

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Financial Statements
June 30, 2025 and 2024



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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Administration 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, 2025 and 2024, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Administration Office of the Roman Catholic Archdiocese of Los Angeles as of June 30, 2025 and 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 7.35% and 7.93% of consolidated total assets as of June 30, 2025 and 2024, respectively, and total revenues constituting 7.85% and 6.61% of consolidated total revenues for the years ended June 30, 2025 and 2024, respectively. 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 audit 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 the Administration 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Administration 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Administration 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

Ontario, California
February 24, 2026

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 64,848,557	\$ 61,707,147
Contracts receivable, net	143,407,312	146,262,876
Affiliate receivables, net	20,124,203	22,411,426
Pledges receivable, net	27,871,260	3,150,275
AB 218 settlement receivables	20,395,051	65,070,192
Other receivables	72,218,772	21,138,713
Notes receivable, net	12,065,995	15,106,986
Investments	822,148,493	760,789,062
Beneficial interest in trusts, net	25,728,031	22,502,028
Endowment assets:		
Endowment cash	943,282	53,445
Endowment investments	37,168,613	35,238,797
Property and equipment, net	95,180,269	89,765,940
Deferred cemetery sales commissions and benefits	24,400,747	24,681,358
Other assets	3,394,133	7,452,488
Assets for pension benefits	11,293,000	9,169,000
Operating right-of-use asset, net	16,278,705	19,824,160
Goodwill, net	11,233,031	14,041,288
Total assets	\$ 1,408,699,454	\$ 1,318,365,181
Liabilities:		
Accounts payable and accrued expenses	\$ 25,136,759	\$ 23,659,699
Payable to affiliates	17,448,285	29,566,575
Preneed funeral contract liability	2,797,970	3,930,178
Insurance claims reserves	172,525,272	118,423,227
AB 218 claims settlement liability	856,725,145	923,608,027
Pension and other postretirement benefit obligations	65,933,000	81,363,000
Deferred revenue	239,599,448	222,985,635
Cemetery sales return reserve	21,035,709	33,107,981
Custodial collections	26,010,730	19,774,443
Notes payable	101,549,451	102,267,887
Notes payable to affiliates	2,169,516	2,163,319
Operating lease liability	16,431,699	19,956,179
Total liabilities	1,547,362,984	1,580,806,150
Commitments and contingencies		
Net assets:		
Without donor restrictions	(259,325,776)	(354,145,640)
With donor restrictions	120,662,246	91,704,671
Total net assets	\$ (138,663,530)	\$ (262,440,969)
Total liabilities and net assets	\$ 1,408,699,454	\$ 1,318,365,181

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, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Donations	\$ 28,022,355	\$ 33,350,470	\$ 61,372,825	\$ 2,733,306	\$ 14,543,350	\$ 17,276,656
Contributions of nonfinancial assets	6,437,850	-	6,437,850	7,307,893	-	7,307,893
Donations, annual appeal	-	11,998,479	11,998,479	-	12,418,757	12,418,757
Cemetery sales	104,110,378	-	104,110,378	94,471,951	-	94,471,951
Mortuary sales	42,077,710	-	42,077,710	38,317,001	-	38,317,001
Insurance assessments	155,242,985	-	155,242,985	143,706,930	-	143,706,930
Other assessments	23,028,897	-	23,028,897	22,356,237	-	22,356,237
	358,920,175	45,348,949	404,269,124	308,893,318	26,962,107	335,855,425
Net assets released from restrictions	22,196,381	(22,196,381)	-	26,993,263	(26,993,263)	-
Total revenues and support	381,116,556	23,152,568	404,269,124	335,886,581	(31,156)	335,855,425
Expenses:						
Program expenses:						
Education and formational services	30,444,617	-	30,444,617	32,634,921	-	32,634,921
Pastoral and evangelization	21,656,806	-	21,656,806	25,556,071	-	25,556,071
Social services	4,503,826	-	4,503,826	4,724,604	-	4,724,604
Pastoral regions	1,927,871	-	1,927,871	2,162,630	-	2,162,630
Priests' support and retirement	5,423,692	-	5,423,692	4,292,239	-	4,292,239
Cemetery expense	51,699,003	-	51,699,003	48,442,426	-	48,442,426
Mortuary expense	52,247,731	-	52,247,731	51,476,305	-	51,476,305
Total program expenses	167,903,546	-	167,903,546	169,289,196	-	169,289,196
Supporting services:						
General and administrative expense	201,104,536	-	201,104,536	194,991,415	-	194,991,415
Fundraising expense	4,774,590	-	4,774,590	5,904,231	-	5,904,231
Total supporting services	205,879,126	-	205,879,126	200,895,646	-	200,895,646
Total expenses	373,782,672	-	373,782,672	370,184,842	-	370,184,842
Change in net assets before other changes	\$ 7,333,884	\$ 23,152,568	\$ 30,486,452	\$ (34,298,261)	\$ (31,156)	\$ (34,329,417)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Other changes:						
AB 218 claims settlement	\$ (11,285,922)	\$ -	\$ (11,285,922)	\$ (689,262,243)	\$ -	\$ (689,262,243)
Transfer to affiliate entity	-	-	-	(1,186,397)	(87,404,074)	(88,590,471)
Other investment return, net of expenses	(917,176)	-	(917,176)	(10,305,483)	115,000	(10,190,483)
Investment portfolio return, net of expenses	58,293,937	3,866,150	62,160,087	65,060,852	3,607,116	68,667,968
Interest income and other revenue	16,882,281	5,263	16,887,544	17,496,205	40,128	17,536,333
Pension related changes other than net periodic pension costs	25,073,000	-	25,073,000	32,871,000	-	32,871,000
Other Net Periodic Pension Costs	(333,000)	-	(333,000)	(1,060,000)	-	(1,060,000)
Change in value of beneficial interest in charitable gift annuity	(227,140)	207,591	(19,549)	(36,641)	(47,028)	(83,669)
Change in value of beneficial interest in trusts	-	1,726,003	1,726,003	-	3,275,171	3,275,171
Total other changes	87,485,980	5,805,007	93,290,987	(586,422,707)	(80,413,687)	(666,836,394)
Change in net assets	94,819,864	28,957,575	123,777,439	(620,720,968)	(80,444,843)	(701,165,811)
Net assets, beginning of year	(354,145,640)	91,704,671	(262,440,969)	266,575,328	172,149,514	438,724,842
Net assets, end of year	\$ (259,325,776)	\$ 120,662,246	\$ (138,663,530)	\$ (354,145,640)	\$ 91,704,671	\$ (262,440,969)

