

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Statements
June 30, 2024 and 2023



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INDEPENDENT AUDITORS' REPORT

Audit Committee
Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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 statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Office of the Roman Catholic Archdiocese of Los Angeles as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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 7.93% of consolidated total assets as of June 30, 2024, and total revenues constituting 6.61% of consolidated total revenues for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Administrative Office of the Roman Catholic Archdiocese of Los Angeles 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.

Prior Year Financial Statements

The financial statements of the Administrative Office of the Roman Catholic Archdiocese of Los Angeles as of June 30, 2023, were audited by other auditors whose report dated May 14, 2024, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 of the Roman Catholic Archdiocese of Los Angeles' 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 of the Roman Catholic Archdiocese of Los Angeles' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Los Angeles, California
June 20, 2025

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 61,707,147	\$ 64,382,084
Restricted cash	-	67,349
Contracts receivable, net	146,262,876	139,656,523
Affiliate receivables, net	22,411,426	4,712,348
Pledges receivable, net	3,150,275	88,693,105
AB218 settlement receivables	65,070,192	-
Other receivables	21,138,713	15,145,546
Notes receivable, net	15,106,986	14,025,770
Investments	760,789,062	810,940,640
Beneficial interest in trust, net	22,502,028	19,226,857
Endowment assets:		
Endowment cash	53,445	1,818,434
Endowment investments	35,238,797	32,272,049
Property and equipment, net	89,765,940	83,497,117
Deferred cemetery sales commissions and benefits	24,681,358	25,544,663
Other assets	7,452,488	10,390,749
Goodwill, net	14,041,288	16,849,545
Assets for pension benefits	9,169,000	1,183,000
Operating Right-of-use asset, net	19,824,160	17,940,150
Total assets	\$ 1,318,365,181	\$ 1,346,345,929
Liabilities:		
Accounts payable and accrued expenses	\$ 23,659,699	\$ 18,072,204
Payable to affiliates	29,566,575	57,703,392
Preneed funeral contract liability	3,930,178	3,301,941
Insurance claims reserves	118,423,227	115,433,590
AB218 claims settlement liability	923,608,027	204,169,000
Pension and other postretirement benefit obligations	81,363,000	97,577,000
Deferred revenue	222,985,635	207,989,431
Cemetery sales return reserve	33,107,981	38,128,954
Custodial collections	19,774,443	17,227,002
Notes payable	102,267,887	127,890,846
Notes payable to affiliates	2,163,319	2,157,122
Operating lease liability	19,956,179	17,970,605
Total liabilities	1,580,806,150	907,621,087
Commitments and contingencies		
Net assets:		
Without donor restrictions	(354,145,640)	266,575,328
With donor restrictions	91,704,671	172,149,514
Total net assets	\$ (262,440,969)	\$ 438,724,842
Total liabilities and net assets	\$ 1,318,365,181	\$ 1,346,345,929

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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Donations	\$ 2,733,306	\$ 14,543,350	\$ 17,276,656	\$ 3,645,626	\$ 57,342,515	\$ 60,988,141
Contributions of nonfinancial assets	7,307,893	-	7,307,893	4,567,101	-	4,567,101
Donations, annual appeal	-	12,418,757	12,418,757	-	11,193,434	11,193,434
Cemetery sales	94,471,951	-	94,471,951	94,913,862	-	94,913,862
Mortuary sales	38,317,001	-	38,317,001	37,019,876	-	37,019,876
Insurance reimbursement	143,706,930	-	143,706,930	134,168,149	-	134,168,149
Assessments	22,356,237	-	22,356,237	20,378,521	-	20,378,521
	308,893,318	26,962,107	335,855,425	294,693,135	68,535,949	363,229,084
Net assets released from restrictions	26,993,263	(26,993,263)	-	46,996,618	(46,996,618)	-
Total revenues and support	335,886,581	(31,156)	335,855,425	341,689,753	21,539,331	363,229,084
Expenses:						
Program expenses:						
Education and formational services	32,634,921	-	32,634,921	33,796,168	-	33,796,168
Pastoral and evangelization	25,556,071	-	25,556,071	25,972,039	-	25,972,039
Social services	4,724,604	-	4,724,604	4,565,428	-	4,565,428
Pastoral regions	2,162,630	-	2,162,630	1,749,227	-	1,749,227
Priests' support and retirement	4,292,239	-	4,292,239	3,630,284	-	3,630,284
Cemetery expense	48,442,426	-	48,442,426	46,347,364	-	46,347,364
Mortuary expense	51,476,305	-	51,476,305	49,301,361	-	49,301,361
Total program expenses	169,289,196	-	169,289,196	165,361,871	-	165,361,871
Supporting services:						
General and administrative expense	194,991,415	-	194,991,415	203,935,473	-	203,935,473
Fundraising expense	5,904,231	-	5,904,231	13,702,326	-	13,702,326
Total supporting services	200,895,646	-	200,895,646	217,637,799	-	217,637,799
Total expenses	370,184,842	-	370,184,842	382,999,670	-	382,999,670
Change in net assets before other changes	\$ (34,298,261)	\$ (31,156)	\$ (34,329,417)	\$ (41,309,917)	\$ 21,539,331	\$ (19,770,586)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other changes:						
AB218 claims settlement	\$ (689,262,243)	\$ -	\$ (689,262,243)	\$ (204,169,000)	\$ -	\$ (204,169,000)
Transfer to affiliate entity	(1,186,397)	(87,404,074)	(88,590,471)	1,274,436	-	1,274,436
Other investment return, net of expenses	(10,305,483)	115,000	(10,190,483)	24,480,114	-	24,480,114
Investment portfolio return, net of expenses	65,060,852	3,607,116	68,667,968	49,061,228	2,611,826	51,673,054
Interest income and other revenue	17,496,205	40,128	17,536,333	17,518,068	-	17,518,068
Pension related changes other than net periodic pension costs	32,871,000	-	32,871,000	28,151,000	-	28,151,000
Other Net Periodic Pension Costs	(1,060,000)	-	(1,060,000)	(3,710,000)	-	(3,710,000)
Change in value of beneficial interest in charitable gift annuity	(36,641)	(47,028)	(83,669)	(118,452)	23,317	(95,135)
Change in value of beneficial interest in trust	-	3,275,171	3,275,171	-	(12,078,879)	(12,078,879)
Total other changes	(586,422,707)	(80,413,687)	(666,836,394)	(87,512,606)	(9,443,736)	(96,956,342)
Change in net assets	(620,720,968)	(80,444,843)	(701,165,811)	(128,822,523)	12,095,595	(116,726,928)
Net assets, beginning of year	266,575,328	172,149,514	438,724,842	395,397,851	160,053,919	555,451,770
Net assets, end of year	\$ (354,145,640)	\$ 91,704,671	\$ (262,440,969)	\$ 266,575,328	\$ 172,149,514	\$ 438,724,842

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Functional Expenses Year Ended June 30, 2024

