parishes and schools, this account includes miscellaneous amounts due to affiliates in the amount of $11,828,504 and $7,157,269 at June 30, 2023 and 2022, respectively.

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. The Administrative Office records the claims currently payable, plus an estimated amount for incurred but not reported claims, for both the consolidated entities and the other 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 statements of activities. Costs plus an administrative fee are billed to participants and are recorded as insurance reimbursement revenues. Billings outstanding at year-end are recorded as affiliates receivable on the consolidated statements of financial position. 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. Collections from insurance billings are set aside in investments to meet accrued claim liabilities on self-insured programs.

The Administrative Office includes accruals for expected legal defense costs in its insurance claims reserve for sexual abuse claims (see Note 16).

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

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

	2023	2022
Resale products and services on preneed cemetery contracts	$ 206,489,367	$ 191,922,310
Patron deposits/other	566,692	574,975
Mortuary payments	933,372	781,713
Total	$ 207,989,431	$ 193,278,998

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 ASC 606, the Cemetery records sales net of an estimated sales return reserve. The reserve is based on historical return data and ranges from 11% to 21% of preneed sales based on whether 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 are 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 other assets in the consolidated statements of financial position. The swap represented an asset valued at $9,365,367 and $6,363,136 for the years ended June 30, 2023 and 2022, respectively. Changes in the fair value of the swap agreement are recorded as other revenue on the consolidated statements of activities.

Revenue recognition: The Administrative Office has cemetery and mortuary sales, assessments and insurance reimbursement revenue that have contracts with customers and are recognized using the five-step model under ASC 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.

Note 1. Nature of Activities and 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 an addition to the sales return reserve. Variable consideration amounted to $8,534,394 and $9,015,868 for the years ended June 30, 2023 and 2022, respectively. Contract assets recorded for the related sales commissions, benefits and cost of sales included in deferred cemetery sales amounted to $1,707,161 and $1,722,107 for the years ended June 30, 2023 and 2022, respectively.

Revenue is recognized at the point in time when each performance obligation is satisfied, which occurs 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 the 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 the Archdiocese 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 occur 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 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.

Note 1. Nature of Activities and 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 the 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 Portfolio, 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, 2023 and 2022:

	2023	2022	2021
Affiliates receivable	$ 4,712,348	$ 21,865,243	$ 18,957,357
Contracts receivable	139,656,523	121,649,728	97,573,818
Deferred cemetery sales commissions and benefits	25,544,663	24,702,254	23,856,805
Deferred revenue	207,989,431	193,278,998	180,331,178
Cemetery sales return reserve	38,128,954	33,818,726	28,843,817
Preneed funeral contact liability	3,301,941	1,646,745	1,382,477

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. Donations are recorded with or without donor restrictions, depending on the existence of donor stipulations that limit the use of the support. Irrevocable trusts are valued at present value and are reported in Endowment investments in the accompanying consolidated statements of financial position and in donations in the consolidated statements of activities.

Donations received that have both a barrier and a right of return are considered conditional and are not recorded as revenue until the conditions are met.

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

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

Conditional promises: The Administrative Office has received certain pledges of net estate assets characterized as living trusts or bequests by will. Discretionary revocable gifts and bequests are not reported on the accompanying consolidated statements of financial position.

Annual appeal: The Administrative Office administers a special collection program, TIM, 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 $11,193,434 and $14,305,938 for the years ended June 30, 2023 and 2022, respectively.

Contributed services: Support arising from contributed services of certain personnel who are paid stipends and/or 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.

Contributed nonfinancial assets: Education and Welfare Corporation (E&W) is a separate, related nonprofit which holds exclusive rights to the use of Broadband Spectrum (the Spectrum). E&W leases up to 95% of the Spectrum to an unrelated third party and retains the remaining 5% for the use of educational services. E&W contributed equipment, mobile data and network services to Administrative Office in relation to the 5% retained, and the contribution was utilized by Archdiocesan Catholic Center (ACC), Priests, Mortuaries and Cemeteries and recorded at fair market value of goods or services provided. The Spectrum contributed enhances educational services and the service and tangible assets contributed are recorded at fair market value in accordance with ASC 958, Accounting for Contributed Services. Total contributed nonfinancial assets revenue and expense related to the Spectrum amounted to $4,567,101 and $0 for the years ended 2023 and 2022, respectively.

Settlement expenses: Settlement expenses are included in insurance expense as they are administered by ALAIC. The Archdiocese accrues 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 campaign and the TIM program. Fundraising expenses amounted to $13,702,326 and $9,479,513 for the years ended June 30, 2023 and 2022, 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.

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

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, Compensation Retirement Benefits, 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, 2023 and 2022.

Uncertain tax provisions, if any, are recorded in accordance with ASC 740, Income Taxes. 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 is no liability for uncertain tax positions recorded at June 30, 2023 or 2022.

Use of estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of consolidated assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of consolidated 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 provision for uncollectible 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 ASC 820, Fair Value Measurement and Disclosures. The standard defines fair value, establishes a framework for measuring fair value and prescribes disclosure requirements for fair value measurements. The standard also emphasizes that fair value is a market-based measurement, not an entity-specific measurement and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the standard, fair value measurements are disclosed by levels within that hierarchy.

Recently adopted accounting pronouncement: In February 2016, the FASB issued ASC 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Administrative Office adopted the new lease standard on July 1, 2022 using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on July 1, 2022 are presented under ASC 842, while prior period amounts continue to be reported and disclosed in accordance with the Administrative Office’s historical accounting treatment under ASC 840, Leases.

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

To reduce the burden of adoption and ongoing compliance with ASC 842, a number of practical expedients and policy elections are available under the new guidance. The Administrative Office elected the package of practical expedients permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Administrative Office has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU assets and lease liabilities using the remaining portion of the lease term at adoption on July 1, 2022.

The Administrative Office made an accounting policy election under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, the Administrative Office recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or July 1, 2022 for existing leases upon the adoption of ASC 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes in an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Administrative Office’s leases may include a non-lease component representing additional services transferred to the Administrative Office, such as common area maintenance for real estate. The Administrative Office made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

A lessee that is not a public business entity (PBE) is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, the Administrative Office has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website. The Administrative Office uses the implicit rate when readily determinable.

Adoption ASC 842 resulted in the recording of ROU assets and lease liabilities related to the Administrative Office’s operating leases of approximately $21,514,000 on July 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. ASU 2016-13 is effective for the Administrative Office beginning July 1, 2023. The Administrative Office is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

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

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.

Subsequent events: The Administrative Office has evaluated subsequent events through May 14, 2024, the date on which the consolidated financial statements were available to be issued. See Note 24.

Note 2. Restatement of 2022 Financial Statements

During 2023, management identified errors relating to unrecorded trusts, presentation of insurance reserves, presentation of a swap and agency transactions.