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, 2025

	Program Expense							Supporting Services				Total
	Education and Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priests' Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal	
Salary and wages	\$ 6,886,303	\$ 7,194,021	\$ 2,644,314	\$ 1,041,346	\$ 730,783	\$ 15,403,937	\$ 26,906,693	\$ 60,807,397	\$ 11,909,175	\$ 1,837,733	\$ 13,746,908	\$ 74,554,305
Benefits	1,217,609	1,625,458	616,787	267,560	4,268,110	4,912,409	4,753,543	17,661,476	5,031,406	289,952	5,321,358	22,982,834
Subtotal	8,103,912	8,819,479	3,261,101	1,308,906	4,998,893	20,316,346	31,660,236	78,468,873	16,940,581	2,127,685	19,068,266	97,537,139
Amortization of goodwill	-	-	-	-	-	-	2,808,258	2,808,258	-	-	-	2,808,258
Provision for credit losses	-	-	-	-	-	-	-	-	13,090,322	-	13,090,322	13,090,322
Bank charges	2,549	6,768	-	-	-	2,771,089	763,117	3,543,523	208,678	194,335	403,013	3,946,536
Conferences/meetings	261,793	367,888	45,592	20,706	-	3,198	22,827	722,004	1,128,341	225,132	1,353,473	2,075,477
Consultant	2,772,400	1,571,797	55,850	1,000	19,000	693,667	348,786	5,462,500	1,953,750	285,390	2,239,140	7,701,640
Contribution expense	1,917,625	315,037	-	91,643	238,000	-	-	2,562,305	185,000	400,000	585,000	3,147,305
Cost of sales	-	-	-	-	-	7,080,447	7,148,292	14,228,739	-	-	-	14,228,739
Depreciation and amortization	-	4,062	-	-	-	7,561,686	91,052	7,656,800	172,216	-	172,216	7,829,016
Development/donor appreciation expense	124,070	156,886	24,872	8,761	-	64,046	207,075	585,710	64,127	31,875	96,002	681,712
Equipment rental	855,336	916	79,078	5,048	-	581,166	1,186,833	2,708,377	1,311,209	12,731	1,323,940	4,032,317
Insurance expense	-	-	-	-	-	-	-	-	153,964,711	-	153,964,711	153,964,711
Interest expense	-	-	-	-	-	-	-	-	6,116,023	-	6,116,023	6,116,023
Marketing/advertising	86,425	16,265	46,959	463	86,876	116,453	685,768	1,039,209	28,241	126,958	155,199	1,194,408
Miscellaneous	1,263,680	598,701	382,575	36,185	26,826	4,376,253	1,636,374	8,320,594	1,852,742	206,956	2,059,698	10,380,292
Mortuary Care Center	-	-	-	-	-	-	2,079,145	2,079,145	-	-	-	2,079,145
Occupancy/facility expense	636,892	624,940	14,414	130,560	22,228	1,466,788	858,503	3,754,325	3,347,690	1,750	3,349,440	7,103,765
Office expense/supplies	2,515,698	577,248	518,578	177,837	56	2,830,841	1,207,306	7,827,564	892,818	931,369	1,824,187	9,651,751
Professional fees	742,074	7,785	-	500	5,779	31,845	-	787,983	1,886,508	196,745	2,083,253	2,871,236
Program events	-	20,478	-	-	-	-	-	20,478	-	-	-	20,478
Seminar/educational expense	6,447	2,009,902	-	135	50	-	-	2,016,534	2,502	72	2,574	2,019,108
Settlement expense	-	-	-	-	-	-	-	-	53,414	-	53,414	53,414
Staff development	13,306	300	3,475	1,216	-	3,054	14,286	35,637	374	-	374	36,011
Subscriptions	67,714	32,821	9,687	3,902	57	5,521	15,674	135,376	21,796	16,568	38,364	173,740
Subsidy-TIM/contribution expense	8,521,705	5,820,167	-	-	-	-	-	14,341,872	1,282,789	-	1,282,789	15,624,661
Travel expenses	784,769	425,158	52,027	37,351	208	17,914	57,489	1,374,916	283,819	15,948	299,767	1,674,683
Uniforms	-	-	-	-	-	295,577	89,209	384,786	-	-	-	384,786
Utilities	1,754,311	132,785	511	56,234	-	3,416,146	1,291,465	6,651,452	2,189,378	788	2,190,166	8,841,618
Vehicle expenses	13,911	147,423	9,107	47,424	25,719	66,966	76,036	386,586	21,600	288	21,888	408,474
Subtotal	22,340,705	12,837,327	1,242,725	618,965	424,799	31,382,657	20,587,495	89,434,673	190,058,048	2,646,905	192,704,953	282,139,626
Pension expense, net of reimbursements	-	-	-	-	-	-	-	-	(5,894,093)	-	(5,894,093)	(5,894,093)
Total	\$ 30,444,617	\$ 21,656,806	\$ 4,503,826	\$ 1,927,871	\$ 5,423,692	\$ 51,699,003	\$ 52,247,731	\$ 167,903,546	\$ 201,104,536	\$ 4,774,590	\$ 205,879,126	\$ 373,782,672

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 Formational Services	Pastoral and Evangelization	Social Services	Pastoral Regions	Priest's Support and Retirement	Cemetery	Mortuary	Subtotal	Administrative	Fundraising	Subtotal		
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	-	-	-	-	-	-	-	-	15,178,035	-	15,178,035	15,178,035	
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 Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 123,777,439	\$ (701,165,811)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Defined benefit pension and postretirement plans other than periodic pension and postretirement expense	(25,073,000)	(32,871,000)
Other net periodic pension costs	333,000	1,060,000
Net realized and unrealized (gains) on investments	(38,687,627)	(35,986,362)
Value of beneficial interest in charitable gift annuity	(19,549)	(83,669)
Value of beneficial interest in trusts	(3,226,003)	(3,275,171)
Value of interest rate swap	3,959,810	2,714,296
Pledge and contract receivable discount	886,725	387,522
Transfer to affiliate	(99,507)	86,341,450
Gain on sale of property and equipment	(52,662)	(51,064)
Provision for credit losses	13,090,322	6,863,761
Sales return reserve	(12,072,272)	(5,020,973)
Deferred sales commissions	(22,497)	832,059
Reduction in carrying value of operating right-of-use assets	3,545,455	(1,884,010)
Preneed funeral contract liability	(1,132,208)	628,237
Depreciation and amortization	7,829,016	7,025,234
Amortization of goodwill	2,808,257	2,808,257
Cash restricted for endowments	(11,164)	(29,480)
Changes in assets and liabilities:		
Contracts receivable	(825,456)	(7,245,771)
Affiliate receivables	(7,938,159)	(25,207,239)
Pledges receivable	(25,036,881)	713,041
AB 218 settlement receivables	45,743,227	(65,070,192)
Other receivables	(51,080,059)	(5,993,167)
Other assets	98,545	223,965
Overfunded pension benefit obligation	(2,124,000)	(7,986,000)
Accounts payable and accrued expenses	1,477,060	5,588,155
Payables to affiliates	(12,018,783)	14,867,953
Insurance claims reserves	54,102,045	2,989,637
AB 218 claims settlement liability	(67,950,968)	719,439,027
Liability for pension and other postretirement benefit obligations	9,310,000	15,597,000
Deferred revenue	16,613,813	14,996,204
Custodial collections	6,236,287	2,547,441
Operating lease liability	(3,524,480)	1,985,574
Net cash provided by (used in) operating activities	38,915,726	(4,261,096)
Cash flows from (used in) investing activities:		
Repayment from notes receivable	3,695,022	1,117,550
Advances under notes receivable	(389,231)	(1,411,910)
Proceeds from maturities or sale of investments	274,221,300	157,532,737
Purchase of investments	(298,822,920)	(118,685,527)
Purchases of property and equipment	(12,940,237)	(12,813,678)
Proceeds (disposals) from sale of property and equipment	52,662	(398,069)
Net cash provided by (used in) investing activities	(34,183,404)	25,341,103
Cash flows from (used in) financing activities:		
Cash received restricted for endowments	11,164	29,480
Proceeds from notes payable	6,197	6,197
Principal payments on notes payable	(718,436)	(25,622,959)
Net cash used in financing activities	(701,075)	(25,587,282)