	Program Expense								Supporting services				Total											
	Education and		Social Services	Priests' Support			Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal												
	Formational Services	Pastoral and Evangelization		Pastoral Regions	and Retirement																			
Salary and wages	\$	7,599,360	\$	6,713,856	\$	2,587,154	\$	1,078,628	\$	661,192	\$	15,709,137	\$	24,466,397	\$	58,815,724	\$	11,751,130	\$	2,183,291	\$	13,934,421	\$	72,750,145
Benefits		1,751,685		1,535,176		630,919		282,394		3,292,664		4,507,430		4,235,507		16,235,775		4,987,911		421,515		5,409,426		21,645,201
Subtotal		9,351,045		8,249,032		3,218,073		1,361,022		3,953,856		20,216,567		28,701,904		75,051,499		16,739,041		2,604,806		19,343,847		94,395,346
Amortization of goodwill		-		-		-		-		-		2,808,258		2,808,258				-		-		-		2,808,258
Provision for credit losses		-		-		-		-		-		-		-				6,863,761		-		6,863,761		6,863,761
Bank charges		32,007		1,134		31		162		-		1,653,986		540,451		2,227,771		216,286		153,787		370,073		2,597,844
Conferences/meetings		258,166		256,965		65,237		10,303		-		4,330		34,282		629,283		1,618,123		146,063		1,764,186		2,393,469
Consultant		2,683,340		1,274,333		86,342		1,100		-		706,606		304,554		5,056,275		2,391,097		544,672		2,935,769		7,992,044
Contribution expense		392,109		4,591,816		-		37,485		-		-		-		5,021,410		240,906		-		240,906		5,262,316
Cost of sales		-		-		-		-		-		7,402,607		6,873,754		14,276,361		-		-		-		14,276,361
Depreciation and amortization		-		-		-		-		-		6,803,608		83,639		6,887,247		137,987		-		137,987		7,025,234
Development/donor appreciation expense		85,579		102,999		22,044		8,055		-		67,444		212,882		499,003		162,028		61,102		223,130		722,133
Equipment rental		435,385		2,300		244,454		2,717		-		510,418		1,173,538		2,368,812		1,194,172		1,201		1,195,373		3,564,185
Insurance expense		-		-		-		-		-		-		-		-		151,718,035		-		151,718,035		151,718,035
Interest expense		-		-		-		-		-		-		-		-		5,079,735		-		5,079,735		5,079,735
Marketing/advertising		92,136		24,693		17,856		1,700		104,371		80,356		738,749		1,059,861		17,785		75,286		93,071		1,152,932
Miscellaneous		1,996,187		626,544		387,849		42,183		75,869		4,057,548		3,388,886		10,575,066		1,480,422		571,953		2,052,375		12,627,441
Mortuary Care Center		-		-		-		-		-		2,085,239		2,085,239				-		-		-		2,085,239
Occupancy/facility expense		941,708		621,788		23,355		143,957		26,195		1,052,266		783,308		3,592,577		3,551,423		257,214		3,808,637		7,401,214
Office expense/supplies		3,096,337		677,096		521,367		406,856		694		2,630,600		1,334,998		8,667,948		1,243,170		1,253,767		2,496,937		11,164,885
Professional fees		679,766		5,207		155		-		111,900		15,776		1,114,455		1,927,259		2,234,192		147,716		2,381,908		4,309,167
Program events		-		23,776		-		-		-		-		-		23,776		-		-		-		23,776
Seminarian/educational expense		26		2,169,006		-		70		-		-		-		2,169,102		1,359		99		1,458		2,170,560
Settlement expense		-		-		-		-		-		-		-		-		2,535,646		-		2,535,646		2,535,646
Staff development		77,854		36,430		15,443		585		-		-		15,494		145,806		5,909		-		5,909		151,715
Subscriptions		363,072		20,525		15,323		2,278		-		5,875		17,415		424,488		14,394		11,192		25,586		450,074
Subsidy-TIM/contribution expense		9,374,807		6,127,717		-		-		-		-		-		15,502,524		1,034,374		-		1,034,374		16,536,898
Travel expenses		606,362		483,528		77,027		51,829		38		15,358		47,019		1,281,161		353,469		74,636		428,105		1,709,266
Uniforms		-		-		-		-		-		271,204		75,891		347,095		-		-		-		347,095
Utilities		2,164,941		135,163		451		46,786		-		2,883,463		1,131,514		6,362,318		1,562,064		330		1,562,394		7,924,712
Vehicle expenses		4,094		126,019		29,597		45,542		19,316		64,414		10,075		299,057		22,803		407		23,210		322,267
Subtotal		23,283,876		17,307,039		1,506,531		801,608		338,383		28,225,859		22,774,401		94,237,697		183,679,140		3,299,425		186,978,565		281,216,262
Pension expense, net of reimbursements		-		-		-		-		-		-		-		-		(5,426,766)		-		(5,426,766)		(5,426,766)
Total	\$	32,634,921	\$	25,556,071	\$	4,724,604	\$	2,162,630	\$	4,292,239	\$	48,442,426	\$	51,476,305	\$	169,289,196	\$	194,991,415	\$	5,904,231	\$	200,895,646	\$	370,184,842

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Functional Expenses Year Ended June 30, 2023

	Program Expense								Supporting services				
	Education and												
	Formational	Pastoral and			Priests' Support					Administrative	Fundraising	Subtotal	Total
	Services	Evangelization	Social Services	Pastoral Regions	and Retirement	Cemetery	Mortuary	Subtotal					
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 credit losses	-	-	-	-	-	-	-	-	20,829,469	-	20,829,469	20,829,469	
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	127,966	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	-	-	-	-	-	-	-	-	152,217,984	-	152,217,984	152,217,984	
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	196,287,623	10,954,146	207,241,769	304,418,396	
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	\$ 203,935,473	\$ 13,702,326	\$ 217,637,799	\$ 382,999,670	

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, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (701,165,811)	\$ (116,726,928)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in defined benefit pension and postretirement plans other than periodic pension and postretirement expense	(32,871,000)	(28,151,000)
Change in other net periodic pension costs	1,060,000	3,710,000
Net realized and unrealized (gains) losses on investments	(35,986,362)	(59,828,654)
Change in value of beneficial interest in charitable gift annuity	(83,669)	(95,135)
Change in value of beneficial interest in trust	(3,275,171)	12,078,879
Change in value of interest rate swap	2,714,296	(3,002,231)
Change in the pledge and contract receivable discount	387,522	11,409,474
Transfer to affiliate entity	86,341,450	-
Gain on sale of property and equipment	(51,064)	(27,130)
Provision for credit losses	7,650,617	21,075,705
Change in provision for uncollectible notes receivable	(786,856)	(246,233)
Change in sales return reserve	(5,020,973)	4,310,228
Change in deferred sales commissions	832,059	(631,814)
Reduction in carrying value of operating right-of-use assets	(1,884,010)	3,815,487
Change in preneed funeral contract liability	628,237	1,655,196
Depreciation and amortization	7,025,234	8,538,259
Amortization of goodwill	2,808,257	2,808,258
Cash restricted for endowments	(29,480)	(179,534)
Changes in assets and liabilities:		
Contracts receivable	(7,245,771)	(20,773,276)
Affiliate receivables	(25,207,239)	10,069,113
Pledges receivable	713,041	(54,748,037)
AB218 settlement receivables	(65,070,192)	-
Other receivables	(5,993,167)	571,610
Other assets	223,965	(11,023)
Overfunded pension benefit obligation	(7,986,000)	(1,183,000)
Accounts payable and accrued expenses	5,588,155	3,792,560
Payables to affiliates	14,867,953	24,011,000
Insurance claims reserves	2,989,637	13,762,922
AB218 claims settlement liability	719,439,027	204,169,000
Liability for pension and other postretirement benefit obligations	15,597,000	(746,000)
Deferred revenue	14,996,204	14,710,433
Custodial collections	2,547,441	(1,220,758)
Operating lease liability	1,985,574	(3,781,898)
Net cash provided by (used in) operating activities	(4,261,096)	49,135,473
Cash flows from investing activities:		
Repayment from notes receivable	1,117,550	1,910,151
Advances under notes receivable	(1,411,910)	(475,710)
Proceeds from maturities or sale of investments	157,532,737	173,376,791
Purchase of investments	(118,685,527)	(191,532,133)
Proceeds from trust termination	-	3,972,447
Purchases of property and equipment	(12,813,678)	(7,384,506)
Proceeds from sale of property and equipment	(398,069)	27,130
Net cash provided by (used in) investing activities	25,341,103	(20,105,830)
Cash flows from financing activities:		
Cash received restricted for endowments	29,480	179,534
Proceeds from notes payable	6,197	-
Principal payments on notes payable	(25,622,959)	(710,489)
Principal payments on notes payable to affiliates	-	(88,803)
Net cash used in financing activities	(25,587,282)	(619,758)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
Net increase in cash, cash equivalents restricted cash and endowment cash	\$ (4,507,275)	\$ 28,409,885
Cash and cash equivalents and endowment cash, beginning of year	<u>66,267,867</u>	<u>37,857,982</u>
Cash, cash equivalents, restricted cash and endowment cash, end of year	<u><u>\$ 61,760,592</u></u>	<u><u>\$ 66,267,867</u></u>
Reconciliation of cash, cash equivalents, restricted cash and endowment cash:		
Cash and cash equivalents	\$ 61,707,147	\$ 64,382,084
Restricted cash	-	67,349
Endowment cash	<u>53,445</u>	<u>1,818,434</u>
Total cash, cash equivalents, restricted cash and endowment cash	<u><u>\$ 61,760,592</u></u>	<u><u>\$ 66,267,867</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ 2,361,266</u></u>	<u><u>\$ 3,424,421</u></u>

See notes to consolidated financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the 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 the fiscal responsibility of 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 patrons 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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.