Additionally, management reclassified pension-related amounts to conform to the current presentation, the adjustments for which are included in the tables below to allow reconciliation to the restated balances.

All financial information contained in the accompanying notes to the consolidated financial statements have been revised to reflect the correction of these errors. The following tables set forth the previously reported amounts and their restated amounts in the accompanying financial statements:

	June 30, 2022		
Consolidated Statement of Financial Position	Previously reported	Adjustment	As restated
Other receivable	$ 2,211,959	$ 13,505,197	$ 15,717,156
Beneficial interest in trusts	-	37,103,054	37,103,054
Other assets	1,017,493	6,363,136	7,380,629
Total assets	1,148,926,576	56,971,387	1,205,897,963
Accounts payable	20,823,373	(6,543,729)	14,279,644
Payable to affiliates	29,545,273	4,147,119	33,692,392
Insurance reserve	88,165,471	13,505,197	101,670,668
Total liabilities	639,337,606	11,108,587	650,446,193
Net assets with donor restrictions	126,916,730	33,137,189	160,053,919
Net assets without donor restrictions	382,672,240	12,725,611	395,397,851
Total net assets	509,588,970	45,862,800	555,451,770

Note 2. Restatement of 2022 Financial Statements (Continued)

	June 30, 2022		
Consolidated Statement of Activities	Previously reported	Adjustment	As restated
Donations with donor restrictions	$ 45,679,401	$ (21,312,711)	$ 24,366,690
Net assets released from restrictions	42,723,581	(17,641,824)	25,081,757
Change in value of beneficial interest in trusts	-	(2,210,264)	(2,210,264)
Interest income and other revenue	14,841,375	7,834,131	22,675,506
General and administrative expense	182,628,695	(15,222,946)	167,405,749
Education and formational	30,049,015	(16,291,957)	13,757,058
Pastoral and evangalization	19,505,389	(1,394,155)	18,111,234
Priests' support and retirement	3,714,774	(489,246)	3,225,528
Other net periodic pension costs	-	1,724,000	1,724,000
Pension related changes other than net periodic pension costs	53,962,000	(12,589,000)	41,373,000
Change in net assets without donor restrictions	(17,054,976)	12,725,611	(4,329,365)
Change in net assets with donor restrictions	12,752,366	(5,881,151)	6,871,215
Total change in net assets	(4,302,610)	6,844,460	2,541,850
Beginning net assets with donor restrictions	114,164,364	39,018,340	153,182,704
Ending net assets with donor restrictions	126,916,730	33,137,189	160,053,919
Ending net assets without donor restrictions	382,672,240	12,725,611	395,397,851
Beginning total net assets	513,891,580	39,018,340	552,909,920
Ending total net assets	509,588,970	45,862,800	555,451,770

	June 30, 2022		
Consolidated Statement of Functional Expenses	Previously reported	Adjustment	As restated
Salary and wages	$ 57,132,501	$ 1,187,939	$ 58,320,440
Benefits	16,417,146	(483,385)	15,933,761
Interest expense	7,388,132	(4,891,480)	2,496,652
Contribution/TIM subsidy	34,211,462	(18,874,051)	15,337,411
Pension expense, net of reimbursements	(514,042)	(10,337,327)	(10,851,369)

	June 30, 2022		
Consolidated Statement of Cash Flows	Previously reported	Adjustment	As restated
Change in net assets	$ (4,302,610)	$ 6,844,460	$ 2,541,850
Change in value of beneficial interest in trusts	-	2,210,264	2,210,264
Change in value of swap	-	(7,834,132)	(7,834,132)
Change in pledge receivable	12,414,934	(3,578,061)	8,836,873
Change in other receivable	5,200,202	(13,505,197)	(8,304,995)
Change in accounts payable	(4,164,538)	1,941,981	(2,222,557)
Change in payable to affiliates	(4,331,178)	415,488	(3,915,690)
Change in insurance reserve	10,407,587	13,505,197	23,912,784

Note 3. Contracts Receivable, Net

Contracts receivable consisted of the following at June 30:

	2023	2022
Cemeteries	$ 160,265,126	$ 139,228,801
Mortuaries	164,988	428,038
	160,430,114	139,656,839
Allowance for uncollectible accounts	(1,410,336)	(1,155,381)
Discount	(19,363,255)	(16,851,730)
Contracts receivable, net	$ 139,656,523	$ 121,649,728

	2023	2022
Amounts due in:		
Less than one year	$ 36,799,200	$ 30,228,515
One to five years	123,630,914	109,428,324
	$ 160,430,114	$ 139,656,839

Note 4. Affiliate Receivables, Net

Affiliate receivables consisted of the following at June 30:

	2023	2022
Parishes	$ 16,544,678	$ 17,032,588
Elementary schools	15,308,207	30,026,943
High schools	2,933,667	6,898,371
Education & Welfare Corporation	300,475	14,010,830
Catholic Education Foundation	542,433	392,814
Other	293,735	3,011,445
	35,923,195	71,372,991
Allowance for uncollectible accounts	(31,210,847)	(49,507,748)
Affiliate receivables, net	$ 4,712,348	$ 21,865,243

Note 5. Pledges Receivable, Net

Pledges receivable at June 30 consisted of the following:

	2023				
	Gross	Discount	Net of Discount	Allowance for Uncollectibles	Net of Discount and Allowance
Called to renew	$ 139,370,602	$ (10,135,576)	$ 129,235,026	$ (44,411,889)	$ 84,823,137
Annual appeal	2,088,368	(112,490)	1,975,878	-	1,975,878
Other	1,894,090	-	1,894,090	-	1,894,090
	$ 143,353,060	$ (10,248,066)	$ 133,104,994	$ (44,411,889)	$ 88,693,105

Note 5. Pledges Receivable, Net (Continued)

	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
	$ 85,735,900	$ (1,350,118)	$ 84,385,782	$ (32,990,180)	$ 51,395,602

	2023	2022
Amounts due in:		
Less than one year	$ 57,654,391	$ 46,198,062
One to five years	85,698,669	39,537,838
	$ 143,353,060	$ 85,735,900

The range for the risk adjusted discount rate applied on pledges was 0.79% to 4.63% for the fiscal year ended June 30, 2023 and the range for the discount rate for the fiscal year ended June 30, 2022 was 0.29% to 3.10%.