(Continued)

The Administrative Office of the Roman Catholic Archdiocese of Los Angeles

Consolidated Statements of Cash Flows (Continued)
 Years Ended June 30, 2025 and 2024

	2025	2024
Net increase (decrease) in cash, cash equivalents and endowment cash	\$ 4,031,247	\$ (4,507,275)
Cash, cash equivalents and endowment cash, beginning of year	<u>61,760,592</u>	<u>66,267,867</u>
Cash, cash equivalents, and endowment cash, end of year	<u>\$ 65,791,839</u>	<u>\$ 61,760,592</u>
Reconciliation of cash, cash equivalents, and endowment cash:		
Cash and cash equivalents	<u>\$ 64,848,557</u>	<u>\$ 61,707,147</u>
Endowment cash	<u>943,282</u>	<u>53,445</u>
Total cash, cash equivalents, and endowment cash	<u>\$ 65,791,839</u>	<u>\$ 61,760,592</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,142,792</u>	<u>\$ 2,361,266</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 (the Archdiocese); the Archbishop is the titular owner of the Corporation Sole 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:

Education and formational services: Includes the Department of Religious Education and the 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 eleven cemeteries that serve patrons by providing the Catholic funeral tradition and burial in consecrated ground.

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

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 a 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: Cash and cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less.

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 to its cash balances or elsewhere. At June 30, 2025 and 2024, the Administrative Office had \$66,039,424 and \$29,219,423, 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.

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. See Note 2.

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 assesses all parishes 10% of 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 date of the consolidated statements of financial position. See subsection revenue recognition.

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. 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 consists primarily 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 6.07 % and between 3.1% and 5.45% for the years ended June 30, 2025 and 2024, respectively. 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 date of the consolidated statements of financial position. The balance is presented at the net amount expected to be collected, net of 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 (The Investment Portfolio), the Administrative Office is allocated income (loss) based upon an allocation of the total return earned in invested equity and debt securities, 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 and (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.

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 assessment revenues. Amounts outstanding from participants at year end are recorded as affiliates receivable on the consolidated statements of financial position. Insurance revenue is recorded gross and not offset against insurance expense due to the Administrative Office being the primary obligor of the insurance arrangement, having control over the supplier selection, determining pricing and retaining all the risk. Collections from insurance charges 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 revenues as of June 30:

	2025	2024	2023
Preneed cemetery contracts for products and services	\$ 234,461,899	\$ 220,039,235	\$ 206,489,367
Patron deposits and other	3,657,469	2,162,282	566,692
Mortuary payments	1,480,080	784,118	933,372
Total	<u>\$ 239,599,448</u>	<u>\$ 222,985,635</u>	<u>\$ 207,989,431</u>

Resale products and services on preneed cemetery contracts: 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 patrons death. The cemeteries recognize revenue net of an estimated sales return reserve and credit loss reserve. Combined, the expenses recorded in the financial statements related to these reserves accounted for 11.8 percent 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 \$2,691,260 and \$6,651,070 as of June 30, 2025 and 2024, 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.

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)

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

Donations: Donations, including the annual appeal, are recognized as revenue when an unconditional promise to give is made. Donations are recorded with or without donor restrictions, depending on the existence of donor stipulations that limit the use of the support.

Donations received with conditions 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 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.

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 to 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 related to the Spectrum amounted to \$6,437,850 and \$7,307,893 for the years ended June 30, 2025 and 2024, respectively.

The Administrative Office receives Spectrum lease proceeds on behalf of E&W. A related payable to affiliates in the amount of \$1,145,875 and \$12,294,363 was recorded at June 30, 2025 and 2024, respectively, in the accompanying consolidated financial statements.

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.

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 (Continued): A related reserve of \$6,005,440 and \$7,915,070 were recorded in cemetery sales return reserve for the years ended June 30, 2025 and 2024, 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, because the performance of these obligations occurs 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 guarantee 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 obligations related to insurance commission revenue are met when the customer signs the contract for the insurance policy, the insurance policy is approved by the insurance provider and the policy is issued. Management estimates variable consideration for insurance commission revenue resulting from adjustments made by the insurance company subsequent to the issuance of the policy (e.g., cancellation of the policy or imminent death before the first-year anniversary of the policy) based on historical adjustments.

Other 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. The purpose of the assessments is to cover services that the Administrative Office provides on behalf of the parishes, including programs and ministries of the Archdiocese, centralized administration and coordination of payroll, employee benefits, insurance and pension plans, the Investment Portfolio, and other administrative departments and services.

Insurance assessment: 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 assessments are recognized over time as revenue in the month billed.

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.

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.

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)

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 charges affiliated agencies who participate in the plans for a portion of the cost based on 4% of applicable payroll costs each year. Charges to affiliated agencies 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, 2025 and 2024.

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. Management of the Administrative Office considers the allowance for doubtful accounts on pledges receivable, notes receivable and affiliate receivables to be such an estimate. Additionally, the cemetery sales return reserve, insurance claims reserves, liabilities for pension and postretirement plan benefits, contingent liabilities, and the fair value of investments and interest rate swaps are considered to be such estimates.

Reclassifications: Certain amounts and reclassifications have been made in the 2024 financial statements to conform to the 2025 financial statement presentation.