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, 2024 and 2023, the Administrative Office had \$29,219,423 and \$72,614,361, respectively, over federally insured limits. The Administrative Office implemented an automatic daily sweep to accounts that invest in U.S. Treasury securities and repurchase agreements collateralized by such obligations. As such, the remaining amounts held in cash are under the FDIC limit for general operations.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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. Allowances are established based on credit losses expected to occur over the remaining life of the asset, rather than incurred losses. At June 30, 2024 and 2023, the allowance on at need contracts was \$1,668,886 and \$1,410,336, 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 allowance for doubtful accounts 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. See subsection revenue recognition.

Affiliate receivables arise from revenue streams subject to the guidance of ASC 606, Revenue from Contracts with Customers. That standard requires that the collectability 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.

Other receivables: Other receivables include miscellaneous receivables from third parties, insurance recovery receivables and employee advances. Allowances are not established on these receivables since payment is generally received within a year. Amounts are written off when determined uncollectible.

Notes receivable: Notes receivable consist mostly of loans to parishes and schools and nonaffiliates of the Administrative Office and are stated at net realizable value. Interest rates on the loans range between 3.1% and 5.45% and between 3.1% and 5.29% for the years ended June 30, 2024 and 2023, 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 allowance for doubtful accounts 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. The balance is presented at the net amount expected to be collected, through an allowance for credit losses for potential losses over the remaining life of the asset, rather than incurred losses.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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.

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.

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 (2) sales commissions and benefits related to the amounts included in the cemetery sales return reserve. Costs for selling sales contracts are deferred until the related resale product or service is delivered.

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, 2024 and 2023, management has determined that there was no impairment of long-lived assets.

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 statement 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 obligor 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 of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

	2024	2023
Preneed cemetery contracts for products and services	\$ 220,039,235	\$ 206,489,367
Patron deposits and other	2,162,282	566,692
Mortuary payments	784,118	933,372
Total	<u>\$ 222,985,635</u>	<u>\$ 207,989,431</u>

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

Patron deposits: Patron deposits include deposits from contracts and credits based on estimated cancellations.

Cemetery sales return reserve: Preneed interment rights may be canceled at any time before the patron's death. The Cemetery recognizes sales net of an estimated sales return reserve, which currently is 11.8% of preneed interment rights sales. The associated cost of sales and sales commissions is also deferred and recorded as deferred cost of sales and deferred 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. Amounts were \$6,651,070 and \$9,365,367 as of June 30, 2024 and 2023, respectively and are recorded as other assets on the consolidated statements of financial position. Changes in the fair value of the swap agreement are recorded as Interest income and 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 when or as performance obligations are satisfied.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

Cemetery sales: Cemetery operations primarily generate revenue from the sale of cemetery interment rights (in-ground, mausoleum, and cremation property), related merchandise (outer burial containers, memorial markers, and floral placements), and services (such as interment services and the installation of cemetery merchandise).

Interment rights, merchandise, and services, each representing distinct performance obligations, are sold on either an at-need (time of death) or preneed (before death) basis. In all cases, revenue is recognized at the point in time when the performance obligation is satisfied. For preneed sales, the obligations for interment rights, merchandise, and services are satisfied at the time of need. For at-need sales, the interment rights obligation is satisfied at the time of sale, while the obligations for merchandise and services are satisfied upon delivery.

Variable consideration on preneed contracts is estimated and recorded as a reduction of cemetery sales revenue. This variable consideration amounted to \$7,915,070 and \$8,534,394 for the years ended June 30, 2024 and 2023, respectively. In addition, sales commissions (including benefits) and related cost of sales related to variable consideration are recorded as reduction of expenses totaling \$1,526,061 and \$1,707,161 for the years ended June 30, 2024 and 2023, respectively.

Most preneed contracts are financed over 72 months at 0% interest. The Administrative Office imputes interest on these contracts using a rate of 5.3%, which management believes reflects a fair value interest rate. This imputed interest is then amortized as interest income over the financing period.

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.

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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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.

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 statement of financial position and in donations in the consolidated statement 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.

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

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.

Donations, 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.

Contributed nonfinancial assets: Education and Welfare Corporation (E&W) is a separate, related nonprofit entity 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 for the Administrative Office in relation to the 5% retained and the contribution was utilized by the ACC, Priests, Mortuaries and Cemeteries and recorded at fair market value of goods or services provided. The Spectrum contributes enhanced 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 In-Kind revenue and expense related to the Spectrum amounted to \$7,307,893 and \$4,567,101 for the years ended 2024 and 2023, respectively.

The Administrative Office receives Spectrum lease proceeds on behalf of E&W. At June 30, 2024, a related payable to affiliates in the amount of \$12,294,363 was recorded and at June 30, 2023 a related affiliates receivable in the amount of \$295,475 was recorded in the accompanying consolidated financial statements.

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 and fund capital projects.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

Functional allocation of expenses: The costs of providing various programs and other activities of the Administrative Office have been summarized on a functional basis on the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are directly charged to a cost center, and then management assigns each cost center to a functional category based on the nature of the activity. Expenses within a cost center are not allocated to multiple functional categories.

Pension and other postretirement benefit obligations: The Administrative Office sponsors a defined benefit pension plan for lay employees, a defined benefit pension plan for priests and a retiree welfare benefit plan for priests. The policy of the Administrative Office is to fund the plans as required by applicable regulations in addition to such amounts as the Administrative Office determines to be appropriate from time to time. In accordance with ASC 715, 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. Affiliate entity billings 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, 2024 and 2023.

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 allowance for doubtful accounts on 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: The Administrative Office adopted ASC 326, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments, which modifies the measurement of expected credit losses. The guidance requires financial assets measured at amortized cost 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 ASC 326 is effective for fiscal years after December 15, 2022. The adoption of this Standard did not have a material impact on the accompanying financial statements.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

Reclassification of AB218 Claims Settlement Costs: Certain reclassifications have been made in the financial statements to conform 2023 information to the 2024 presentation. The Administrative Office had a change in accounting policy to present AB218 claims settlement costs previously reported within operating expenses to other non-operating expenses. Management determined that these costs are more appropriately classified as non-operating expenses due to their non-recurring nature and not directly related to the Administrative Office's core operating activities. As a result, AB218 claims settlement costs of \$204,169,000 for the year ended June 30, 2023 have been reclassified from operating expenses to other non-operating expenses in the consolidated statement of activities. AB218 claims settlement costs include legal fees expected to be incurred to settle said claims.