Note 6. Other Receivables

Other receivables at June 30 consisted of the following:

	2023	2022
Administrative third-party receivables	$ 5,163,907	$ 1,835,426
Cemetery employee receivables	35,519	107,221
Mortuary receivables	244,233	269,312
Insurance recovery receivable	9,701,887	13,505,197
Total	$ 15,145,546	$ 15,717,156

Note 7. Notes Receivable, Net

Notes receivable at June 30 consisted of the following:

	2023	2022
Parishes, High School and Elementary School notes	$ 11,919,598	$ 15,404,724
St. John’s Seminary	6,124,946	6,988,196
Investment portfolio	12,673,343	12,989,958
Other nonaffiliated entities	798,743	832,569
	31,516,630	36,215,447
Less allowance for uncollectible notes receivable	(17,490,860)	(17,737,093)
Total notes receivable, net	$ 14,025,770	$ 18,478,354

Note 7. Notes Receivable, Net (Continued)

The aging of notes receivable portfolio as of June 30, 2023 and 2022, is presented as follows:

	2023					
	Current	30–59 Days Past Due	60–89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Total
Parishes, high schools and elementary schools	$ 9,076,615	$ -	$ -	$ 2,842,983	$ 2,842,983	$ 11,919,598
St. John’s Seminary	6,124,946	-	-	-	-	6,124,946
Investment portfolio	11,230,502	-	-	1,442,841	1,442,841	12,673,343
Other nonaffiliated entities	53,795	-	-	744,948	744,948	798,743
Total loans	$ 26,485,858	$ -	$ -	$ 5,030,772	$ 5,030,772	$ 31,516,630

	2022					
	Current	30–59 Days Past Due	60–89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Total
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 portfolio	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	$ 18,478,354	$ -	$ -	$ 17,737,093	$ 17,737,093	$ 36,215,447

Aggregate maturities of notes receivable as of June 30, 2023 are as follows:

Years ending June 30:	
2024	$ 3,167,390
2025	3,164,644
2026	3,325,543
2027	3,299,133
2028	3,277,274
Thereafter	15,282,646
	$ 31,516,630

The Administrative Office purchased the Investment portfolio participant loans during fiscal 2022 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 portfolio loans bear interest at rates ranging from 3.13% to 5.29% and 3.13% to 4.60% for the years ended June 30, 2023 and 2022, respectively.

The provision for uncollectible notes receivable consisted of a general reserve of $5,183,681 and $6,019,435 and an allocated reserve of $12,307,179 and $11,717,658 at June 30, 2023 and 2022, respectively. Collections of amounts previously charged off of $200,000 and $0 were included in Interest income and other revenue in fiscal years 2023 and 2022, respectively.

Note 8. Fair Value Measurements

The Administrative Office measures fair value using ASC 820, Fair Value Measurement and Disclosures. 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, 2023 and 2022, 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 which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value in its entirety.

Note 8. Fair Value Measurements (Continued)

The Administrative Office's assets and liabilities which are measured at fair value on a recurring basis are categorized as follows for the year ended June 30, 2023:

	2023			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Other assets				
Swap agreements	$ 9,365,367	$ -	$ 9,365,367	$ -
Affiliate receivables—beneficial interests in trust	252,203	-	-	252,203
Beneficial Interest in Trust	19,226,857	-	-	19,226,857
Investments:				
Money market funds	89,185	89,185	-	-
Bonds	36,044	36,044	-	-
Split interest investments:				
Cash	24,303	24,303	-	-
Equities	635,925	635,925	-	-
Fixed income	974,353	974,353	-	-
Mutual funds	14,993	14,993	-	-
Archdiocese Investment Portfolio	744,229,122	-	-	744,229,122
Investments held at CCFLA	87,240	-	-	87,240
Private company stock—Watson land	95,241,795	-	-	95,241,795
Rabbi Trust:				
Cash and cash equivalents	874	874	-	-
Money market funds	1,877,572	1,877,572	-	-
Custodial securities—stock	1,283	1,283	-	-
Total investments	843,212,689	3,654,532	-	839,558,157
Total assets	$ 872,057,116	$ 3,654,532	$ 9,365,367	$ 859,037,217
Liabilities:				
Accounts payable—liabilities to beneficiaries	$ 1,066,079	$ -	$ -	$ 1,066,079
Preneed funeral liability	3,301,941	-	-	3,301,941
Total liabilities	$ 4,368,020	$ -	$ -	$ 4,368,020

Note 8. Fair Value Measurements (Continued)

The Administrative Office's assets and liabilities which are measured at fair value on a recurring basis are categorized as follows for the year ended June 30, 2022:

	2022 (as restated)			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Other assets				
Swap agreements	$ 6,363,136	$ -	6,363,136	-
Affiliate receivables—beneficial interests in trust	172,688	-	-	172,688
Beneficial Interest in Trust	37,103,054	-	-	37,103,054
Investments:				
Money market funds	86,685	86,685	-	-
Bonds	38,615	38,615	-	-
Split interest investments:				
Cash	22,301	22,301	-	-
Equities	410,071	410,071	-	-
Fixed income	316,137	316,137	-	-
Mutual funds	11,190	11,190	-	-
Archdiocese Investment Portfolio	691,298,006	-	-	691,298,006
Investments held at CCFLA	86,390	-	-	86,390
Private company stock—Watson land	71,946,796	-	-	71,946,796
Rabbi Trust:				
Cash and cash equivalents	(327)	(327)	-	-
Money market funds	1,011,546	1,011,546	-	-
Custodial securities—stock	1,283	1,283	-	-
Total investments	765,228,693	1,897,501	-	763,331,192
Total assets	$ 808,867,571	$ 1,897,501	$ 6,363,136	$ 800,606,934
Liabilities:				
Accounts payable—liabilities to beneficiaries	$ 481,915	$ -	$ -	$ 481,915
Preneed funeral liability	1,646,745	-	-	1,646,745
Total liabilities	$ 2,128,660	$ -	$ -	$ 2,128,660

The following tables represent changes in assets classified in Level 3 of the fair value hierarchy during the years ended June 30, 2023 and 2022:

	2023						
	Other Receivables- Beneficial Interest In Trust	Other Receivables- Beneficial Interest In Trust	Archdiocese Investment Portfolio	Investments Held at CCFLA	Private Company Stock- Watson Land	Accounts Payable- Liabilities to Beneficiaries	Preneed Funeral Liability
Contributions	$ -	$ -	$ 170,691,522	$ 850	$ -	$ -	$ -
Withdrawals	-	(3,972,447)	(170,707,894)	-	-	-	-

Note 8. Fair Value Measurements (Continued)

	2022						
	Other Receivables-Beneficial Interest In Trust	Other Receivables-Beneficial Interest In Trust	Archdiocese Investment Portfolio	Investments Held at CCFLA	Private Company Stock-Watson Land	Accounts Payable-Liabilities to Beneficiaries	Preneed Funeral Liability
Contributions	$ -	$ -	$ 164,018,232	$ -	$ -	$ -	$ -
Withdrawals	(91,697)	-	(126,722,627)	(850)	-	-	-

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 Portfolio and CCFLA are based on the underlying fair value of investments that make up the Investment Portfolio plus allocated income (loss) based upon its allocation of the total return earned in invested equity and debt securities held by the Investment Portfolio, 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, 2022, 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 lead and remainder charitable trusts held by others is based on the net present value of the estimated future amount to be received on such assets. The present value is calculated using mortality statistics from the IAR 2012 Mortality Table published by the Society of Actuaries or the 2020 Life Table published by the Centers for Disease Control, a risk-adjusted interest rate, the estimated annual rate of return on trust assets and the current fair value of trust assets. The fair value of beneficial interests in perpetual trusts is calculated using the Administrative Office's share of the fair value of underlying assets at the reporting date. Underlying assets generally consist of equities and fixed income securities which are based on unadjusted quoted prices on a national securities exchange and real estate, which is based on periodic appraisals and market data.