Note 2. Contracts Receivable, Net

Contracts receivable consisted of the following at June 30:

	2025	2024	2023
Cemeteries	\$ 175,796,305	\$ 167,473,733	\$ 160,265,126
Mortuaries	221,319	202,153	164,988
	<u>176,017,624</u>	<u>167,675,886</u>	<u>160,430,114</u>
Allowance for credit losses	(11,962,411)	(1,668,886)	(1,410,336)
Discount	(20,647,901)	(19,744,124)	(19,363,255)
Contracts receivable, net	<u>\$ 143,407,312</u>	<u>\$ 146,262,876</u>	<u>\$ 139,656,523</u>
	2025	2024	2023
Amounts due in:			
Less than one year	\$ 46,099,777	\$ 41,845,396	\$ 36,799,200
One to five years	129,917,847	125,830,490	123,630,914
	<u>\$ 176,017,624</u>	<u>\$ 167,675,886</u>	<u>\$ 160,430,114</u>

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

Note 3. Affiliate Receivable, Net

Affiliate receivables consisted of the following at June 30:

	2025	2024
Parishes	\$ 27,077,823	\$ 18,980,460
Elementary schools	31,587,529	22,535,934
High schools	6,708,671	5,123,472
Dedicated Gifts Trust	-	11,993,398
Catholic Education Foundation	674,027	587,096
Other	1,888,708	1,883,102
	<u>67,936,758</u>	<u>61,103,462</u>
Allowance for credit losses	(47,812,555)	(38,692,036)
Affiliate receivables, net	<u>\$ 20,124,203</u>	<u>\$ 22,411,426</u>

Note 4. Pledges Receivable, Net

The Administrative Office did not have any significant concentrations of revenue or credit risk related to receivables as of June 30, 2024. During the year ended June 30, 2025, one donor accounted for approximately 6% of total donations and 88% of total pledges receivable.

Pledges receivable at June 30 consisted of the following:

	2025		
	Gross	Allowance for Uncollectibles	Net of Allowance
Annual appeal	\$ 2,457,786	\$ (102,091)	\$ 2,355,695
Department of Catholic Schools	25,000,000	-	25,000,000
Other	865,565	(350,000)	515,565
	<u>\$ 28,323,351</u>	<u>\$ (452,091)</u>	<u>\$ 27,871,260</u>

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

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

Note 4. Pledges Receivable, Net (Continued)

Aggregate maturities of pledges receivable as of June 30, 2025, are as follows:

Years ending June 30:		
2026		\$ 8,323,351
2027		5,000,000
2028		5,000,000
2029		5,000,000
2030		5,000,000
	Total	<u>28,323,351</u>

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 fully transferred the net assets of CTR to DGT. Net assets 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 consolidated statement of activities.

Note 6. Other Receivables

Other receivables at June 30 consisted of the following:

	2025	2024
Insurance recovery receivables	\$ 64,152,834	\$ 11,353,841
Administrative third-party receivables	7,808,409	9,397,512
Mortuary receivables	257,529	387,360
Total other receivables	<u>\$ 72,218,772</u>	<u>\$ 21,138,713</u>

The increase in insurance recovery receivables during fiscal year 2025 is primarily attributable to losses incurred as a result of the County of Los Angeles wildfires during 2025. The related revenue for insurance assessments to affiliates amounted to \$155,242,985 and is reflected in the accompanying Consolidated Statements of Activities Management recorded the related insurance recoveries based on amounts deemed probable of collection under the applicable insurance policies.

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

Note 7. Notes Receivable, Net

Notes receivable at June 30 consisted of the following:

	2025	2024
Parishes, high school and elementary school notes	\$ 23,140,470	\$ 25,579,411
St. John's Seminary	4,398,446	5,261,696
Other non-affiliated entities	966,283	969,883
	<u>28,505,199</u>	<u>31,810,990</u>
Less allowance for credit losses	(16,439,204)	(16,704,004)
Total notes receivable, net	<u>\$ 12,065,995</u>	<u>\$ 15,106,986</u>

Aggregate maturities of notes receivable as of June 30, 2025, are as follows:

Years ending June 30:	
2026	\$ 3,132,171
2027	3,131,655
2028	3,292,554
2029	3,265,188
2030	3,324,680
Thereafter	12,358,951
	<u>\$ 28,505,199</u>

The allowance for credit losses consist of a general reserve of \$4,050,528 and \$4,332,583 and a specific reserve of \$12,388,676 and \$12,371,421 at June 30, 2025 and 2024, 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 certain financial assets at fair value in accordance with ASC 820, Fair Value Measurement.

ASC 820 establishes a hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to observable inputs (Level 1) and the lowest to unobservable inputs (Level 3).

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, 2025 and 2024, 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 as of June 30, 2025:

	2025			
	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				
Sw ap agreements	\$ 2,691,261	\$ -	\$ 2,691,261	\$ -
Beneficial interest in trusts	25,728,031	-	-	25,728,031
Total other assets	29,919,292	-	2,691,261	25,728,031
Investments:				
Money market funds	127,859	127,859	-	-
Charitable Remainder Trusts:				
Cash	147,035	-	-	-
Equities	714,527	714,527	-	-
Fixed income	1,064,662	1,064,662	-	-
Mutual funds	6,715	6,715	-	-
Investment Portfolio	814,080,849	-	-	814,080,849
Investments held at CCFLA	87,240	-	-	87,240
Private company stock—Watson Land Company	40,809,933	-	-	40,809,933
Priest Qualified Plan:				
Money market funds	2,275,997	2,275,997	-	-
Custodial securities—stock	2,289	2,289	-	-
Total investments	859,317,106	4,192,049	-	854,978,022
Total assets	\$ 887,736,398	\$ 4,192,049	\$ 2,691,261	\$ 880,706,053
Liabilities:				
Accounts payable—liabilities to beneficiaries	\$ (1,935,562)	\$ -	\$ -	\$ (1,935,562)
Preneed contract liability	(2,797,970)	-	-	(2,797,970)
Total liabilities	\$ (4,733,532)	\$ -	\$ -	\$ (4,733,532)

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 as of 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				
Sw ap 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
Total other assets	29,302,075	-	6,651,070	22,651,005
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	-	-
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
Priest Qualified Plan:				
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 following tables represent changes in assets classified in Level 3 of the fair value hierarchy during the years ended June 30:

	2025					
	Beneficial Interest In Trust	Investment Portfolio	Investments Held at CCFLA	Private Company Stock-Watson Land Company	Accounts Payable-Liabilities to Beneficiaries	Preneed Funeral Liability
Contributions	\$ -	\$ 279,150,032	\$ -	\$ -	\$ -	\$ -
Withdrawals		(233,714,048)	(715,125)	(39,599,451)	-	-

	2024					
	Other Receivables-Beneficial Interest In Trust	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)	-	-	-	-

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 Investment Portfolio and Catholic Community Foundation Los Angeles (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, 2024 and 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. As of June 30, 2025, the Administrative Office held 51,780 shares of Watson Land securities and management currently has no plans to liquidate the investment.
- 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 Individual Annuity Reserving Mortality Table published by the Society of Actuaries or the United States Life Tables 2020, 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:

	2025	2024
Investment portfolios	\$ 814,168,089	\$ 711,287,142
Other investments	45,149,017	84,740,717
	<u>\$ 859,317,106</u>	<u>\$ 796,027,859</u>

In November 1986, the Archdiocese established the Investment 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 Investment Portfolio's service providers and the Archdiocese as agents, custodians, and trustees for the participants. Since being established, the servicing and custodial arrangements for the Investment 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 statements of financial position only include those participants consolidated in the accompanying financial statements.