Note 2. Contracts Receivable, Net

Contracts receivable consisted of the following at June 30:

	2024	2023
Cemeteries	\$ 167,473,733	\$ 160,265,126
Mortuaries	202,153	164,988
	167,675,886	160,430,114
Allowance for credit losses	(1,668,886)	(1,410,336)
Discount	(19,744,124)	(19,363,255)
Contracts receivable, net	<u>\$ 146,262,876</u>	<u>\$ 139,656,523</u>
	2024	2023
Amounts due in:		
Less than one year	\$ 41,845,396	\$ 36,799,200
One to five years	125,830,490	123,630,914
	<u>\$ 167,675,886</u>	<u>\$ 160,430,114</u>

Note 3. Affiliate Receivables, Net

Affiliate receivables consisted of the following at June 30:

	2024	2023
Parishes	\$ 18,980,460	\$ 16,544,678
Elementary schools	22,535,934	15,308,207
High schools	5,123,472	2,933,667
Dedicated Gifts Trust	11,993,398	-
Education & Welfare Corporation	-	300,475
Catholic Education Foundation	587,096	542,433
Other	1,883,102	293,735
	61,103,462	35,923,195
Allowance for credit losses	(38,692,036)	(31,210,847)
Affiliate receivables, net	<u>\$ 22,411,426</u>	<u>\$ 4,712,348</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 4. Pledges Receivable, Net

Pledges receivable at June 30 consisted of the following:

2024					
	Gross	Discount	Net of Discount	Allowance for Credit Losses	Net of Discount and Allowance
Annual appeal	2,116,743	(119,143)	1,997,600	-	1,997,600
Other	1,152,675	-	1,152,675	-	1,152,675
	<u>\$ 3,269,418</u>	<u>\$ (119,143)</u>	<u>\$ 3,150,275</u>	<u>\$ -</u>	<u>\$ 3,150,275</u>

2023					
	Gross	Discount	Net of Discount	Allowance for Credit Losses	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
	<u>\$ 143,353,060</u>	<u>\$ (10,248,066)</u>	<u>\$ 133,104,994</u>	<u>\$ (44,411,889)</u>	<u>\$ 88,693,105</u>

	2024	2023
Amounts due in:		
Less than one year	\$ 3,269,418	\$ 57,654,391
One to five years	-	85,698,669
	<u>\$ 3,269,418</u>	<u>\$ 143,353,060</u>

Pledges receivable are discounted using a risk-free interest rate with a range of 0.79% to 4.63%. The discount represents the time value of money over the expected collection period. The allowance for credit losses is measured in accordance with ASC 326, based on historical donor experience, current conditions and reasonable forecasts.

Note 5. Transfer to Affiliate Entity

On June 9, 2023, The Archdiocese of Los Angeles Dedicated Gifts Trust (DGT), an irrevocable trust, was established as a legal entity to hold and administer the investment, oversight, and distribution of property contributed to the Called to Renew capital fundraising campaign (CTR) and property contributed by other sources. During the year ended June 30, 2024, the Administrative Office transferred the net assets of CTR to DGT. A total of \$88,590,471 in net assets was transferred and recorded in Transfer to Affiliate Entity for the year ended June 30, 2024 in the accompanying consolidated Statement of Activities.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 6. Other Receivables

Other receivables at June 30 consisted of the following:

	2024	2023
Administrative third-party receivables	\$ 9,376,393	\$ 5,163,907
Cemetery employee receivables	21,119	35,519
Mortuary receivables	387,360	244,233
Insurance recovery receivables	11,353,841	9,701,887
Total	<u>\$ 21,138,713</u>	<u>\$ 15,145,546</u>

Note 7. Notes Receivable, Net

Notes receivable at June 30 consisted of the following:

	2024	2023
Parishes, High School and Elementary School notes	\$ 25,579,411	\$ 24,592,941
St. John's Seminary	5,261,696	6,124,946
Other Non affiliated entities	969,883	798,743
	31,810,990	31,516,630
Less allowance for credit losses	(16,704,004)	(17,490,860)
Total notes receivable, net	<u>\$ 15,106,986</u>	<u>\$ 14,025,770</u>

Aggregate maturities of notes receivable as of June 30, 2024, are as follows:

Years ending June 30:	
2025	\$ 4,639,651
2026	3,349,600
2027	3,510,499
2028	3,484,089
2029	3,462,230
Thereafter	13,364,921
	<u>\$ 31,810,990</u>

The provision for uncollectible notes receivable of a general reserve of \$4,332,583 and \$5,183,681 and a specific reserve of \$12,371,421 and \$12,307,179 are recorded at June 30, 2024 and 2023, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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, 2024 and 2023, 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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, 2024:

	2024			
	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	\$ 6,651,070	\$ -	\$ 6,651,070	\$ -
Affiliate receivables-beneficial interests in trust	148,977	-	-	148,977
Beneficial Interest in Trust	22,502,028	-	-	22,502,028
Investments:				
Money market funds	91,633	91,633	-	-
Bonds	35,323	35,323	-	-
Charitable Remainder Trusts:				
Cash	139,582	139,582	-	-
Equities	541,274	541,274	-	-
Fixed income	861,304	861,304	-	-
Mutual funds	6,580	6,580	-	-
Archdiocese Investment Portfolio	710,484,777	-	-	710,484,777
Investments held at CCFLA	802,365	-	-	802,365
Private company stock—Watson Land Company	82,003,774	-	-	82,003,774
Rabbi Trust:				
Money market funds	1,058,957	1,058,957	-	-
Custodial securities—stock	2,289	2,289	-	-
Total investments	796,027,859	2,736,943	-	793,290,916
Total assets	\$ 825,329,934	\$ 2,736,943	\$ 6,651,070	\$ 815,941,921
Liabilities:				
Accounts payable—liabilities to beneficiaries	\$ 1,045,222	\$ -	\$ -	\$ 1,045,222
Preneed contract liability	3,930,178	-	-	3,930,178
Total liabilities	\$ 4,975,400	\$ -	\$ -	\$ 4,975,400

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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	-	-
Charitable Remainder Trusts:				
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 Company	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 contract liability	3,301,941	-	-	3,301,941
Total liabilities	\$ 4,368,020	\$ -	\$ -	\$ 4,368,020

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 8. Fair Value Measurements (Continued)

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

2024						
	Other Receivables- Beneficial Interest In Trust	Archdiocese Investment Portfolio	Investments Held at CCFLA	Private Company Stock- Watson Land Company	Accounts Payable- Liabilities to Beneficiaries	Preneed Funeral Liability
Contributions	\$ -	\$ 97,577,347	\$ -	\$ 507,444	\$ -	\$ -
Withdrawals	(21,164)	(199,489,749)	-	-	-	-

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

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, 2023, rolled forward to the date of the Administrative Office's consolidated statements of financial position using publicly traded real estate stock prices as a benchmark.
- The fair value of beneficial interests in charitable trusts held by others is based on the net present value of the estimated future amount to be received on such assets. The present value is based on the IAR 2012 Mortality Table published by the Society of Actuaries or the 2020 Life Table published by the Centers for Disease Control, the risk-free interest rate, the estimated annual rate of return, and approximate fair value.
- 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 9. Investments

Investments consisted of the following at June 30:

	2024	2023
Investments Portfolio	\$ 711,287,142	\$ 744,316,362
Other investments	84,740,717	98,896,327
	<u>\$ 796,027,859</u>	<u>\$ 843,212,689</u>

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 Long-Term Portfolio and the Fixed Income Portfolio.

The Long-Term Portfolio was established for participants with long-term objectives of capital appreciation combined with capital preservation. The Fixed 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 Long-Term Portfolio and the Fixed 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.

The investments reflected in the statement of financial position only include participants consolidated in the accompanying financial statements.

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

	2024	2023
Long-Term Portfolio	\$ 590,817,066	\$ 561,190,766
Fixed Income Portfolio	120,470,076	183,125,596
	<u>\$ 711,287,142</u>	<u>\$ 744,316,362</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 9. Investments (Continued)

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

The investments 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 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 portfolio. Investments held at CCFLA was \$802,365 and \$87,240 as of the years ended June 30, 2024 and 2023, respectively. See Note 8.