The fair value of the interest rate swap agreement is based on observable inputs such as yield curves provided by the Administrative Office's counterparty.

Note 9. Investments

Investments consisted of the following at June 30:

	2023	2022
Portfolio investments	$ 744,316,362	$ 691,384,396
Other investments	98,896,327	73,844,297
	$ 843,212,689	$ 765,228,693

Note 9. Investments (Continued)

Investment portfolio: In November 1986, the Archdiocese established the Investment Portfolio (the Portfolio, 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 Portfolio service providers and the Archdiocese as agents, custodians and trustees for the participants. Since being established, the servicing and custodial arrangements for the Portfolio are enhanced on a regular basis to allow for direct fund access and reporting for all participants through secure internet protocols. The Portfolio has two separate portfolios: the Balanced Portfolio and the Income Portfolio.

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

The investments in both funds are carried at fair value. The Portfolio 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 Portfolio and Income Portfolio 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 portfolios.

While the Administrative Office provides servicing for the entire Portfolio for approximately 500 participants, the amounts reflected in the consolidated statements of financial position only include those investments that are attributable to the consolidated group presented in the consolidated financial statements.

Investments in the Portfolio held by the consolidated group consisted of the following at June 30:

	2023	2022
Balanced portfolio	$ 561,190,766	$ 501,492,853
Income portfolio	183,125,596	189,891,543
	$ 744,316,362	$ 691,384,396

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 $87,240 and $86,390 for the years ended June 30, 2023 and 2022, respectively.

The Administrative Office investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect the Administrative Office's consolidated financial statements.

Note 9. Investments (Continued)

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

	2023	2022
Watson Land Company securities (all equities)	$ 95,241,795	$ 71,946,796
Split interest investments:		
Cash	24,303	22,301
Equities	635,925	410,071
Fixed income	974,353	316,137
Alternative investments	14,993	11,190
	1,649,574	759,699
Rabbi Trust—money market funds	1,878,446	1,011,219
Other (bonds and money market)	125,229	125,300
Custodial securities—stock	1,283	1,283
Total other investments	$ 98,896,327	$ 73,844,297

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, 2023 and 2022, the investment in Watson Land Company was considered a Level 3 investment under ASC 820 fair value hierarchy levels.

At June 30, 2023 and 2022, the Rabbi Trust invested $15,959,023 and $14,153,359, respectively, in the Investment Portfolio and $1,878,446 and $1,011,219, respectively, in money market funds. Money market funds are considered to be Level 1 under the fair value hierarchy.

Note 10. Beneficial Interests in Trusts

The Administrative Office is a beneficiary of several irrevocable trusts maintained by independent trustees. The trusts consisted of the following at June 30, 2023 and 2022:

	2023	2022 (as restated)
Perpetual trusts	$ 9,424,508	$ 9,250,146
Charitable lead and remainder trusts	9,802,349	27,852,908
	$ 19,226,857	$ 37,103,054

The perpetual trusts' assets are to be held in perpetuity, while the assets of the lead and remainder trusts are to be received over the trust term or at its termination, respectively. The Administrative Office expects to receive annual distributions of its share of the trusts' annual income. The interests have been recognized in the financial statements as beneficial interest in trusts at the fair market value. Distributions are recorded on the consolidated statements of activities as Donations either with donor restrictions or without donor restrictions, depending on the stipulations of the gift agreement.

The change in value of the beneficial interest in irrevocable trusts is recorded as gain or (loss) with donor restrictions in the statements of activities. The change in value of the beneficial interests in irrevocable trusts totaled ($12,078,879) and ($2,210,264) for fiscal years ended June 30, 2023 and 2022, respectively.

Note 11. Property, Plant and Equipment, Net

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

	2023	2022
Land	$ 32,748,142	$ 32,748,142
Cemetery and mausoleum developments	102,290,227	102,363,177
Buildings and improvements	58,120,710	57,403,634
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	7,915,001	2,869,703
Furniture, fixtures and equipment	18,641,466	17,090,939
	225,446,185	218,206,234
Less accumulated depreciation and amortization	(141,949,068)	(133,344,769)
	$ 83,497,117	$ 84,861,465

Depreciation and amortization expense totaled $8,538,259 and $8,563,372 for the years ended June 30, 2023 and 2022, respectively.

Construction in progress represents cemetery facilities being renovated and developments currently under construction, and as a result, is not subject to depreciation. Upon completion, construction in progress will be classified as cemetery and mausoleum developments and will begin being depreciated.

Note 12. 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 ASC 350, Intangibles Goodwill and Other amortizes goodwill using the straight-line method over a 10-year period and tests goodwill impairment at the entity level. ASC 350 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, 2023 and 2022, management determined that there were no triggering events during the fiscal year.

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 Mortuaries. Amortization expense on goodwill for both the years ended June 30, 2023 and 2022 was $2,808,258.

Note 12. Goodwill (Continued)

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

	2023	2022
Goodwill, beginning of the year	$ 19,657,803	$ 22,466,061
Amortization	(2,808,258)	(2,808,258)
Goodwill, end of the year	$ 16,849,545	$ 19,657,803

Note 13. Pension and Other Postretirement Benefit Obligations

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

	2023	2022
Assets:		
Overfunded Qualified Priest Pension Plan	$ 1,183,000	$ -
Liabilities:		
Qualified Priest Pension Plan	-	(1,933,000)
Lay Employees Pension Plan	(62,524,000)	(84,069,000)
Priests Supplemental Retirement Plan	(17,415,000)	(19,139,000)
Priests Other Postretirement Benefit Plan	(17,638,000)	(17,623,000)
Total liability for pension and postretirement plan benefits	$ (97,577,000)	$ (122,764,000)