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

	2025	2024
Long-Term Portfolio	\$ 360,721,239	\$ 590,817,066
Fixed Income Portfolio	453,446,850	120,470,076
	<u>\$ 814,168,089</u>	<u>\$ 711,287,142</u>

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. See Note 8.

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 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 consolidated statements of activities as change in value of beneficial interest in trusts.

At June 30, 2025 and 2024, the Administrative Office's beneficial interest in trusts totaled \$25,728,031 and \$22,502,028, which is classified as a Level 3 fair value measurement under the fair value hierarchy. The valuation is based on estimated value of the assets of the trusts, expected future distributions and applicable discount rates.

Distributions received from trusts during the years ended June 30, 2025 and 2024 were \$7,380 and \$492,311, respectively, and were recorded as donations in the consolidated statements of activities.

Note 11. Property and Equipment, Net

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

	2025	2024
Land	\$ 32,758,142	\$ 32,758,142
Cemetery and mausoleum developments	111,750,104	104,463,658
Buildings and improvements	77,185,030	61,848,742
Yard and yard buildings	5,730,639	5,730,639
Construction in progress	3,630,282	14,538,360
Furniture, fixtures and equipment	19,964,275	18,920,322
	251,018,472	238,259,863
Less accumulated depreciation and amortization	(155,838,203)	(148,493,923)
	\$ 95,180,269	\$ 89,765,940

Depreciation and amortization expense totaled \$7,829,016 and \$7,025,234 for the years ended June 30, 2025 and 2024, respectively.

Construction in progress represents cemetery and mausoleum facilities being renovated and not placed in service. Accordingly, these facilities and developments are 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 in each of the years ended June 30, 2025 and 2024 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. Goodwill is amortized using the straight-line method over a 10-year period and is tested for impairment at the entity level based on triggering events. Triggering events include a significant change in 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 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, 2025 and 2024, management determined that there were no triggering events during the years then ended.

Note 13. Pension and Other Postretirement Benefit Obligations

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

	2025	2024
Assets:		
Qualified Priest Pension Plan	\$ 11,293,000	\$ 9,169,000
Liabilities:		
Lay Employee's Pension Plan	(35,550,000)	(48,857,000)
Priests Supplemental Retirement Plan	(16,070,000)	(16,199,000)
Priests Other Postretirement Benefit Plan	(14,313,000)	(16,307,000)
Total liability for pension and postretirement plan benefits	\$ (65,933,000)	\$ (81,363,000)

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, 2025 and 2024:

	Qualified Priest Plan	Priest Supplemental	Priest Other Postretirement Benefit Plan	Lay Plan	Total Plans
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
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 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
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
Liability for pension benefits, June 30, 2024	\$ 9,169,000	\$ (16,199,000)	\$ (16,307,000)	\$ (48,857,000)	\$ (72,194,000)
Pension expense	337,000	(1,088,000)	(1,201,000)	(6,368,000)	\$ (8,320,000)
Contributions	-	1,083,000	602,000	-	\$ 1,685,000
Gains and losses:					
Due to remeasurement	433,000	307,000	1,487,000	(3,121,000)	\$ (894,000)
Investment performance	3,482,000	-	-	21,765,000	\$ 25,247,000
Discount rate change	150,000	51,000	333,000	1,810,000	\$ 2,344,000
Mortality assumption change					\$ -
Change in other assumptions	(1,012,000)	(283,000)	802,000	92,000	\$ (401,000)
Other gain (loss)	3,287,000	59,000	(29,000)	(871,000)	\$ 2,446,000
Total	6,340,000	134,000	2,593,000	19,675,000	\$ 28,742,000
New liabilities due to plan amendments	(4,553,000)				\$ (4,553,000)
Projected benefit obligation, June 30, 2025	(49,181,000)	(16,070,000)	(14,313,000)	(392,072,000)	\$ (471,636,000)
Assets	60,474,000	-	-	356,522,000	\$ 416,996,000
Liability for pension benefits, June 30, 2025	\$ 11,293,000	\$ (16,070,000)	\$ (14,313,000)	\$ (35,550,000)	\$ (54,640,000)

Lay Employees' Pension Plan: 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 Lay Plan and assesses each of the participating affiliates and nonaffiliates its portion of estimated annual pension cost. There were no contributions made to the Lay Plan for the years ended June 30, 2025 and 2024. Benefit payments of \$19,383,560 and \$18,220,000 were made from the Lay Plan during the years ended June 30, 2025, and 2024, respectively. All contributions to the Lay Plan are made by the Archdiocese. There are no employee contributions to the Lay 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 Lay Plan as a whole for the years ended June 30:

	2025	2024
Service cost, benefits earned during the period	\$ 7,383,000	\$ 7,661,000
Interest cost on projected benefit obligation	20,450,000	18,663,000
Actual return on plan assets	(43,231,000)	(36,779,000)
Net amortization and deferral	21,765,000	17,221,000
Net periodic pension cost	<u>\$ 6,367,000</u>	<u>\$ 6,766,000</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 \$2,934,247 and \$2,734,918 for the years ended June 30, 2025 and 2024, respectively.

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

	2025	2024
Accumulated benefit obligation for service rendered to date	<u>\$ (386,924,000)</u>	<u>\$ (379,245,000)</u>
Projected benefit obligation for service rendered to date	\$ (392,072,000)	\$ (383,382,000)
Plan assets at fair value	356,522,000	334,525,000
Funded status at end of year	<u>\$ (35,550,000)</u>	<u>\$ (48,857,000)</u>
Liability for pension benefits	<u>\$ (35,550,000)</u>	<u>\$ (48,857,000)</u>

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

	2025				
	Total	Investments Measured at NAV	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets:					
Money market funds	\$ 10,341,000	\$ -	\$ 10,341,000	\$ -	\$ -
Domestic common stocks	55,305,000	-	55,305,000	-	-
Foreign stocks	4,125,000	-	4,125,000	-	-
Mutual funds - equity	136,715,000	-	-	136,715,000	-
Mutual funds - fixed income	60,067,000	-	-	60,067,000	-
Collective investment funds	89,969,000	89,969,000	-	-	-
Total plan assets	<u>\$ 356,522,000</u>	<u>\$ 89,969,000</u>	<u>\$ 69,771,000</u>	<u>\$ 196,782,000</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)

	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:					
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>

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 at June 30, consisted of the following:

	2025	2024
Net loss	<u>\$ 7,489,000</u>	<u>\$ 27,164,000</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 for the years ended June 30 consisted of the following:

	2025	2024
Total gain recognized in net periodic pension cost	<u>\$ (13,307,000)</u>	<u>\$ 13,667,000</u>

In determining the actuarial present value of the projected benefit obligation, a weighted-average discount rate of 5.5% and 5.46% was used at June 30, 2025 and 2024, respectively. The assumed rate of increase in future compensation levels was 3% for both the years ended June 30, 2025 and 2024.