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.

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

	2024	2023
Watson Land Company securities	\$ 82,003,774	\$ 95,241,795
Charitable Remainder Trust:		
Cash	139,582	24,303
Equities	541,274	635,925
Fixed income	861,304	974,353
Alternative investments	6,580	14,993
	<u>1,548,740</u>	<u>1,649,574</u>
Rabbi Trust—money market funds	1,058,957	1,878,446
Other (bonds and money market)	126,957	125,229
Custodial securities—stock	2,289	1,283
Total other investments	<u>\$ 84,740,717</u>	<u>\$ 98,896,327</u>

The fair value of the Watson Land Company securities is based upon certain industry standard valuation methodologies, including the methodology used for land holdings of other publicly traded real estate investment trusts. At June 30, 2024 and 2023, the investment in Watson Land Company was considered a Level 3 investment under ASC 820 fair value hierarchy levels. See Note 24 for sale of Watson Land Company securities.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 10. Beneficial Interests in Trusts

The Administrative Office has a beneficial interest in certain irrevocable and revocable trusts established by third-party donors. Under the terms of these trusts, the Administrative Office is designated as a beneficiary and is entitled to receive periodic distributions or the trust assets upon termination of the trust. The beneficial interest in these trusts is recorded at the estimated fair value of the Administrative Office's interest. Changes in the value of the beneficial interest are recognized in the statement of activities as change in value of beneficial interest in trust.

At June 30, 2024 and 2023 the Administrative Office's beneficial interest in trusts totaled \$22,502,028 and \$19,226,857, which is classified as a Level 3 fair value measurement under the fair value hierarchy. The valuation is based on estimated trust assets, expected future distributions and applicable discount rates.

Distributions received from trusts during the year amounted to \$492,311 and \$289,500 and were recorded as donations in the statement of activities.

Note 11. Property, Plant and Equipment, Net

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

	2024	2023
Land	\$ 32,758,142	\$ 32,748,142
Cemetery and mausoleum developments	104,463,658	102,290,227
Buildings and improvements	61,848,742	58,120,710
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	14,538,360	7,915,001
Furniture, fixtures and equipment	18,920,322	18,641,466
	238,259,863	225,446,185
Less accumulated depreciation and amortization	(148,493,923)	(141,949,068)
	<u>\$ 89,765,940</u>	<u>\$ 83,497,117</u>

Depreciation and amortization expense totaled \$7,025,234 and \$8,538,259 for the years ended June 30, 2024 and 2023, 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 12. Goodwill

Effective November 30, 2016, as the result of a legal settlement between the Archdiocese and a death care industry company, the Mortuaries acquired certain assets, including acquisition of an assembled workforce, and assumed certain liabilities of the death care industry company for consideration of \$27,000,000 prior to certain adjustments. The assets acquired and liabilities assumed constituted a business. Total goodwill of \$28,082,576 was acquired in the business combination and recorded by Mortuaries. Amortization expense on goodwill for both the years ended June 30, 2024 and 2023 was \$2,808,258.

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 and amortizes goodwill using the straight-line method over a 10-year period and tests goodwill impairment at the entity level based on triggering events. 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, 2024 and 2023, management determined that there were no triggering events during the fiscal year.

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:

	2024	2023
Assets:		
Qualified Priest Pension Plan	\$ 9,169,000	\$ 1,183,000
Liabilities:		
Lay Employees Pension Plan	(48,857,000)	(62,524,000)
Priests Supplemental Retirement Plan	(16,199,000)	(17,415,000)
Priests Other Postretirement Benefit Plan	(16,307,000)	(17,638,000)
Total liability for pension and postretirement plan benefits	<u>\$ (81,363,000)</u>	<u>\$ (97,577,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

A reconciliation of beginning and ending balances of each plan's projected benefit obligation is as follows for the years ended June 30, 2024 and 2023:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
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
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
Asset (Liability) for pension benefits, June 30, 2023	\$ 1,183,000	\$ (17,415,000)	\$ (17,638,000)	\$ (62,524,000)	\$ (96,394,000)
Pension expense	171,000	(1,158,000)	(1,354,000)	(5,454,000)	(7,795,000)
Contributions	-	1,055,000	642,000	-	1,697,000
Gains and losses:					
Due to remeasurement	909,000	(114,000)	298,000	(1,395,000)	(302,000)
Investment performance	2,599,000	-	-	15,909,000	18,508,000
Discount rate change	1,418,000	470,000	687,000	8,484,000	11,059,000
Mortality assumption change	-	-	-	-	-
Change due in other assumptions	2,889,000	963,000	1,058,000	(3,877,000)	1,033,000
Total	7,815,000	1,319,000	2,043,000	19,121,000	30,298,000
Ending projected benefit obligation, June 30, 2024	(47,307,000)	(16,199,000)	(16,307,000)	(383,382,000)	(463,195,000)
Assets	56,476,000	-	-	334,525,000	391,001,000
Asset (Liability) for pension benefits, June 30, 2024	\$ 9,169,000	\$ (16,199,000)	\$ (16,307,000)	\$ (48,857,000)	\$ (72,194,000)

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 \$0 and \$10,000,000 were made to the Lay Plan during respective years ended June 30, 2024 and 2023. Benefit payments of \$18,220,000 and \$17,888,000 were made from the Lay Plan during the years ended June 30, 2024, and 2023, respectively. All contributions to the Lay Plan are made by the Archdiocese. There are no employee contributions to the plan.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

	2024	2023
Service cost, benefits earned during the period	\$ 7,661,000	\$ 7,903,000
Interest cost on projected benefit obligation	18,663,000	16,876,000
Actual return on plan assets	(36,779,000)	(28,748,000)
Net amortization and deferral	17,221,000	13,570,000
Net periodic pension cost	<u>\$ 6,766,000</u>	<u>\$ 9,601,000</u>

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 \$2,734,918 and \$2,613,063 for the years ended June 30, 2024 and 2023, respectively.

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

	2024	2023
Accumulated benefit obligation for service service rendered to date	<u>\$ (379,245,000)</u>	<u>\$ (373,220,000)</u>
Projected benefit obligation for service rendered to date	\$ (383,382,000)	\$ (379,282,000)
Plan assets at fair value	334,525,000	316,758,000
Funded status at end of year	<u>\$ (48,857,000)</u>	<u>\$ (62,524,000)</u>
Asset (Liability) for pension benefits	<u>\$ (48,857,000)</u>	<u>\$ (62,524,000)</u>

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

	2024				
	Total	Investments Measured at NAV*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Money market funds	3,922,072	-	3,922,072	-	-
Domestic common stocks	47,778,086	-	47,778,086	-	-
Foreign stocks	4,405,437	-	4,405,437	-	-
Mutual funds—equity	116,914,300	-	-	116,914,300	-
Mutual funds—fixed income	82,185,738	-	-	82,185,738	-
Collective investment funds	79,319,367	79,319,367	-	-	-
Total plan assets	<u>\$ 334,525,000</u>	<u>\$ 79,319,367</u>	<u>\$ 56,105,595</u>	<u>\$ 199,100,038</u>	<u>\$ -</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

	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:					
Cash	\$ (48,773)	\$ -	\$ (48,773)	\$ -	\$ -
Money market funds	15,775,751	-	15,775,751	-	-
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	<u>\$ 316,758,000</u>	<u>\$ 72,419,222</u>	<u>\$ 55,674,456</u>	<u>\$ 188,664,322</u>	<u>\$ -</u>

* 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.