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

A reconciliation of beginning and ending balances of each plan's funded status is as follows for the years ended June 30, 2023 and 2022:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
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
Assets (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)
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)
Pension expense	108,000	(1,132,000)	(1,307,000)	(5,385,000)	(7,716,000)
Contributions	-	1,179,000	541,000	10,000,000	11,720,000
Gains and losses:					
Due to remeasurement	1,361,000	800,000	502,000	(3,361,000)	(698,000)
Investment performance	1,335,000	-	-	9,354,000	10,689,000
Discount rate change	3,690,000	1,153,000	1,559,000	22,722,000	29,124,000
Mortality assumption change					-
Change due in other assumptions	(3,378,000)	(276,000)	(1,310,000)	(11,785,000)	(16,749,000)
Total	3,008,000	1,677,000	751,000	16,930,000	22,366,000
Ending projected benefit obligation, June 30, 2023	(51,985,000)	(17,415,000)	(17,638,000)	(379,282,000)	(466,320,000)
Assets	53,168,000	-	-	316,758,000	369,926,000
Liability for pension benefits, June 30, 2023	$ 1,183,000	$ (17,415,000)	$ (17,638,000)	$ (62,524,000)	$ (96,394,000)

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 $10,000,000 and $10,700,000 were made to the Lay Plan during respective years ended June 30, 2023 and 2022. Benefit payments of $17,888,000 and $17,744,000 were made from the Lay Plan during the years ended June 30, 2023, and 2022, respectively. All contributions to the Lay Plan are made by the Archdiocese. There are no employee contributions to the plan.

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

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:

	2023	2022
Service cost, benefits earned during the period	$ 7,903,000	$ 10,390,000
Interest cost on projected benefit obligation	16,876,000	12,277,000
Actual return on plan assets	(28,748,000)	45,738,000
Net amortization and deferral	13,570,000	(61,711,000)
Net periodic pension cost	$ 9,601,000	$ 6,694,000

The assessed portion for employees of the Administrative Office included in pension cost on the accompanying consolidated statements of activities as general and administrative expenses were $2,613,063 and $2,262,465 for the years ended June 30, 2023 and 2022, respectively.

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

	2023	2022
Accumulated benefit obligation for service service rendered to date	$ (373,220,000)	$ (375,253,000)
Projected benefit obligation for service rendered to date	$ (379,282,000)	$ (380,365,000)
Plan assets at fair value	316,758,000	296,296,000
Funded status at end of year	$ (62,524,000)	$ (84,069,000)
Liability for pension benefits	$ (62,524,000)	$ (84,069,000)

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

	2023				
	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	$ 15,726,978	$ -	$ 15,726,978	$ -	$ -
Domestic common stocks	36,065,277	-	36,065,277	-	-
Foreign stocks	3,882,201	-	3,882,201	-	-
Mutual funds—equity	102,996,240	-	-	102,996,240	-
Mutual funds—fixed income	85,668,082	-	-	85,668,082	-
Collective investment funds	72,419,222	72,419,222	-	-	-
Total plan assets	$ 316,758,000	$ 72,419,222	$ 55,674,456	$ 188,664,322	$ -

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

	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	$ 11,968,049	$ -	$ 11,968,049	$ -	$ -
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	-	-	-
	285,596,000	$ 63,056,678	$ 42,815,270	$ 179,724,052	$ -
Contribution receivable	10,700,000				
Total plan assets	$ 296,296,000				

* Net Asset Value (NAV) as a practical expedient is a method of measuring fair value of an investment. In accordance with ASC 820-10, certain investments that are measured at fair value using NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the total fair value of plan assets reported in the summary of plan information.

The following table sets forth additional disclosures of the Administrative Office's Lay Plan investments whose fair value is estimated using NAV per share (or its equivalent) at June 30, 2023 and 2022:

	Fair Value at June 30, 2023	Fair Value at June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity fund for tax exempt trusts	$ 37,485,155	$ 31,097,764	$ -	daily	5 days
Large cap value fund	25,203,547	22,957,897	-	daily	3 days
Diversified inflation hedges	9,730,520	9,001,017	-	daily	1 day
	$ 72,419,222	$ 63,056,678	$ -		

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

	2023	2022
Net loss	$ 47,597,000	$ 68,743,000

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

Other changes in plan assets and benefit obligations recognized 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:

	2023	2022
Net gain	$ (16,930,000)	$ (19,953,000)
Amortization of gain	(4,216,000)	(5,632,000)
Total gain recognized on the consolidated statements of activities	$ (21,146,000)	$ (25,585,000)

	2023	2022
Total gain recognized in net periodic pension cost and the consolidated statements of activities	$ (11,545,000)	$ (18,891,000)

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 5.21% and 4.62% for the years ended June 30, 2023 and 2022, respectively, was used. In determining the net periodic pension costs, a weighted-average discount rate of 4.62% and 2.69% for the years ended June 30, 2023 and 2022, respectively. The assumed rate of increase in future compensation levels was 4% and 3.75% for the years ended June 30, 2023 and 2022. The assumed long-term rate of return on plan assets was 6.98% and 6.36% for the years ended June 30, 2023 and 2022, 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, 2023	Plan Assets at June 30, 2022
Equities	60%-80%	70%	65%	62%
Fixed income	25%-35%	30%	35%	38%

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.

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

The following benefit payments, which reflect expected future service as appropriate at June 30, 2023, are expected to be paid:

Years ending June 30:	
2024	$ 22,532,000
2025	22,764,000
2026	22,792,000
2027	23,321,000
2028	24,264,000
2029-2033	129,212,000
	$ 244,885,000

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

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

Contributions of $0 to the Qualified Plan and $1,179,000 to the Supplemental Plan were made during the year ended June 30, 2023. Contributions of $0 to the Qualified Plan and $1,300,000 to the Supplemental Plan were made during the year ended June 30, 2022. Benefit payments of $2,681,000 from the Qualified Plan and $1,179,000 from the Supplemental Plan were made during the year ended June 30, 2023. 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.

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:

	2023		2022	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	$ 1,049,000	$ 317,000	$ 1,482,000	$ 466,000
Interest cost on projected benefit obligation	2,299,000	815,000	1,736,000	645,000
Actual return on plan assets	(4,791,000)	-	8,107,000	-
Net amortization and deferral	2,945,000	303,000	(10,082,000)	849,000
Net periodic pension cost	$ 1,502,000	$ 1,435,000	$ 1,243,000	$ 1,960,000

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

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

	2023		2022	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	$ (51,985,000)	$ (17,415,000)	$ (53,050,000)	$ (19,139,000)
Projected benefit obligation for service rendered to date	$ (51,985,000)	$ (17,415,000)	$ (53,050,000)	$ (19,139,000)
Plan assets at fair value	53,168,000	-	51,117,000	-
Funded status at end of year	$ 1,183,000	$ (17,415,000)	$ (1,933,000)	$ (19,139,000)
Asset (liability) for pension benefits	$ 1,183,000	$ (17,415,000)	$ (1,933,000)	$ (19,139,000)