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,	
			2025	2024
Equities	60%-80%	70%	77%	71%
Fixed income	25%-35%	30%	23%	29%

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, 2025, are expected to be paid:

Years ending June 30:	
2026	\$ 24,797,824
2027	24,914,729
2028	25,329,685
2029	25,719,903
2030	26,268,567
2031-2035	137,018,087
	<u>\$ 264,048,795</u>

Qualified Priest Pension Plan and Priests Supplemental Retirement Plan: 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 \$1,083,182 to the Supplemental Plan were made during the year ended June 30, 2025. Contributions of \$0 to the Qualified Plan and \$1,055,000 to the Supplemental Plan were made during the year ended June 30, 2024. Benefit payments of \$2,968,865 from the Qualified Plan and \$1,083,182 from the Supplemental Plan were made during the year ended June 30, 2025. 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.

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:

	2025		2024	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Service cost, benefits earned during the period	\$ 839,000	\$ 249,000	\$ 908,000	\$ 275,000
Interest cost on projected benefit obligation	2,480,000	839,000	2,564,000	883,000
Actual return on plan assets	(7,138,000)		(6,242,000)	
Net amortization and deferral	4,829,000	77,000	3,971,000	233,000
Net periodic pension cost	\$ 1,010,000	\$ 1,165,000	\$ 1,201,000	\$ 1,391,000

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

	2025		2024	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Accumulated benefit obligation for service rendered to date	\$ (46,498,000)	\$ (16,070,000)	\$ (44,742,000)	\$ (16,199,000)
Projected benefit obligation for service rendered to date	\$ (49,181,000)	\$ (16,070,000)	\$ (47,307,000)	\$ (16,199,000)
Plan assets at fair value	60,474,000	-	56,476,000	-
Funded status at end of year	\$ 11,293,000	\$ (16,070,000)	\$ 9,169,000	\$ (16,199,000)
Asset (liability) for pension benefits	\$ 11,293,000	\$ (16,070,000)	\$ 9,169,000	\$ (16,199,000)

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 at June 30:

	2025				
	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	\$ 1,996,000	\$ -	\$ 1,996,000	\$ -	\$ -
Money market funds	1,330,000	-	1,330,000	-	-
Domestic common stocks	8,759,000	-	8,759,000	-	-
Foreign stocks	648,000	-	648,000	-	-
Mutual funds - equity	21,088,000	-	-	21,088,000	-
Mutual funds - fixed income	10,335,000	-	-	10,335,000	-
Collective investment funds	16,318,000	16,318,000	-	-	-
Total plan assets	\$ 60,474,000	\$ 16,318,000	\$ 12,733,000	\$ 31,423,000	\$ -

	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	\$ -

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:

	2025		2024	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net loss (gain)	\$ (7,551,000)	\$ 4,434,000	\$ (1,211,000)	\$ 4,748,000
Prior service cost	12,433,000	(251,000)	9,227,000	(354,000)
	<u>\$ 4,882,000</u>	<u>\$ 4,183,000</u>	<u>\$ 8,016,000</u>	<u>\$ 4,394,000</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 for the years ended June 30 consisted of the following:

	2025		2024	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Net gain	\$ (6,340,000)	\$ (134,000)	\$ (7,815,000)	\$ (1,319,000)
Prior service cost	4,553,000			
Amortization of gain	-	(180,000)	(25,000)	(336,000)
Amortization of prior service credit	(1,347,000)	103,000	(1,347,000)	103,000
Total gain recognized	<u>\$ (3,134,000)</u>	<u>\$ (211,000)</u>	<u>\$ (9,187,000)</u>	<u>\$ (1,552,000)</u>

	2025		2024	
	Qualified Plan	Supplemental Plan	Qualified Plan	Supplemental Plan
Total gain recognized	<u>\$ (2,124,000)</u>	<u>\$ 955,000</u>	<u>\$ (7,986,000)</u>	<u>\$ (161,000)</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 5.5% and 5.47% was used for the years ended June 30, 2025 and 2024, respectively.

Qualified Priest Pension Plan and Priests Supplemental Retirement 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 \$602,000 and \$642,000 were made to the plan during the years ended June 30, 2025 and 2024, 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:

	2025	2024
Service cost, benefits earned during the period	\$ 400,000	\$ 464,000
Interest cost on projected benefit obligation	800,000	890,000
Net amortization and deferral	(538,000)	(344,000)
Net periodic pension cost	\$ 662,000	\$ 1,010,000

The Administrative Office's assessed portion of net periodic pension cost for the priests' pension and priest's other postretirement benefit plan included in priests' support and retirement in the accompanying consolidated statements of activities was \$448,000 and \$462,000 for the years ended June 30, 2025 and 2024, respectively.

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

	2025	2024
Accumulated postretirement benefit obligation for service rendered to date	\$ (14,313,000)	\$ (16,307,000)

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 for the years ended June 30 consisted of the following:

	2025	2024
Net loss (gain)	\$ (4,241,000)	\$ (2,043,000)
Prior service cost	(913,000)	(1,257,000)
Total gain recognized in statement of activities	<u>\$ (5,154,000)</u>	<u>\$ (3,300,000)</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 for the years ended June 30 consisted of the following:

	2025	2024
Net gain	\$ (2,592,000)	\$ (2,043,000)
Amortization of loss	194,000	-
Amortization of prior service cost	344,000	344,000
Total gain recognized on the consolidated statements of activities	<u>\$ (2,054,000)</u>	<u>\$ (1,699,000)</u>

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

	2025	2024
Discount rate—Qualified and Supplemental Plan (pension)	5.47%	5.20%
Discount rate—Supplemental Plan (postretirement medical)	5.51%	5.23%
Expected long-term rate of return on assets (qualified plan)	6.66%	7.08%
Future benefit increases—Qualified and Supplemental Plan (pension)	3.00%	3.00%

Assumptions used to determine benefit obligations at year-end:

	2025	2024
Discount rate—Qualified and Supplemental Plan (pension)	5.50%	5.47%
Discount rate—Supplemental Plan (postretirement medical)	5.67%	5.51%
Future benefit increases—Qualified and Supplemental Plan (pension)	3.00%	3.00%

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	
			2025	2024
Equities	60%-80%	70%	73%	62%
Fixed income	25%-35%	30%	27%	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:			
2026	\$ 3,502,491	\$ 1,098,925	\$ 606,183
2027	3,522,601	1,103,215	629,672
2028	3,578,769	1,119,012	659,541
2029	3,627,007	1,131,768	690,508
2030	3,622,545	1,139,118	717,206
Thereafter	18,563,654	5,854,746	4,116,326
	<u>\$ 36,417,067</u>	<u>\$ 11,446,784</u>	<u>\$ 7,419,436</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 contributed and expensed \$81,600 and \$73,100 to the 403(b) Plan during the years ended June 30, 2025 and 2024, 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:

	2025	2024
Term A loan	\$ 100,000,000	\$ 100,000,000
Term B loan	1,549,451	2,043,956
Cemetery equipment loan payable	-	223,931
	<u>\$ 101,549,451</u>	<u>\$ 102,267,887</u>

On April 30, 2021, the Administrative Office entered into a credit facility 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 credit agreement to terminate the \$25,000,000 revolving line of credit.