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

	2024	2023
Net loss	<u>\$ 27,164,000</u>	<u>\$ 47,597,000</u>

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:

	2024	2023
Total gain recognized in net periodic pension cost and the consolidated statements of activities	<u>\$ 13,667,000</u>	<u>\$ 11,545,000</u>

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 5.46% and 5.21% for the years ended June 30, 2024 and 2023, respectively, was used. The assumed rate of increase in future compensation levels was 4% for both the years ended June 30, 2024 and 2023.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

Asset Category	Archdiocesan Approved Asset Allocation	Policy Asset Allocation	Plan Assets at June 30,	
			2024	2023
Equities	60%-80%	70%	71%	65%
Fixed income	25%-35%	30%	29%	35%

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

The following benefit payments, which reflect expected future service as appropriate at June 30, 2024, are expected to be paid:

Years ending June 30:

2025	\$ 24,227,000
2026	24,131,000
2027	24,407,000
2028	24,948,000
2029	25,265,000
Thereafter	132,092,000
	<u>\$ 255,070,000</u>

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

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

Contributions of \$0 to the Qualified Plan and \$1,055,000 to the Supplemental Plan were made during the year ended June 30, 2024. Contributions of \$0 to the Qualified Plan and \$1,179,000 to the Supplemental Plan were made during the year ended June 30, 2023. Benefit payments of \$2,813,000 from the Qualified Plan and \$1,055,000 from the Supplemental Plan were made during the year ended June 30, 2024. 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.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

	2024		2023	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	\$ 908,000	\$ 275,000	\$ 1,049,000	\$ 317,000
Interest cost on projected benefit obligation	2,564,000	883,000	2,299,000	815,000
Actual return on plan assets	(6,242,000)		(4,791,000)	
Net amortization and deferral	3,971,000	233,000	2,945,000	303,000
Net periodic pension cost	<u>\$ 1,201,000</u>	<u>\$ 1,391,000</u>	<u>\$ 1,502,000</u>	<u>\$ 1,435,000</u>

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

	2024		2023	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	<u>\$ (44,742,000)</u>	<u>\$ (16,199,000)</u>	<u>\$ (51,985,000)</u>	<u>\$ (17,415,000)</u>
Projected benefit obligation for service rendered to date	\$ (47,307,000)	\$ (16,199,000)	\$ (51,985,000)	\$ (17,415,000)
Plan assets at fair value	56,476,000	-	53,168,000	
Funded status at end of year	<u>\$ 9,169,000</u>	<u>\$ (16,199,000)</u>	<u>\$ 1,183,000</u>	<u>\$ (17,415,000)</u>
(Liability) for pension benefits	<u>\$ 9,169,000</u>	<u>\$ (16,199,000)</u>	<u>\$ 1,183,000</u>	<u>\$ (17,415,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

2024					
Total	Investments Measured at NAV	Quoted Prices in			
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Plan assets:					
Cash	\$ 52,527	\$ -	\$ 52,527	\$ -	\$ -
Money market funds	4,295,195	-	4,295,195	-	-
Domestic common stocks	7,543,106	-	7,543,106	-	-
Foreign stocks	696,291	-	696,291	-	-
Mutual funds—equity	17,990,905	-	-	17,990,905	-
Mutual funds—fixed income	11,473,028	-	-	11,473,028	-
Collective investment funds	14,424,619	14,424,619	-	-	-
Total plan assets	\$ 56,475,671	\$ 14,424,619	\$ 12,587,119	\$ 29,463,933	\$ -
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:					
Cash	\$ (727)	\$ -	\$ (727)	\$ -	\$ -
Money market funds	2,172,732	-	2,172,732	-	-
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	\$ -

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

	2024		2023	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss (gain)	\$ (1,211,000)	\$ 4,748,000	\$ 6,629,000	\$ 6,403,000
Prior service cost	9,227,000	(354,000)	7,196,000	(457,000)
	<u>\$ 8,016,000</u>	<u>\$ 4,394,000</u>	<u>\$ 13,825,000</u>	<u>\$ 5,946,000</u>

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:

	2024		2023	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net gain	\$ (7,815,000)	\$ (1,319,000)	\$ (3,008,000)	\$ (1,677,000)
Amortization of gain	(25,000)	(336,000)	(479,000)	(402,000)
Amortization of prior service credit	(1,347,000)	103,000	(1,131,000)	99,000
Total gain recognized on the consolidated statements of activities	<u>\$ (9,187,000)</u>	<u>\$ (1,552,000)</u>	<u>\$ (4,618,000)</u>	<u>\$ (1,980,000)</u>

	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total gain reongized on the consolidated statements of activities	<u>\$ (7,986,000)</u>	<u>\$ (161,000)</u>	<u>\$ (3,116,000)</u>	<u>\$ (545,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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 5.47% and 5.2% was used for the years ended June 30, 2024 and 2023, 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 \$642,000 and \$541,000 were made to the plan during the years ended June 30, 2024 and 2023, 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:

	2024	2023
Service cost, benefits earned during the period	\$ 464,000	\$ 522,000
Interest cost on projected benefit obligation	890,000	785,000
Net amortization and deferral	(344,000)	(344,000)
Net periodic pension cost	<u>\$ 1,010,000</u>	<u>\$ 963,000</u>

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 \$462,000 and \$418,433 for the years ended June 30, 2024 and 2023, respectively.

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

	2024	2023
Accumulated postretirement benefit obligation for service rendered to date	<u>\$ (16,307,000)</u>	<u>\$ (17,638,000)</u>
Projected benefit obligation for service rendered to date	<u>\$ (16,307,000)</u>	<u>\$ (17,638,000)</u>
	<u>\$ (16,307,000)</u>	<u>\$ (17,638,000)</u>
Liability for postretirement benefits	<u>\$ (16,307,000)</u>	<u>\$ (17,638,000)</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

	2024	2023
Net loss (gain)	\$ (2,043,000)	\$ 200,000
Prior service cost	(1,257,000)	(1,601,000)
Total gain recognized in statement of activities	<u>\$ (3,300,000)</u>	<u>\$ (1,401,000)</u>

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:

	2024	2023
Net gain	\$ (2,043,000)	\$ (751,000)
Amortization of loss	-	-
Amortization of prior service cost	344,000	344,000
Total gain recognized on the consolidated statements of activities	<u>\$ (1,699,000)</u>	<u>\$ (407,000)</u>

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

	2024	2023
Discount rate—Qualified and Supplemental Plan (pension)	5.20%	4.59%
Discount rate—Supplemental Plan (postretirement medical)	5.23%	4.66%
Expected long-term rate of return on assets (qualified plan)	7.08%	6.98%
Future benefit increases—Qualified and Supplemental Plan (pension)	3.00%	2.00%

Assumptions used to determine benefit obligations at year-end:

	2024	2023
Discount rate—Qualified and Supplemental Plan (pension)	5.47%	5.20%
Discount rate—Supplemental Plan (postretirement medical)	5.51%	5.23%
Future benefit increases—Qualified and Supplemental Plan (pension)	3.00%	2.00%

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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

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

Asset Category	Archdiocesan Finance Council Approved Asset Allocation	Policy Benchmark Asset Allocation	Actual Percentage of Plan Assets at June 30	
			2024	2023
Equities	60%-80%	70%	68%	62%
Fixed income	25%-35%	30%	32%	38%

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:			
2025	\$ 3,155,000	\$ 1,132,000	\$ 628,000
2026	3,173,000	1,138,000	655,000
2027	3,203,000	1,139,000	683,000
2028	3,258,000	1,150,000	718,000
2029	3,299,000	1,153,000	754,000
Thereafter	16,926,000	5,882,000	4,334,000
	<u>\$ 33,014,000</u>	<u>\$ 11,594,000</u>	<u>\$ 7,772,000</u>

403(b) workplace retirement savings plan: On May 9, 2006, the Archdiocese implemented a 403(b) workplace retirement savings plan (the 403(b) Plan), a voluntary defined contribution plan. Under the 403(b) Plan, priests within the Archdiocese can defer and invest a portion of their salaries with Fidelity Investments. The monies that are deferred, and any monies contributed by the Archdiocese, are not considered assets or liabilities of the Archdiocese. The Administrative Office of the Archdiocese contributed and expensed \$73,100 and \$69,800 to the 403(b) Plan during the years ended June 30, 2024 and 2023, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 14. Notes Payable

Notes payable at June 30 consisted of the following:

	2024	2023
Term A loan	\$ 100,000,000	\$ 100,000,000
Term B loan	2,043,956	2,340,660
Line of credit	-	25,000,000
Cemetery equipment loan payable	223,931	550,186
	<u>\$ 102,267,887</u>	<u>\$ 127,890,846</u>

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 (3) a term loan (Term Loan B) in the amount of \$3,230,769 with a maturity date of May 1, 2026. On June 16, 2025, the Administrative Office entered into a second amendment to the agreement in which the lender ended the \$25,000,000 revolving line of credit. See Note 16 and 23.