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

	2023				
	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	$ 2,172,005	$ -	$ 2,172,005	$ -	$ -
Domestic common stocks	5,665,854	-	5,665,854	-	-
Foreign stocks	620,511	-	620,511	-	-
Mutual funds—equity	15,778,503	-	-	15,778,503	-
Mutual funds—fixed income	15,852,359	-	-	15,852,359	-
Collective investment funds	13,078,768	13,078,768	-	-	-
Total plan assets	$ 53,168,000	$ 13,078,768	$ 8,458,370	$ 31,630,862	$ -

	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	$ 4,854,273	$ -	$ 4,854,273	$ -	$ -
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	-	-	-
	51,114,548	$ 11,471,695	$ 9,687,510	$ 29,955,343	$ -
Cash	2,452				
Total plan assets	$ 51,117,000				

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

The following table sets forth additional disclosures of the Administrative Office's Qualified Plan investments whose fair value is estimated using NAV per share (or its equivalent) at June 30, 2023 and 2022:

	Fair Value at June 30, 2023	Fair Value at June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity fund for tax exempt trusts	$ 6,519,240	$ 5,466,071	$ -	daily	5 days
Large cap value fund	4,397,190	4,005,398	-	daily	3 days
Diversified inflation hedges	2,162,338	2,000,226	-	daily	1 day
	$ 13,078,768	$ 11,471,695	$ -		

Amounts recognized 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:

	2023		2022	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss	$ 6,629,000	$ 6,403,000	$ 13,494,000	$ 8,482,000
Prior service cost	7,196,000	(457,000)	8,327,000	(556,000)
	$ 13,825,000	$ 5,946,000	$ 21,821,000	$ 7,926,000

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:

	2023		2022	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net gain	$ (6,386,000)	$ (1,677,000)	$ (2,129,000)	$ (4,545,000)
Prior service cost	3,378,000	-	-	-
Amortization of gain	(479,000)	(402,000)	(600,000)	(831,000)
Amortization of prior service credit	(1,131,000)	99,000	(1,260,000)	(18,000)
Total gain recognized on the consolidated statements of activities	$ (4,618,000)	$ (1,980,000)	$ (3,989,000)	$ (5,394,000)

	2023		2022	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total gain recognized on the consolidated statements of activities	$ (3,116,000)	$ (545,000)	$ (2,746,000)	$ (3,434,000)

Note 13. Pension and Other Postretirement Benefit Obligations (Continued)

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 5.2% and 4.59% was used for the years ended June 30, 2023 and 2022, 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 $541,000 and $589,000 were made to the plan during the years ended June 30, 2023 and 2022, 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:

	2023	2022
Service cost, benefits earned during the period	$ 522,000	$ 821,000
Interest cost on projected benefit obligation	785,000	648,000
Net amortization and deferral	(344,000)	69,000
Net periodic pension cost	$ 963,000	$ 1,538,000

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 $418,433 and $489,246 for the years ended June 30, 2023 and 2022, respectively.

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

	2023	2022
Accumulated postretirement benefit obligation for service rendered to date	$ (17,638,000)	$ (17,623,000)
Projected benefit obligation for service rendered to date	$ (17,638,000)	$ (17,623,000)
Funded status as of end of year	$ (17,638,000)	$ (17,623,000)
Liability for postretirement benefits	$ (17,638,000)	$ (17,623,000)

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

	2023	2022
Net loss	$ 200,000	$ 951,000
Prior service cost (credit)	(1,601,000)	(1,945,000)
Total loss recognized in statement of activities	$ (1,401,000)	$ (994,000)

Note 13. 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:

	2023	2022
Net gain	$ (751,000)	$ (6,336,000)
Amortization of gain	-	(413,000)
Amortization of prior service cost	344,000	344,000
Total gain recognized on the consolidated statements of activities	$ (407,000)	$ (6,405,000)

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

	2023	2022
Discount rate—Qualified and Supplemental Plan (pension)	4.59%	2.71%
Discount rate—Supplemental Plan (postretirement medical)	4.66%	2.87%
Expected long-term rate of return on assets (qualified plan)	6.98%	6.36%
Future benefit increases—Qualified and Supplemental Plan (pension)	2.00%	2.00%

Assumptions used to determine benefit obligations at year-end:

	2023	2022
Discount rate—Qualified and Supplemental Plan (pension)	5.20%	4.59%
Discount rate—Supplemental Plan (postretirement medical)	5.23%	4.66%
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 2023	Actual Percentage of Plan Assets at June 30 2022
Equities	60%-80%	70%	62%	56%
Fixed income	25%-35%	30%	38%	44%

Note 13. Pension Plans and Other Postretirement Plan (Continued)

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

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

	Qualified Plan	Supplemental Plan	Retiree Welfare Benefit Plan
Years ending June 30:			
2024	$ 3,315,000	$ 1,216,000	$ 703,000
2025	3,356,000	1,243,000	732,000
2026	3,425,000	1,253,000	768,000
2027	3,432,000	1,253,000	800,000
2028	3,485,000	1,260,000	837,000
Thereafter	17,945,000	6,348,000	4,730,000
	$ 34,958,000	$ 12,573,000	$ 8,570,000

403(b) workplace retirement savings plan: On May 9, 2006, the Archdiocese implemented a 403(b) workplace retirement savings plan (the 403(b) Plan), a voluntary defined contribution plan. Under the 403(b) Plan, priests within the Archdiocese can defer and invest a portion of their salaries with Fidelity Investments. The monies that are deferred, and any monies contributed by the Archdiocese, are not considered assets or liabilities of the Archdiocese. The Administrative Office of the Archdiocese contributed and expensed $69,800 and $62,760 to the 403(b) Plan during the years ended June 30, 2023 and 2022, respectively.

Note 14. Notes Payable

Notes payable at June 30 consisted of the following:

	2023	2022
Term A loan	$ 100,000,000	$ 100,000,000
Term B loan	2,340,660	2,736,264
Cemetery equipment loan payable	550,186	865,071
Line of credit	25,000,000	25,000,000
	$ 127,890,846	$ 128,601,335

On April 30, 2021, the Administrative Office entered into an amended and restated credit agreement with a bank. The credit agreement included (1) a $25 million revolving line of credit to support working capital needs with a maturity date of May 1, 2026; (2) a non-amortizing $100 million term loan (Term Loan A) with a maturity date of May 1, 2026; and (3) a term loan (Term Loan B) in the amount of $3,230,769 with a maturity date of May 1, 2026.

Note 14. Notes Payable (Continued)

Term Loan A and Term Loan B bear interest of daily simple Secured Overnight Financing Rate plus 1% and the line of credit loan bears interest of LIBOR plus 0.9%. At June 30, 2023, the interest rate in effect for Term Loan A and Term Loan B was 6.05% and interest rate on the revolving line of credit was 6%. The loans are secured by marketable securities held in the Investment Portfolio.