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, 2025, the interest rate in effect for Term Loan A and Term Loan B was 5.29%. The term 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 consolidated statements 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 instruments resulted in an asset of \$2,691,261 and \$6,651,070 for the years ended June 30, 2025 and 2024, respectively. The interest rate swap agreement was effective on May 1, 2021, and matures on May 1, 2026.

The Cemetery entered into a loan agreement with a bank, effective March 11, 2022, for \$970,438 with a term of 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.

Debt Covenant Non-compliance: As of June 30, 2025 and 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 AB 218 settlement (see Note 16). The lender amended the April 30, 2021 amended and restated credit agreement to waive the covenant violation for the years ended June 30, 2025 and 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 years ended June 30, 2025 and 2024.

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

Note 15. 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 \$17,448,285 and \$29,566,575 as of June 30, 2025 and 2024, respectively. Other assessments to Parishes and interest on affiliate loans comprised of \$23,646,466 and \$22,970,246 for the years ended June 30, 2025 and 2024, 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 \$117,034 and \$103,753 for the years ended June 30, 2025 and 2024, 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 Roman Catholic 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 to continue their ministries with 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 \$28,834,902 and \$34,493,607 for the years ended June 30, 2025 and 2024, respectively.

Note 16. Settlement of AB 218 Litigation

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 California 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 AB 218 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.

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

Note 16. Settlement of AB 218 Litigation (Continued)

As of December 2025, the Archdiocese was aware of approximately 1,900 such claims, which had been filed, naming the Archdiocese.

In the fall of 2023, the Archdiocese commenced a confidential mediation with the Coordinating Committee for the plaintiffs. 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, after adjusting for certain plaintiffs who did not complete the settlement process, the Archdiocese paid an initial amount of \$654,149,900 in August 2025, with the remaining balance due in April 2026. Plaintiffs have undertaken a process for allocating the settlement to individual settling parties. The Archdiocese was not involved in the allocation process. During the mediation and settlement process and continuing to December 2025, the Archdiocese settled an additional 503 cases on an individual basis for an aggregate amount of \$111,662,500. Certain cases have been resolved or dismissed without payment.

The Corporation Sole entered into Settlement Contribution Agreements with named co-defendants to satisfy \$66,333,229 (\$65,070,192, discounted) of the global and individual settlement amounts described above. The Administrative Office recorded \$20,395,051 and \$65,070,192 (discounted) of AB 218 settlement receivables in the accompanying consolidated statement of financial position at June 30, 2025 and 2024, respectively. Settlement receivables in the amount of \$17,820,237 have been collected through February 2026.

The Administrative Office recorded a AB 218 claims settlement liability, consisting of individual settlements, global settlement amounts anticipated and related legal fees, in the amount of \$856,725,145 and \$923,608,027 at June 30, 2025 and 2024, respectively in the accompanying consolidated statements of financial position. The amounts accrued represents management's best estimate of the liability on a discounted basis through the completion of the litigation. Payments in the amount of \$657,415,209, including the initial global settlement payment of \$654,149,900, were made subsequent to June 30, 2025. AB 218 claims settlement expense of \$11,285,922 and \$689,262,243 were included in Other Changes AB 218 claims settlement in the accompanying consolidated statements of activities for the years ended June 30, 2025 and 2024, respectively.

The Administrative Office intends to satisfy the remaining AB 218 settlement liability by liquidating certain assets of the Administrative Office and other external funding through contributions, financing or a combination of these options as needed. See Note 25.

Note 17. Other Litigations

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. The Archdiocese may also be subject to claims arising from alleged incidents of childhood sexual assault under current California law, which provides for extended or, in some cases, no statute of limitations for sexual assault.

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

Note 18. Commitments and Contingencies

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 \$14,643,815 and \$26,866,190 at June 30, 2025 and 2024, respectively. A total of \$3,487,450 was collected subsequent to June 30, 2025, with the remainder expected to be collected during fiscal year 2026. As such, the Administrative Office does not have reason to believe it will need to act on the guarantee as of the date of this report.

Note 19. Leases

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, which is anticipated to be in 2026, and the agreement includes one option to extend the lease for a period of five 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 are expected to commence in 2026.

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

	June 30, 2025	June 30, 2024
Operating lease cost	\$ 4,191,242	\$ 4,480,754
Short-term lease cost	-	-
Variable lease cost	-	-

Rent expense was approximately \$6,874,689 and \$6,936,697 for the years ended June 30, 2025 and 2024, respectively.

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

Note 19. Leases (Continued)

Supplemental balance sheet information related to leases is as follows:

	June 30, 2025	June 30, 2024
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 75,205	\$ 32,520
Weighted-average remaining lease term:		
Operating leases	10.5 Years	10.2 Years
Weighted-average discount rate:		
Operating leases	3.11% June 30,	3.20% June 30,
Years ending June 30:	Combined	
2025	\$ 2,451,239	
2026	2,009,505	
2027	1,523,142	
2028	1,517,597	
2029	1,515,882	
Thereafter	10,329,750	
Total	<u>19,347,115</u>	
Less imputed interest	<u>(2,915,416)</u>	
Total present value of lease liabilities	<u>\$ 16,431,699</u>	

Note 20. Insurance Claims Reserves

During the year ended June 30, 2012, the Archdiocese established ALAIC, a captive insurance company organized in the state of Montana as a nonprofit organization. ALAIC underwrites liability insurance for Archdiocesan parishes, offices, schools and other entities. ALAIC also underwrites workers' compensation insurance as part of the Archdiocese's certificate of self-insurance from the California Department of Industrial Relations.

ALAIC insures a portion of parish, schools and other Archdiocesan entities' property, earthquake and flood, auto physical damage, fiduciary liability and crime exposures. Fine Art and Equipment Breakdown coverages continue to be insured under a separate commercial policy.

The commercial insurance program is administered by ADLARM, a California nonprofit organization, established by the Archdiocese. Losses in excess of ALAIC's insurance limits are commercially insured and ADLARM administers the commercial insurance program.