Term Loan A and Term Loan B bear interest of daily simple Secured Overnight Financing Rate (SOFR) plus 1% and the line of credit loan bears interest of SOFR 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 a lender. Under ASC 815, Derivatives and Hedging, the instruments fair value and changes therein must be recorded in the statement of activities. The value of the swap instruments represents the estimated cost to the Administrative Office to cancel the agreements at the reporting date, which is based on pricing models that consider risks and market factors. The valuation of the swap resulted in an asset of \$6,651,070 and \$9,365,367 for the year ended June 30, 2024 and 2023, respectively. 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:

2025	\$ 718,436
2026	101,549,451
Total	<u>\$ 102,267,887</u>

Debt Covenant Non-compliance: As of June 30, 2024, the Administrative Office was not in compliance with the minimum debt service coverage ratio required under the terms of its loan agreement. Non-compliance was primarily due to the AB218 settlement (see Note 16). On June 16, 2025, the lender amended the April 30, 2021 amended and restated credit agreement to waive the covenant violation for the year ended June 30, 2024. The lender has not accelerated repayment or imposed penalties. Accordingly, the Administrative Office has continued to classify the loan in accordance with its original terms as of the year ended June 30, 2024.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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, 2024 and 2023, the amount outstanding on these unsecured notes was \$2,163,319 and \$2,157,122, respectively.

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.

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.

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. AB 218 preserves a plaintiff's ability to seek punitive and treble damages if the claimant could prove that his or her sexual abuse was as the result of a "cover-up" by the defendant.

Claims filed under AB218 were coordinated into three proceedings in California, with one coordinated proceeding in the Los Angeles Superior Court for cases filed against the Archdiocese and the Diocese of Orange. Plaintiffs in those cases are generally required to provide only limited factual information concerning their claims.

As of June 30, 2023, the Archdiocese was aware of 1,693 claims filed against it in the coordinated proceeding. As of June 2024, the Archdiocese was aware of approximately 1,900 such claims.

In the fall of 2023, the Archdiocese commenced a confidential mediation with the Coordinating Committee for the plaintiffs. During the mediation, certain Individual Settlements were reached. As of April 2025, there had been 501 Individual Settlements totaling \$100,376,578.

In November 2024, the Archdiocese and the Coordinating Committee jointly announced a mediated agreement in principle for a global settlement of 1,353 claims for \$880,000,000 (\$772,828,148, discounted). As of February 15, 2025, all contingencies to the global settlement had been satisfied. As a result, the Archdiocese is required to pay an initial amount of \$660,000,000 in August 2025, with the balance due in April 2026. Plaintiffs have established a process for allocating the settlement to individual settling parties. The Archdiocese will not be involved in the allocation process.

The Administrative Office recorded a AB218 claims settlement liability, consisting of individual settlements, anticipated settlement amounts and related legal fees, in the amount of \$923,608,027 and \$204,169,000 at June 30, 2024 and 2023, respectively in the accompanying consolidated statements of financial position. Payments in the amount of \$73,167,777 were made subsequent to June 30, 2024.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 16. Commitments and Contingencies (Continued)

The Corporation Sole entered into Settlement Contribution Agreements with named Co-Defendants to satisfy \$68,687,001 (\$65,070,192, discounted) of the global and individual settlements. The Administrative Office recorded the discounted amount as AB218 settlement receivables in the accompanying statement of financial position as of the year ended June 30, 2024.

AB218 claims settlement expenses of \$689,262,243 and \$204,169,000 were recorded in Other Changes in the accompanying consolidated statements of activities for the fiscal year ended June 30, 2024 and 2023, respectively. The amount accrued represents management's best estimate of the liability on a discounted basis and based on currently available information.

In addition to claims filed under AB218, it is likely that additional claims alleging misconduct by clergy or lay persons may be made in the future through the ongoing process to address claims without litigation. In accordance with ASC 450, Contingencies, the Archdiocese accrues for amounts related to settlement or other resolution of these matters if it is probable that liability has been incurred and an amount can be reasonably estimated. Contingency liabilities are actuarially-determined for such matters based on historical loss experience.

The Administrative Office intends to satisfy the AB218 settlement liability by liquidating certain assets of the Administrative Office and other external funding through contributions, financing or a combination of both, as needed.

The Administrative Office is also undertaking initiatives to address the financial impact of the AB218 settlement on operations. In February 2025, the Administrative Office offered certain employees an early retirement incentive program. The additional liability related to the early retirement incentive program is not expected to be significant and will be recognized in the fiscal year ending June 30, 2025. The Administrative Office is also initiating various cost reductions, which are expected to be effective beginning in fiscal year 2026.

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 Insurance claims reserves for this litigation at Note 18.

Loan Guarantee: On November 28, 2007, E&W entered into a 20-year secured loan in the principal amount of \$8,000,000 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 \$8,000,000 of the approximately \$14,500,000 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 \$46,000,000 contribution to the Catholic Education Foundation (CEF) which is conditional on CEF not receiving payments on a previously recorded pledge to fund CEF's New Enrollment Initiative (NEI) Program. The remaining balance of the pledge guarantee was \$26,866,190 and \$37,500,000 at June 30, 2024 and 2023, respectively.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 17. Leases

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows:

	June 30, 2024	June 30, 2023
Operating lease cost	\$ 4,480,754	\$ 4,421,163
Short-term lease cost	-	-
Variable lease cost	-	-

Rent expense was approximately \$ 6,936,697 and \$6,722,849 for the years ended June 30, 2024 and 2023, respectively.

Supplemental balance sheet information related to leases is as follows:

	June 30, 2024	June 30, 2023
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 32,520	\$ 241,654

	June 30, 2024	June 30, 2023
Weighted-average remaining lease term:		
Operating leases	10.2 Years	11.05 Years
Weighted-average discount rate:		
Operating leases	3.20%	6.65%

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 17. Leases (Continued)

Years ending June 30:	Combined
2025	\$ 4,168,431
2026	2,435,356
2027	1,993,623
2028	1,507,260
2029	1,501,715
Thereafter	11,827,614
Total	23,433,999
Less imputed interest	(3,477,820)
Total present value of lease liabilities	<u>\$ 19,956,179</u>

Note 18. Insurance Claims Reserves

In fiscal year 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.