In conjunction with this credit facility, the Administrative Office entered into an interest rate swap agreement with the lender. Under ASC 815, Derivatives and Hedging, the instruments' fair value and changes therein must be recorded in the Administrative Office's statement of activities. The value of the swap instrument represents the estimated cost to the Administrative Office to cancel the agreement at the reporting date, which is based on pricing models that consider risks and market factors. The valuation of the swap resulted in an asset of $9,365,367 and $6,363,136, at June 30, 2023 and 2022, respectively, and the increase in the valuation of $3,002,231 and $7,834,132 for the years ended June 30, 2023 and 2022, respectively was recorded as interest income and other revenue on the statements of activities. 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.

Schedule of future maturities of notes payable is as follows:

2024	$ 721,819
2025	619,576
2026	126,549,451
Total	$ 127,890,846

Note 15. 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 (see Note 16). As of June 30, 2023 and 2022, the amount outstanding on these notes was $2,157,122 and $2,245,925, respectively. The notes are unsecured and have term of up to 10 years, with interest ranging from 0% to 5% over the term of the notes.

Aggregate future maturities of notes payable to affiliates debt at June 30, 2023, was $2,157,122, due in fiscal year 2024.

Note 16. 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 Administrative Office and other parties as a result of 2002 California legislation allowing claims that might have been otherwise barred to be filed during 2003. The Administrative Office completed the funding in 2011 through debt borrowings (see Note 15).

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 toward minors. The bills were vetoed by the Governor of the State of California.

Note 16. Commitments and Contingencies (Continued)

In 2019, California Assembly Bill 218 (AB 218) was 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) claims for childhood sexual abuse that were then 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 could 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 could 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 only 425 claims that had been filed naming the Archdiocese and schools, parishes and other ministries of the Archdiocese under the current revival of the statute of limitations. Limited factual information was available to assess the claims, since only limited disclosure of charging allegations had been made as of the date those financial statements were available to be issued and, accordingly, assessment of the potential losses in the coordinated litigation could not be made at that time.

As of June 30, 2023, the Archdiocese was aware of 1,693 claims that had been filed naming the Archdiocese and schools, parishes and other ministries of the Archdiocese under the current revival of the statute of limitations. As of April 2024, the Archdiocese was aware of approximately 1,860 claims that had been filed naming the Archdiocese and schools, parishes and other ministries of the Archdiocese. Certain claims have been resolved subsequent to June 30, 2023, and the Archdiocese continues to address the remaining claims.

In accordance with ASC 450, Contingencies, and using information available as of April 30, 2024, the Administrative Office has accrued $226 million as of June 30, 2023 for litigation losses in the accompanying consolidated statement of financial position. While financial loss in connection with these claims is probable, the limited information available and wide range of possible outcomes of individual claims makes it difficult to estimate the ultimate losses. Actual results may differ materially from this amount.

In addition to claims filed under AB 218, it is likely that additional claims alleging misconduct by clergy or lay persons may 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. Insurance claim reserves at June 30, 2023 and 2022 include an actuarially-determined liability for such matters based on historical loss experience. See reserves for the sexual abuse claims at Note 18.

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 18.

Note 16. Commitments and Contingencies (Continued)

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 was 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 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.

Pledge guarantee: 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 from a third-party donor to fund CEF's New Enrollment Initiative (NEI) Program. The remaining balance of the pledge guarantee was $37.5 million at June 30, 2023.

Note 17. Leases

The Administrative Office determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under ASC 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Administrative Office also considers whether its service arrangements include the right to control the use of an asset.

The Administrative Office leases office space to be occupied by the Administrative Office and other affiliates of the Archdiocese from unrelated parties under operating lease agreements that have terms from transition of 0.4 to 5.0 years. The leases include two one-year renewal options, generally at the Administrative Office's sole discretion, with renewal terms that can extend the lease term. These options to extend a lease are included in the lease terms when it is reasonably certain that the Administrative Office will exercise that option. The Administrative Office also leases six mortuary properties be used as a first-class funeral home and chapel and for other related purposes, from unrelated parties under operating lease agreements that have terms from transition of 9.42 years. The leases include one five-year renewal option, generally at the Administrative Office's sole discretion, with renewal terms that can extend the lease term. The Administrative Office also leases copiers and printers from unrelated parties under operating lease agreements. The Administrative Office's leases generally do not contain any material restrictive covenants.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$ 4,421,163
Short-term lease cost	-
Variable lease cost	-
Total lease cost	$ 4,421,163

Short-term lease expense is not material to the Administrative Office's consolidated financial statements. Rent expense was approximately $1,695,675 for the year ended June 30, 2022.

Note 17. Leases (Continued)

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows—payments on operating leases	$ 2,887,574
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	241,654

Supplemental information related to leases as presented on the statement of financial position as of June 30, 2023, is as follows:

Weighted-average remaining lease term:	
Operating leases	11.05
Weighted-average discount rate:	
Operating leases	6.65%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated statement of financial position as of June 30, 2023 is as follows:

Years ending June 30:	
2024	$ 4,473,805
2025	4,161,171
2026	2,428,096
2027	1,986,362
2028	1,500,000
Thereafter	5,125,000
Total	19,674,434
Less imputed interest	(1,703,829)
Total present value of lease liabilities	$ 17,970,605

Future minimum lease commitments, as determined under Topic 840, for all noncancellable leases were as follows as of June 30, 2022:

Years ending June 30:	
2023	$ 1,947,108
2024	1,968,359
2025	1,670,240
	$ 5,585,707

Note 18. 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.

Note 18. Insurance Claims Reserves (Continued)

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 is not insured by ALAIC. Fine Art and Equipment Breakdown continue to be insured under a separate commercial policy.

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 16.

The insurance claims coverage as of June 30, 2023, follows:

	ALAIC Retentions		Risk Mgt. Corp.	Commercial Insurance	
Coverage	Per Occ.	Annual Agg.	Retention	Policy Limit	Comments
Property	$500,000	$4,000,000	Excess of 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. A $2 million limit applies to Employers Liability and a $100,000,000 specific limit applies to catastrophic occurrences in which a large number of employees are injured as the result of a specific event, such as earthquake.
Sensitive (before 7/1/18)	$2,000,000	$4,000,000	Excess of Agg	No Coverage	Retentions apply to settlement and expense combined
Sensitive (on/after 7/1/18)	$2m xs $2m	$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	$250,000	$500,000	(a)	$3m/$10m	$250,000 limit applies to employee theft. Limit is $100,000 for Premises, In Transit, Forgery, Computer Fraud and Funds Transfer Coverage.
Fiduciary liability	$25,000	$500,000	(a)	$5m/$10m	Annual Aggregate applies to Crime and Fiduciary Liability claims combined

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

The total undiscounted insurance claims reserve on the Administrative Office's consolidated statements of financial position for insurance claims is $319,602,590 and $101,670,668 as of June 30, 2023 and 2022, respectively. These estimated claim reserves are presented gross of estimated insured loss recoverables of $9,701,887 and $13,505,197 as of June 30, 2023 and 2022, respectively. Insurance recoverables are included in Other receivables in the accompanying consolidated statements of financial position.