For certain exposures, the Archdiocese retains a portion of the risk through self-insurance programs subject to specific stop-loss limits. The insurance claims reserve represents management's estimate of amounts required to settle reported claims and claims that have been incurred but not yet reported. The estimate is based on historical claims experience, current trends and actuarial evaluations. Due to the inherent uncertainty in estimating future claims costs, actual results could vary from estimates.

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Notes to the Consolidated Financial Statements

Note 20. Insurance Claims Reserves (Continued)

At June 30, 2025 and 2024, the insurance claims reserve totaled \$172,525,272 and \$118,423,228, respectively. The claims expense for the years ended June 30, 2025 and 2024 were \$41,689,262 and \$46,264,506, respectively. These expenses are included in General and administrative expense on the accompanying Consolidated Statements of Activities. Estimated recoveries from insurance carriers related to outstanding claims at June 30, 2025 totaled \$64,152,834 and \$11,253,638, respectively. These amounts are recorded as Other receivables. The reserve and the related recoveries are not offset in the accompanying financial statements.

The insurance claims coverage as of June 30, 2025 are as follows:

Coverage	ALAIC Retentions		ADLARM Retention	Commercial Insurance Policy Limit
	Per Occurance	Annual Aggregate		
Property	\$750,000	\$4,000,000	Excess of Agg	\$400,000,000
Earthquake/flood	5%	\$2,000,000	(a)	\$110,000,000
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
Workers compensation	\$975,000	None	\$25,000	Statutory
Sensitive (before 7/1/18)	\$2,000,000	\$4,000,000	Excess of Agg	No Coverage
Sensitive (on/after 7/1/18)	\$2,000,000 in excess of \$2,000,000	\$4,000,000	\$2,000,000	No Coverage
Equipment breakdown/boiler and machinery	None	None	(a)	\$250,000,000
Fine arts	None	None	(a)	\$10,000,000
Crime	\$250,000	\$500,000	(a)	\$3,000,000/\$10,000,000
Fiduciary liability	\$50,000	\$500,000	(a)	\$5,000,000/\$10,000,000
Cyber liability	None	None	\$200,000	\$5,000,000/\$5,000,000
Medical Stop Loss	\$750,000 in excess of \$500,000	None	None	No Limit

(a) The Administrative Office is responsible for uninsured and underinsured claims.

Note 21. 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 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 \$1,512,070 and \$781,297 as of June 30, 2025 and 2024, respectively. Total amounts payable to beneficiaries are \$684,879 and \$410,571 as of June 30, 2025 and 2024, respectively. The discount rate used for the years ended June 30, 2025 and 2024 was 7%.

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

Note 22. 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:

	2025	2024
Purpose restrictions:		
Repair and maintenance	\$ 8,123,105	\$ 7,444,713
Operating subsidiaries	4,978,262	4,978,262
Educational purposes	21,108,690	20,157,309
Office of Religious Education	321,686	489,845
House of Prayer	24,894	24,894
Called to Renew	97,519	197,026
Together in Mission	3,112,632	2,894,185
Cardinal Award Dinner	361,220	735,666
Elderly and Sick Priest Fund	3,106,257	3,106,257
Estate Trust A	1,466,200	1,824,871
Estate Trust B	6,913,446	5,973,828
Estate Trust C	1,944,542	1,879,164
Other	4,030,925	4,080,751
Time restrictions:		
Pledges receivable, net of affiliate liability (Education purposes and Together in Mission)	26,604,405	2,476,681
Other receivables—beneficial interest in trusts	356,569	148,977
Endowments	38,111,894	35,292,242
	<u>\$ 120,662,246</u>	<u>\$ 91,704,671</u>

Note 23. 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 23. 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, 2025 and 2024. 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:

	2025	2024
Vocation in Progress	\$ 7,029,171	\$ 6,316,324
Adopt-a-Family	3,833,363	3,586,803
Repair and maintenance	9,577,833	9,156,728
Educational purposes	9,998,520	9,165,667
Office of Religious Education	2,887,099	2,621,845
House of Prayer	1,572,339	1,412,835
Called to Renew	2,203,933	2,091,419
Other	952,274	942,440
	<u>\$ 38,054,532</u>	<u>\$ 35,294,061</u>

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

	2025	2024
Endowment net assets, beginning of year	\$ 35,294,061	\$ 34,044,597
Investment return:		
Investment income	862,640	770,956
Net appreciation (realized and unrealized)	2,970,435	2,801,811
Total investment return	<u>3,833,075</u>	<u>3,572,767</u>
Contributions	11,164	29,480
Appropriation of endowment funds for expenditure	<u>(1,083,768)</u>	<u>(2,352,783)</u>
Endowment net assets, end of year	<u>\$ 38,054,532</u>	<u>\$ 35,294,061</u>

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

Note 23. 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, 2025 and 2024, no donor-restricted endowments fell below this required level.

Note 24. Liquidity and Availability

As a nonprofit organization, the Administrative Office is required to disclose information about its liquid resources available for general expenditures considering donor restrictions and other limitations.

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

	2025	2024
Cash and cash equivalents	\$ 64,848,557	\$ 61,707,147
Contracts receivable, net	143,407,312	146,262,876
Affiliate receivables, net	20,124,203	22,411,426
Pledges receivable, net	2,871,260	3,150,275
Other receivables	72,218,772	21,138,713
Notes receivable	12,065,995	15,106,986
Investments	822,148,493	760,789,062
Endowment investments	37,168,613	35,238,797
Beneficial interest in trusts, net	25,728,031	22,502,028
Total financial assets	1,200,581,236	1,088,307,310
Less:		
Net assets with donor restrictions	95,662,246	91,704,671
Payable to affiliates	17,448,285	29,566,575
Custodial Collections	26,010,730	19,774,443
Private company stock - Watson Land Company	40,809,933	82,003,774
Contracts receivable - over one year	129,917,847	125,830,490
Notes receivable - over one year	25,373,028	27,171,339
Notes Payable	101,549,451	102,267,887
	436,771,520	478,319,179
Financial assets available to meet cash needs for general expenditures within one year	\$ 763,809,716	\$ 609,988,131

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

Note 25. Subsequent Events

In July 2025, E&W paid \$137,130,377 to the Administrative Office. The amount was used to partially fund the initial global settlement payment in August 2025 of \$654,149,900. The funds were raised by E&W through a private placement financing secured by future Spectrum lease payments through March 2035. See Note 1.

In July 2025, the Administrative Office sold various investments held in the Investment Portfolio. Gross proceeds from the sales were \$500,000,000.

In January 2026, the Mortuaries acquired certain crematory assets pursuant to an asset purchase agreement for total consideration of \$5,225,000. The transaction is considered an asset acquisition and consideration will be allocated to assets acquired based on relative fair values. This transaction will allow Cemeteries and Mortuaries to provide full services more efficiently to patrons in a manner that is consistent with Catholic teachings and to also make mortuary services available to third-party funeral homes. The acquisition is not reflected in the accompanying financial statements.



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