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 \$2,000,000 per claim. The amount of each claim in excess of \$2,000,000, 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 Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 18. Insurance Claims Reserves (Continued)

The insurance claims coverage as of June 30, 2024, follows:

Coverage	ALAIC Retentions		Risk Mgt. Corp. Retention	Commercial Insurance Policy Limit	Comments
	Per Occ.	Annual Agg.			
Property	\$750,000	\$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	\$2,000,000	None	(a)	\$60,000,000	
Other liability	\$2,000,000	None	(a)	\$60,000,000	Excluding Sensitive Claims 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.
Workers xompensation	\$975,000	None	\$25,000	Statutory	
Sensitive (before 7/1/18)	\$2,000,000	\$4,000,000	Excess of Agg	No Coverage	Retentions apply to settlement and expense combined ALAIC retention applies to settlement only and is excess of the \$2m RMC retention. RMC covers all expense
Sensitive (on/after 7/1/18)	\$2m xs \$2m	\$4,000,000	\$2,000,000	No Coverage	
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
					\$250,000 limit applies to employee theft. Limit is \$100,000 for Premises, In Transit, Forgery, Computer Fraud and Funds Transfer Coverage.
Crime	\$250,000	\$500,000	(a)	\$3m/\$10m	Annual Aggregate applies to Crime and Fiduciary Liability claims combined
Fiduciary liability	\$25,000	\$500,000	(a)	\$5m/\$10m	

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

The undiscounted insurance claims reserve on the Administrative Office's consolidated statements of financial position for insurance claims is \$118,423,228 and \$115,433,590 as of June 30, 2024 and 2023, respectively. The estimated claims reserves are presented gross of estimated insured loss recoverable of \$1,945,922 and \$13,505,197 as of June 30, 2024 and 2023, respectively. Insurance recoverable included in the Other receivables in the accompanying consolidated statements of financial position.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 19. Related-Party Transactions

Related parties of the Administrative Office include parishes, schools and ministries (affiliates). In addition to affiliate receivables, the Administrative Office has a payable to affiliates of \$29,566,575 and \$57,703,392 as of June 30, 2024 and 2023, respectively. Parish assessments and interest on affiliate loans comprised of \$22,970,246 and \$20,902,403 for the years ended June 30, 2024 and 2023, 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 \$103,753 and \$110,927 for the years ended June 30, 2024 and 2023, 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, which 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 Archdiocese. Total expense incurred on behalf of related parties amounted to \$34,493,607 and \$47,266,900 for the years ended June 30, 2024 and 2023, respectively.

Note 20. Split-Interest Agreements

Charitable remainder unitrusts: The Archdiocese serves as trustee for various charitable remainder trusts and utilizes BNY Mellon Wealth Management (BNY Mellon) as custodian for the assets held in trust. Under the terms of these trust agreements, BNY Mellon makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Archdiocese. The Archdiocese records the assets held in trust at fair value and a gain/loss is recorded. A liability is recorded at the estimated discounted value of the amounts due to the income beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value rates, which were in existence at the date of gift. The fair value of the assets in trust are \$781,297 and \$756,412 as of June 30, 2024 and 2023, respectively. Total amounts payable to beneficiaries are \$410,571 and \$431,427 as of June 30, 2024 and 2023, respectively. The discount rates used for the years ended June 30, 2024 and 2023, ranged from 7% to 3.8%.

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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:

	2024	2023
Purpose restrictions:		
Repair and maintenance	\$ 7,444,713	\$ 3,359,767
Operating subsidies	4,978,262	4,978,262
Educational purposes	20,157,309	20,782,371
Office of Religious Education	489,845	269,845
House of Prayer	24,894	24,894
Called to Renew	197,026	45,639,352
Together in Mission	2,894,185	11,914,223
Cardinal Award Dinner	735,666	213,250
Other	16,864,871	14,795,696
Time restrictions:		
Pledges receivable, net of affiliate liability		
(Called to Renew)	2,476,681	35,885,366
Other receivables—beneficial interest in trust	148,977	196,005
Endowments	35,292,242	34,090,483
	<u>\$ 91,704,671</u>	<u>\$ 172,149,514</u>

Note 22. Endowment Fund

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

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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 a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. Through its investment policy a target (inflation-adjusted) annualized rate of return over the long term of a minimum of 5% has been established. 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 an amount of the endowment fund as deemed necessary for the intended purpose of the fund. The board-approved spending percentage was 5% for the years ended June 30, 2024 and 2023. Endowment income appropriated for spending is recorded as net assets released from restrictions in the consolidated statements of activities.

Assets of the endowment fund held in cash and investments, including time restrictions, at June 30 were as follows:

	2024	2023
Vocation in Progress	\$ 6,316,324	\$ 5,660,357
Adopt-a-Family	3,586,803	3,399,474
Repair and maintenance	9,156,728	8,899,357
Educational purposes	9,165,667	9,287,993
Office of Religious Education	2,621,845	2,341,224
House of Prayer	1,412,835	1,266,064
Called to Renew	2,091,419	2,393,107
Other	942,440	797,021
	<u>\$ 35,294,061</u>	<u>\$ 34,044,597</u>

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

	2024	2023
Endowment net assets, beginning of year	\$ 34,044,597	\$ 31,994,725
Investment return:		
Investment income	770,956	599,395
Net appreciation (realized and unrealized)	2,801,811	2,012,431
Total investment return	<u>3,572,767</u>	<u>2,611,826</u>
Contributions	29,480	179,534
Appropriation of endowment funds for expenditure	<u>(2,352,783)</u>	<u>(741,488)</u>
Endowment net assets, end of year	<u>\$ 35,294,061</u>	<u>\$ 34,044,597</u>

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

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 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, 2024 and 2023, no donor-restricted endowments fell below this required level.

At June 30, 2024, there were no deficiencies in donor-restricted endowment funds where the fair value of the funds was less than the original gift amount.

Note 23. Liquidity and Availability

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

	2024	2023
Cash and cash equivalents	\$ 61,707,147	\$ 66,267,867
Contracts receivable, net	146,262,876	139,656,523
Affiliate receivables, net	22,411,426	4,712,348
Pledges receivable, net	3,150,275	88,693,105
Other receivables	21,138,713	15,145,546
Notes receivable	15,106,986	14,025,770
Investments	796,027,859	843,212,689
Beneficial interest in trust, net	22,502,028	19,226,857
Total financial assets	1,088,307,310	1,190,940,705
Less:		
Restricted cash	-	67,349
Net assets with donor restrictions	92,381,685	172,149,514
Affiliates payable	29,566,575	57,703,392
Custodial Collections	19,774,443	17,227,002
Private company stock - Watson land company	82,003,774	95,241,795
Contracts receivable - over one year	125,830,490	123,630,914
Notes receivable - over one year	27,171,339	11,859,229
Investments pledged on debt	102,267,887	127,890,846
	478,996,193	605,770,041
Financial assets available to meet cash needs for general expenditures within one year	\$ 609,311,117	\$ 585,170,664

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles
Notes to the Consolidated Financial Statements

Note 23. Liquidity and Availability (continued)

As indicated in the accompanying financial statements, the Administrative Office recorded a net asset balance of (\$262,440,969) as of the year ended June 30, 2024. This was due to the one-time AB218 claims settlement liability of \$923,608,027, which is not included as a reduction of financial assets above. AB218 settlement receivables of \$65,070,192 are also not included in the financial assets above. The Administrative Office had liquid and available financial assets of \$609,311,117 with respect to its regular operations. Nevertheless, the nature of the settlement liability and its impact on net assets creates uncertainty about the Administrative Office's ability to continue as a going concern in accordance with ASC 205, Presentation of Financial Statements Going Concern. See Note 16 for disclosure of the settlement liability and management's plans to address it.

Note 24. Subsequent Events

During 2025, the Archdiocese entered into a building lease agreement with a third party for the rental of office space. The lease term is 120 months after the commencement date and the agreement includes one option to extend the lease for a period of 5 years. The lease includes a purchase option during the last 60 months of the initial lease term and has monthly lease payment of \$204,776 with a 3% annual payment escalation. Monthly lease payments are consistent with the existing lease and is expected to commence in 2025.

On December 2024, the Administrative Office sold 51,731 shares of Watson Land Company common stock at a sale price of \$730 per share. The investment in Watson Land securities is recorded at fair value as of June 30, 2024 in the accompanying financial statements.



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