Note 19. Related-Party Transactions

Related parties of the Administrative Office include corporations held by the Roman Catholic Archbishop of Los Angeles including parishes, schools and ministries (affiliates). In addition to the affiliate receivables included in Note 4, the Administrative Office had a payable to affiliates of $57,703,392 and $33,692,392 as of June 30, 2023 and 2022, respectively. Parish assessments and interest on affiliate loans comprised of $20,902,403 and $19,243,690 for the years ended June 30, 2023 and 2022, 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 and amounted to $110,927 and $109,127 for the years ended June 30, 2023 and 2022, respectively.

Expenses incurred on behalf of such related parties consist of subsidies and insurance program benefits. Subsidies are provided through several programs and for a variety of activities. Subsidies support the work of the Church by providing funding for sacraments, ministries, Catholic education, service programs and construction of facilities throughout the Archdiocese. Most often, subsidies are provided to parishes and schools whose sources of revenues do not meet operating needs. The largest of all Archdiocesan subsidy programs is TIM, 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 which are 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 $47,266,900 and $27,767,924 for the years ended June 30, 2023 and 2022, respectively. Certain additional amounts have also been accrued for insurance and other commitments and contingencies. See Note 16.

For the year ended June 30, 2022, the Administrative Office advanced educational expenses on behalf of E&W; a receivable from E&W of $14,010,831 was included in Affiliates receivable, net at June 30, 2022. For the year ended 2023, E&W transferred its Spectrum lease proceeds of $13,715,355 to the Administrative Office in repayment of the advance, resulting in a remaining balance included in Affiliates payable, net of $295,475 at June 30, 2023.

Note 20. Split-Interest Agreements

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 also serves as the trustee for various charitable gift annuities which are also custodied at BNY Mellon. The Archdiocese records the assets 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 charitable remainder unitrusts are $756,412 and $759,699 as of June 30, 2023 and 2022, respectively. Total amounts payable to beneficiaries are $431,427 and $481,915 as of June 30, 2023 and 2022, respectively. The fair value of the charitable gift annuity investments are $893,162 and $0 as of June 30, 2023 and 2022, respectively. Total amounts payable to beneficiaries are $634,652 and $0 as of June 30, 2023 and 2022, 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, 2023 and 2022, ranged from 3.8% to 9.4%.

Note 21. 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:

	2023	2022 (as restated)
Purpose restrictions:		
Repair and maintenance	$ 3,359,767	$ 2,220,831
Operating subsidies	4,978,262	4,978,262
Educational purposes	20,782,371	35,206,248
Office of Religious Education	269,845	116,975
House of Prayer	24,894	24,894
Called to Renew	45,639,352	28,416,149
Together in Mission	11,914,223	14,233,352
Cardinal Award Dinner	213,250	226,840
Other	14,795,696	15,533,565
Time restrictions:		
Pledges receivable, net of affiliate liability (Called to Renew and Together in Mission)	35,885,366	26,962,541
Other receivables—beneficial interest in trust	196,005	172,688
Endowments	34,090,483	31,961,574
	$ 172,149,514	$ 160,053,919

Note 22. Endowment Fund

ASC 958, Financial Statements of Not-for-Profit Organizations, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to a state 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) funds. The endowment fund of the Administrative Office consists of various donor-restricted endowment funds.

The Administrative Office has interpreted the California enacted version of UPMIFA, 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 accordance with UPMIFA, the Administrative Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund, (2) the purposes of the Administrative Office and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Administrative Office and (7) the investment policies of the Administrative Office.

Note 22. 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, 2023 and 2022. Endowment income appropriated for spending is recorded as net assets released from restrictions in the consolidated statements of activities.

Assets of the endowment fund in the amount of $34,044,597 and $31,994,725 as of June 30, 2023 and 2022, respectively, were held in cash and investments.

Endowment net assets at June 30 were as follows:

	2023	2022
Vocation in Progress	$ 5,660,357	$ 5,138,136
Adopt-a-Family	3,399,474	3,210,558
Repair and maintenance	8,899,357	8,408,076
Educational purposes	9,287,993	8,882,823
Office of Religious Education	2,341,224	2,183,355
House of Prayer	1,266,064	1,161,232
Called to Renew	2,393,107	2,204,280
Other	797,021	806,265
	$ 34,044,597	$ 31,994,725

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

	2023	2022
Endowment net assets, beginning of year	$ 31,994,725	$ 37,024,019
Investment return:		
Investment income	599,395	428,153
Net appreciation (realized and unrealized)	2,012,431	(5,034,001)
Total investment return	2,611,826	(4,605,848)
Contributions	179,534	74,197
Appropriation of endowment funds for expenditure	(741,488)	(497,643)
Endowment net assets, end of year	$ 34,044,597	$ 31,994,725

Note 22. Endowment Fund (Continued)

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Administrative Office to retain as a fund of perpetual duration. These deficiencies are reported in net assets without donor restrictions and are the result of unfavorable market fluctuations. As of June 30, 2023 and 2022, no donor-restricted endowments fell below this required level.

Note 23. Liquidity and Availability

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

	2023	2022 (as restated)
Cash and cash equivalents	$ 66,267,867	$ 37,857,982
Contracts receivable, net	139,656,523	121,649,728
Affiliate receivables, net	4,712,348	21,865,243
Pledges receivable, net	88,693,105	51,395,602
Other receivables	15,145,546	15,717,156
Notes receivable	14,025,770	18,478,354
Investments	843,212,689	765,228,693
Beneficial interests in trusts	19,226,857	37,103,054
Total financial assets	1,190,940,705	1,069,295,812
Less:		
Restricted cash	67,349	970,438
Net assets with donor restrictions	172,149,514	160,053,919
Affiliates payable	57,703,392	33,692,392
Custodial Collections	17,227,002	18,447,760
Private company stock - Watson land company	95,241,795	71,946,796
Contracts receivable - over one year	123,630,914	109,428,324
Notes receivable - over one year	11,859,229	15,019,493
Investments pledged on debt	127,890,846	128,601,335
	605,770,041	538,160,457
Financial assets available to meet cash needs for general expenditures within one year	$ 585,170,664	$ 531,135,355

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 24. Subsequent Events

On December 21, 2023, the Archdiocese entered into an office building lease agreement with a third party for the rental of office space. The lease term is 120 months after the commencement date, as defined, and has a monthly lease payment of $204,776 with a 3% annual payment escalation. The agreement includes one option to extend the lease for a period of five years and a purchase option during the last 60 months of the initial lease term. Monthly lease payments are consistent with the existing lease, which was not renewed by the landlord. Expected occupancy date is in 2024.